

**DRAFT RED HERRING PROSPECTUS**

February 24, 2010

Please read Section 60B of the Companies Act, 1956

(The Draft Red Herring Prospectus will be updated and become Red Herring Prospectus upon RoC filing)

**100% Book Building Issue****RS SALUJA GROUP****SEL TEXTILES LIMITED**

(Our Company was originally incorporated as Jupiter Drapes & Cuts Apparels Private Limited on July 1, 2008 under the Companies Act, 1956. The name of our Company was changed to SEL Textiles Private Limited vide fresh Certificate of Incorporation dated April 3, 2009. Subsequently, our Company was converted into a public limited company vide fresh Certificate of Incorporation dated October 15, 2009 and the name of our Company was changed to "SEL Textiles Limited". Our Company has been allocated Corporate Identification Number U17299PB2008PLC032050. There has been no change in the registered office of our Company since incorporation.)

**Registered Office:** Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana – 141010, Punjab; **Tel No:** +91 161 6611111; **Fax No:** +91 161 6611112;

**Email:** ipo@rssalujagroup.co.in; **Website:** www.rssalujagroup.co.in; **Contact Person:** Ms. Himani Dua, Company Secretary and Compliance Officer

**Promoter: SEL Manufacturing Company Limited**

**PUBLIC ISSUE OF 1,10,00,000 EQUITY SHARES OF RS.10/- EACH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF RS. [●] PER EQUITY SHARE) FOR CASH AGGREGATING RS. [●] LACS (THE "ISSUE") INCLUDING RESERVATION FOR ELIGIBLE EMPLOYEES OF 2,00,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS [●] LACS ("EMPLOYEE RESERVATION PORTION"), BY SEL TEXTILES LIMITED (THE "COMPANY" OR THE "ISSUER"). THE NET ISSUE TO THE PUBLIC IS OF 1,08,00,000 EQUITY SHARES OF RS. 10 EACH AT A PRICE OF RS. [●] FOR CASH AGGREGATING RS. [●] LACS (REFERRED TO AS THE "NET ISSUE"). THE NET ISSUE SHALL CONSTITUTE 27.25 % OF THE POST ISSUE PAID UP CAPITAL OF OUR COMPANY. THE ISSUE WILL CONSTITUTE 27.76% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.**

**Price Band: Rs. [●] To Rs. [●] Per Equity Share of Face Value of Rs. 10 Each**

The Price Band and the minimum bid lot size will be decided by our Company, in consultation with the Book Running Lead Manager and advertised at least two working days prior to the bid/issue opening date.

**The Floor Price is [●] times of the Face Value and the Cap Price is [●] times of the Face Value**

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE), whose online IPO system will be available for bidding, by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager (BRLM) and the terminals of the member(s) of the Syndicate.

This Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue will be allocated to Qualified Institutional Buyers (QIBs) on a proportionate basis, subject to valid bids being received at or above the Issue Price. Out of the portion available for allocation to the QIBs, 5% will be available for allocation to Mutual Funds only. Mutual Fund Bidders shall also be eligible for proportionate allocation under the balance available for the QIBs. The remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 50% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

**RISKS IN RELATION TO THE FIRST ISSUE**

This being the first issue of Equity Shares of our Company, there has been no formal market for our Equity Shares. The Face Value of the Equity Shares is Rs.10/- and the Floor Price is [●] times of the Face Value and the Cap Price is [●] times of the Face Value. The Price Band (has been determined and justified by the BRLM and the Issuer as stated under the chapter on "Basis for Issue Price" beginning on page 62 of the Draft Red Herring Prospectus) should not be taken to be indicative of the market price of our Equity Shares after our Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares of our Company nor regarding the price at which the Equity Shares will be traded after listing.

**GENERAL RISK**

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document. **Specific attention of the investors is invited to the statement of 'Risk Factors' beginning on page 11 of the Draft Red Herring Prospectus.**

**ISSUER'S ABSOLUTE RESPONSIBILITY**

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

**IPO GRADING**

The Issue has been graded by [●] and has been assigned a grade of [●] indicating [●] fundamentals. For further details and grading rationale, please refer to page 38 of the Draft Red Herring Prospectus under the section 'General Information'.

**LISTING ARRANGEMENT**

The Equity Shares issued through the Draft Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE) and on The National Stock Exchange of India Limited (NSE). In-principle approvals have been received from BSE and NSE for the listing of the Equity Shares vide their letters dated [●] and [●] respectively. For the purpose of this Issue, BSE shall be the Designated Stock Exchange.

**BOOK RUNNING LEAD MANAGER**

**Saffron Capital Advisors Private Limited**  
**SEBI Registration No:** INM000011211  
 204, Vishwananak, Gurunanakwadi,  
 Andheri Ghatkoper Link Road,  
 Chakala, Andheri (East), Mumbai - 400 099  
**Tel No:** +91 22 4082 0906/0903  
**Fax No:** +91 22 4082 0999  
**Website:** www.saffronadvisor.com  
**Email:** seltextiles.ipo@saffronadvisor.com  
**Investor Grievance Id:** investorgrievance@saffronadvisor.com  
**Contact Person:** Mr. Saurabh Vijay

**REGISTRAR TO THE ISSUE**

**Link Intime India Private Limited**  
**SEBI Registration No:** INR000004058  
 C-13, Pannalal Silk Mills Compound,  
 LBS Marg, Bhandup (West),  
 Mumbai - 400 078  
**Tel No:** +91 22 2596 0320  
**Fax No:** +91 22 2596 0329  
**Website:** www.linkintime.co.in  
**Email:** sel.ipo@linkintime.co.in  
**Contact Person:** Mr. Sachin Achar

**ISSUE PROGRAMME**

**BID/ISSUE OPENS ON : [●], 2010**

**BID/ISSUE CLOSURES ON : [●], 2010**



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## SECTION I - DEFINITIONS AND ABBREVIATIONS

### CONVENTIONAL/GENERAL TERMS

Term	Description
Act/ Companies Act	The Companies Act, 1956, as amended from time to time
Equity Shares	The Equity Shares of face value of Rs. 10 each of SEL Textiles Limited
Indian GAAP	Generally Accepted Accounting Principles in India
Non Resident	A person who is not an NRI, FII and is not a person resident in India
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Quarter	A period of three continuous months
RBI Act	The Reserve Bank of India Act, 1934
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time.
SEBI (ICDR) Regulations, 2009	Means the regulations for Issue of Capital and Disclosure Requirements issued by Securities and Exchange Board of India, constituted in exercise of powers conferred by Section 30 of the Securities and Exchange Board of India Act, 1992 (as amended), called Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
Stock Exchanges	Bombay Stock Exchange Limited (BSE) and The National Stock Exchange of India Limited (NSE)

### ISSUE RELATED TERMS

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, Allotment of Equity Shares pursuant to this Issue
Allottee	The successful Bidder to whom the Equity Shares are being/have been allotted
Applications Supported by Blocked Amount (ASBA)	Application Supported by Blocked Amount means an application (whether physical or electronic) subscribing to an Issue containing an authorization to block the Bid Amount in their specified bank account with Self Certified Syndicate Bank
ASBA Bidders/Investor	A Bidder / an Investor other than QIB Bidder, who intends to apply through ASBA process
ASBA Form / ASBA BCAF	The Bid-cum-Application Form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purpose of Red Herring Prospectus and Prospectus
ASBA Bid Revision Form	The form used by ASBA 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)
Banker(s) to the Issue / Escrow Collection Banks	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened and in this case being [•]
Bid	<p>An indication to make an offer made during the Bidding Period by a prospective investor, pursuant to submission of a Bid-cum-Application Form to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto</p> <p>For the purposes of ASBA Bidders, it means an indication to make an offer during the Bidding Period by any Bidder other than QIB Bidder pursuant to the submission of an ASBA Bid-cum-Application Form to subscribe to the Equity Shares</p>
Bid Lot/ Minimum bid	[•] Equity Shares and in multiples of [•] Equity Shares thereafter.

<b>Term</b>	<b>Description</b>
lot	
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue
Bid/ Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English and Hindi national newspapers, and a regional language newspaper.
Bid-cum-Application Form / Bid Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for allotment in terms of the Red Herring Prospectus
Bid/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in widely circulated English and Hindi national newspapers and a regional language newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form, including an ASBA Bidder.
Bid/ 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 including any revisions thereof.
Book Building Process	Book Building Process as provided under Schedule XI of SEBI (ICDR) Regulations, 2009, in terms of which this Issue is being made
Brokers to this Issue	Brokers registered with any recognized Stock Exchange, appointed by the Members of the Syndicate
BRLM	Book Running Lead Manager to this Issue, in this case being Saffron Capital Advisors Private Limited
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted in this case being Rs. [•]
Cut-off /Cut-off Price	Any price within the Price Band finalized by our Company in consultation with the BRLM. A bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band.
Controlling Branches	Such branches of the SCSBs which co-ordinate Bids received under this Issue by the ASBA Bidders with the BRLM, the Registrar to the Issue and the Stock Exchange(s) and a list of which is available at <a href="http://www.sebi.gov.in">www.sebi.gov.in</a>
Depository	A body corporate registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A Depository Participant as defined under the Depositories Act, 1996
Designated Branches	Branch offices of the SCSBs which the respective SCSB has identified as a designated branch at which the physical ASBA Form can be submitted by an ASBA Investor.
Designated Date	The date on which funds are transferred from the Escrow Account of our Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited (BSE)
Draft Red Herring Prospectus/ DRHP	The Draft Red Herring Prospectus, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue, which was filed with the SEBI and Stock Exchanges. It will become a Red Herring Prospectus issued in accordance with the provisions of Section 60B of the Companies Act after filing with the RoC at least three days before the opening of the Issue. It will become a Prospectus after filing with the RoC after determination of the Issue

Term	Description
	Price
Electronic ASBA Application / Bid	Submission of ASBA Bid-cum-Application Form electronically, by an ASBA Investor, through the internet banking facility offered by the SCSBs.
Eligible NRI	NRIs from such jurisdiction outside India where it is not unlawful for our Company to make this Issue or an invitation under this Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares offered herein.
Eligible Employees	Means permanent employees of our Company who are Indian Nationals, are based in India and are physically present in India on the date of submission of the bid-cum-application form
Employee Reservation Portion	2,00,000 Equity Shares of Rs.10 each available for allocation to Eligible Employees on a competitive basis at the Issue Price.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	An Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst our Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLM and the Syndicate Member(s) in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted in this case being Rs. [•]
Issue	Public Issue of 1,10,00,000 Equity Shares of Rs.10/- each at a Price of Rs. [•] per Equity Share (including a Premium of Rs. [•] per Equity Share) for cash aggregating Rs. [•] Lacs (the "Issue"), including reservation for Eligible Employees of 2,00,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share aggregating Rs [•] Lacs ("Employee Reservation Portion"), by SEL Textiles Limited (the "Company" or the "Issuer"). The Net Issue to the public is of 1,08,00,000 Equity Shares of Rs. 10 each at a price of Rs. [•] for cash aggregating Rs. [•] Lacs (referred to as the "Net Issue"). The Net Issue shall constitute 27.25 % of the post issue paid up capital of our Company. The Issue will constitute 27.76% of the fully diluted post Issue paid-up capital of our Company.
Issue Management Team	The team managing this Issue as set out in the chapter titled 'General Information' in the Draft Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM on the Pricing Date
Issue Period	The Issue period shall be [•] being the Bid/Issue Opening date, to [•] being the Bid/Issue Closing date
Issue Proceeds	The proceeds of the Issue that will be available to our Company being upto Rs. [•] Lacs
Margin Amount	The amount paid by the Bidder (except ASBA Investor) at the time of submission of his/her Bid, which may range from 10% to 100% of the Bid Amount as applicable.
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time
Mutual Fund Portion	That portion of the Net Issue, being 5% of the QIB Portion or 2,70,000 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only
Non Institutional	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders

<b>Term</b>	<b>Description</b>
Bidders	and who have Bid for Equity Shares for an amount more than Rs.1,00,000
Non Institutional Portion	The portion of the Net Issue being not less than 15% of the Net Issue i.e. 16,20,000 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders on a proportionate basis, subject to receipt of valid Bids at or above the Issue Price
Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 03, 2003 and immediately before such date had taken benefits under the general permission granted to Overseas Corporate Bodies under the FEMA. Overseas Corporate Bodies are not permitted to invest in this Issue.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% Margin Amount at the time of bidding, as applicable.
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/ Issue Opening Date and extending until the Bid/Issue Closing Date, (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date as specified in the CAN
Physical ASBA Application / Bid	ASBA Bid-cum-Application Forms submitted by an ASBA Investor physically with the designated branches of the SCSBs.
Price Band	Being the Price Band of a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•] and includes revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM finalizes the Issue Price
Prospectus	The prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account and accounts of ASBA Investors for this Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	<p>“Qualified Institutional Buyer” means:</p> <ul style="list-style-type: none"> <li>(i) a mutual fund, venture capital fund and foreign venture capital investor registered with the Board;</li> <li>(ii) a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the Board;</li> <li>(iii) a public financial institution as defined in section 4A of the Companies Act, 1956;</li> <li>(iv) a scheduled commercial bank;</li> <li>(v) a multilateral and bilateral development financial institution;</li> <li>(vi) a state industrial development corporation;</li> <li>(vii) an insurance company registered with the Insurance Regulatory and Development Authority;</li> <li>(viii) a provident fund with minimum corpus of twenty five crore rupees;</li> <li>(ix) a pension fund with minimum corpus of twenty five crore rupees;</li> <li>(x) National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;</li> <li>(xi) Insurance funds set up and managed by Army, Navy or Air Force of the Union of India</li> </ul>
QIB Portion	The portion of this Issue being at least 50% of the Net Issue, i.e. 54,00,000 Equity Shares of Rs 10 each available for allocation on proportionate basis to QIBs of which 5% shall be available for allocation on proportionate basis to Mutual Funds



Term	Description
	registered with SEBI, subject to valid bids being received at or above the Issue Price.
Refund Account	The no-lien account maintained by the Refund Bank(s) to which the surplus money shall be transferred on the Designated Date.
Refund Bank	The bank(s) which have been appointed / designated for the purpose of refunding the amount to investors (except ASBA Investors) either through the electronic mode as prescribed by SEBI and / or physical mode in accordance with the procedure contained in the Chapter titled “Issue Procedure” beginning on page 184 of the Draft Red Herring Prospectus.
Resident Retail Individual Investor /Resident Retail Individual Bidder	A Retail Individual Bidder who is a “person resident in India” (as defined in Foreign Exchange Management Act, 1999)
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than Rs. 1,00,000 in any of the bidding options in this Issue (before the Retail Discount in any of the Bidding Options in the Issue)
Retail Portion	The portion of this Issue being not less than 35% of the Net Issue i.e. 37,80,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s)
Red Herring Prospectus/ RHP	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which will not have complete particular of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the bid/ Issue Opening date and will become Prospectus after filing with the RoC after determination of the Issue Price
Registrar to the Issue or Registrar	In this case being, Link Intime India Private Limited
Self Certified Syndicate Bank (SCSB)	Self Certified Syndicate Bank (SCSB) is a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of ASBA, including blocking of bank account and a list of which is available on <a href="http://www.sebi.gov.in">http://www.sebi.gov.in</a>
Syndicate	The BRLM and the Syndicate Member(s)
Syndicate Agreement	The agreement to be entered into between our Company, BRLM and the Syndicate Member(s), in relation to the collection of Bids in this Issue
Syndicate Member(s)	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member(s) are appointed by the BRLM in this case being [•].
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member(s) to the Bidder as proof of registration of the Bid on the online system of BSE/NSE.
Underwriters	The BRLM and the Syndicate Member(s).
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date.

#### ISSUER RELATED TERMS

Term	Description
“SEL Textiles Limited”, “SEL Textiles”, “our Company”, “the Company”, “the Issuer Company”, “the Issuer” “we”, “us”, and “our”	Unless the context otherwise requires, refers to SEL Textiles Limited, a public limited company incorporated under the Companies Act, 1956.

Articles/ Articles of Association	The Articles of Association of SEL Textiles Limited
Auditors	The Statutory Auditors of our Company namely, M/s. Dinesh K. Mehtani, Chartered Accountants.
Board / Board of Directors	The Board of Directors of SEL Textiles Limited unless otherwise specified or any committee constituted thereof
Memorandum/ Memorandum of Association	The Memorandum of Association of SEL Textiles Limited
Objects of the Issue / Project	The present issue is being made to raise the funds for the following purposes: 1. Setting up a new facility for manufacturing of Terry Towels with an installed capacity of 3600 TPA; 2. Public Issue expenses
Promoter(s)	Unless the context otherwise requires, refers to SEL Manufacturing Company Limited
Promoter Group Entities/ Group Companies / Associate Companies	<b>GROUP COMPANY</b> 1. Shiv Narayan Investments Private Limited 2. Rythm Textile & Apparels Park Limited 3. Silverline Textile Park Limited 4. SEL Developers Private Limited 5. SEL Aviation Private Limited 6. Vista Knitberry Fashions Private Limited  <b>PARTNERSHIP CONCERNS:</b> 7. M/s S E Exports 8. M/s Kudu Industries 9. M/s Saluja International 10. M/s Saluja Fabrics  <b>PROPRIETORSHIP CONCERNS:</b> 11. M/s Saluja Foundry & Allied Industries 12. M/s R S Saluja Hosiery
Registered Office of our Company	Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana -141010, Punjab, India.
RoC	Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh situated at Corporate Bhawan, Plot No. 4B, Sector 27 B, Madhya Marg, Chandigarh - 160019

#### INDUSTRY RELATED TERMS

Term	Description
DG Sets	Diesel Generator Sets
DFIA	Duty Free Import Authorisation
DEPB	Duty entitlement pass book scheme
ETP	Effluent Treatment Plant
EPCG	Export Promotion Capital Goods Scheme
FDI	Foreign Direct Investment
GOI	Government of India
Kg/Ha	Kilograms Per Hectare
FOB	Free on Board
RONW	Return on Net Worth
SITP	Scheme for Integrated Textile Park
Sq. Mtrs.	Square Meters
SSI	Small Scale Industry

Term	Description
TPA	Tonnes Per Annum
TPD	Tonnes Per Day
TUFS	Technology Upgradation Funds Scheme

## ABBREVIATIONS

Term	Description
A.Y./ AY	Assessment Year
A/c	Account
AGM	Annual General Meeting of our Company
AS	Accounting Standards
BSE	Bombay Stock Exchange Limited
CBDT	Central Board of Direct Taxes
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CLB	Company Law Board
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
DP	Depository Participant
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
ESI	Employee State Insurance
ESOS/ESPS	Employee Stock Option Scheme / Employee Stock Purchase Scheme
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations issued there under.
FI	Financial Institution
FIIs	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI as required under FEMA (Transfer or Issue of Security by a person resident outside India) Regulations, 2000 and other applicable laws in India.
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GIR Number	General Index Register Number
IT	Information Technology
I.T. Act	The Income Tax Act, 1961
ITAT	Income Tax Appellate Tribunal
IPO	Initial Public Offer
MAT	Minimum Alternate Tax
MF	Mutual Fund
Mn.	Million
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NRI	Non Resident Indian
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
PAT	Profit After Tax

PBDIT	Profit Before Depreciation, Interest and Tax
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
PE Ratio	Price Earning Ratio
QIB	Qualified Institutional Buyer
RBI	Reserve Bank of India
Rs.	Indian Rupees
RTGS	Real Time Gross Settlement
SEBI	Securities and Exchange Board of India
SIA	Secretariat for Industry Assistance
TAN	Tax Deduction Account Number
TIN	Tax Identification Number
TRS	Transaction Receipt Slip
USD/US\$	United States Dollar
VAT	Value Added Tax
WDV	Written Down Value
w.e.f.	With effect from
WTO	World Trade Organisation

## **SECTION II - GENERAL**

### **PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA**

#### **Financial Data**

Unless stated otherwise, the financial information used in the Draft Red Herring Prospectus is derived from our Company's restated financial statements for the financial year ended March 31, 2009 and for the 9 months period ended December 31, 2009 and financial year ended March 31, 2009 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI (ICDR) Regulations, 2009, as stated in the report of our Auditors, Dinesh K. Mehtani, Chartered Accountants, *beginning on page 127 of the Draft Red Herring Prospectus*.

Our Financial Year commences on April 1 and ends on March 31 of the ensuing calendar year. Unless stated otherwise, references herein to a Financial Year (e.g., Financial Year 2009), are to the Financial Year ended March 31 of that particular year.

In the Draft Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in the Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, Companies Act and SEBI (ICDR) Regulations, 2009. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in the Draft Red Herring Prospectus should accordingly be limited. Our Company has not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on financial data.

#### **Market and Industry Data**

Unless stated otherwise, industry data used throughout the Draft Red Herring Prospectus has been obtained or derived from industry publications and/or publicly available government documents. Industry publications or publicly available government documents generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although our Company believes that industry data used in the Draft Red Herring Prospectus is reliable, it has not been verified by us or any other person connected with the Issue.

## FORWARD LOOKING STATEMENTS

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

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

- General economic and business conditions in the markets in which we operate and in the local, regional and national economies;
- Changes in laws and regulations relating to the industry in which we operate;
- Increased competition in Textile industry;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various projects and business plans including those for which funds are being raised through this Issue;
- Our ability to meet our capital expenditure requirements;
- Fluctuations in operating costs;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India or in other countries that may adversely affect us (directly or indirectly), the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- The performance of the financial markets in India and globally; and
- Any adverse outcome in the legal proceedings in which we are involved.

For a further discussion of factors that could cause our actual results to differ, *please refer Section titled “Risk Factors” beginning on page 11 of the Draft Red Herring Prospectus, and Chapters titled “Business Overview” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements” beginning on pages 84 and 154, respectively of the 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. Neither our Company nor the BRLM, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until the time of grant of listing and trading permissions by the Stock Exchanges.

## SECTION III - RISK FACTORS

### RISK FACTORS

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

#### **Materiality**

*The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality.*

- 1. Some risks may not be material individually but may be material when considered collectively.*
- 2. Some risks may have an impact which is qualitative though not quantitative.*
- 3. Some risks may not be material at present but may have a material impact in the future.*

#### **PROJECT RELATED RISKS**

- 1. Our Company has embarked upon a Rs. 10,216.26 Lacs Project, which is large in comparison to its current size of operations. Our management may face the problem in managing the day-to-day affairs of our Company after the completion of project and increased scale of operations. An equity investor is therefore faced with an uncertainty of performance by the management.***

Our Company has embarked upon a Rs. 10,216.26 Lacs Project. The Project involves setting up a new facility for manufacturing of Terry Towels with an installed capacity of 3600 TPA. The successful implementation and commencement of the Project depends upon the ability of our management to handle such a large project. A project of this size is likely to consume a lot of our management's attention during the implementation period.

Further, we have also entered into a MoU dated August 21, 2009 for the acquisition of a spinning unit at Hansi, Haryana with an installed capacity of 25,200 spindles. Hence our growth strategies are a mix of organic and inorganic methods of growth. To the extent management is unable to focus on the current operations of our Company in an efficient manner, the operations of our Company may be affected. We may also not be able to sustain the growth strategies in future, as growth may place significant demands on our management and other resources. It will require us to continue to develop and enhance our operational, financial and other internal controls. Our inability to manage growth would adversely affect our business prospects and results of operations.

- 2. Our Company proposes to venture into Terry Towel manufacturing which is a forward integration project and our Company does not have any prior experience or background in Terry Towel manufacturing. Further, we may not be able to estimate our future performance and our expansion plans may not yield the benefits actually intended.***

Our Company is currently into manufacturing of cotton yarn and proposes to set up a Terry Towel manufacturing unit, for which we do not have any prior experience or background. Therefore our prospects must be considered in light of the risks and uncertainties encountered in evolving markets and changing trends where demand and supply for our products manufactured may vary. As a result we cannot give any assurance about our business strategy being successful. Our expansion plans are based on the feasibility study done by our Company and internal estimates. Actual market conditions may vary from these estimates and therefore may not yield the returns intended. However, our Promoter Company, SEL Manufacturing Company Limited is experienced in the manufacturing of Terry Towel which may be helpful to us in setting up the proposed project.

- 3. *The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution. The deployment of funds in the project is entirely at our discretion and as per the details mentioned in the section titled “Objects of the Issue”. Any revision in the estimates may require us to reschedule our Project expenditure and may have a bearing on our expected revenues and earnings.***

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. We may have to revise our management estimates from time to time and consequently our funding requirements may also change. Our estimates for the project may exceed the value that would have been determined by third party appraisals and may require us to reschedule our project expenditure which may have a bearing on our expected revenues and earnings. Further, the deployment of the funds towards the objects of the Issue is entirely at the discretion of our Board of Directors and is not subject to monitoring by external independent agency. However, the deployment of funds is subject to monitoring by our audit committee.

- 4. *We have not yet placed orders for Plant and Machinery aggregating Rs. 7,856.28 Lacs required by us. Any delay in placing the orders/ or supply of plant and machinery may result in time and cost overruns, and may affect our profitability.***

We propose to acquire plant and machinery aggregating Rs. 7,856.28 Lacs for our proposed project which is approximately 76.90% of the Issue Proceeds. We have not yet placed orders for plant and machinery aggregating 7856.28 Lacs required by us which constitutes 100.00% of the total plant and machinery required. We are further subject to risks on account of inflation in the price of plant and machinery. Our Company has received quotations for these machineries, and negotiations with the vendors have commenced. The details of quotations received appear in *paragraph titled “Plant and Machinery” beginning on page 54 under the Section titled ‘Objects of the Issue’ beginning on page 50 of the Draft Red Herring Prospectus*. Since the funding for the plant and machinery is solely from the IPO proceeds, any delay in access to IPO proceeds would eventually delay the process of placing the orders. The purchase of plant and machinery would require us to consider factors including but not limited to pricing, delivery schedule and after-sales maintenance. There may also be a possibility of delay at the suppliers’ end in providing timely delivery of these machineries, which in turn may delay the implementation of our project.

- 5. *We have not made firm arrangements for funding of balance working capital requirement from Banks. The failure to obtain additional financing may adversely affect our ability to grow and our future profitability.***

Additional working capital requirement for the proposed project has been estimated at Rs. 1653.00 Lacs for FY 2012, of which margin amount of Rs. 211.00 Lacs would be funded out of the Issue Proceeds, whereas the balance amount i.e. Rs. 1442.00 lacs would be arranged by way of borrowings from Banks. However, as on date no arrangements for the same have been finalized by our Company. We cannot assure you that we will be able to raise additional financing on acceptable terms in a timely manner or at all. Our failure to renew existing funding or to obtain additional financing on acceptable terms and in a timely manner could materially and adversely



impact our planned capital expenditure, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

**6. *Our new Project is dependent on performance of external agencies and non performance by them may lead to delay in project implementation and may adversely affect our business and profitability.***

Our Project is dependent on performance of external agencies, which are responsible for construction of buildings, installation and commissioning of plant & machinery and supply & testing of equipments. We cannot assure that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements with respect to timeline and quality of performance, we may be required to replace these external agencies, which could result in incremental cost and time overruns of the Project, and in turn could adversely affect our business operations and profitability.

**7. *We are subject to risks arising from foreign exchange rate fluctuations, which could adversely affect our financial condition.***

Our Company intends to import some plant & machineries. Since the cost of these plants & machineries are denominated in foreign currency, any adverse fluctuations in the exchange rate of foreign currency for Indian Rupee could adversely affect our financial condition and operations. We have not hedged our risks against foreign exchange fluctuations in this regard.

**8. *Our manufacturing activities are dependent upon availability of skilled and unskilled labour. Our inability to attract labour or maintain harmonious relations with labour may affect the operations of our Company.***

Our Company proposes to manufacture terry towels for which we require both skilled and unskilled labour. Non-availability of labour and/or any disputes between the labour and the management may affect the continuity of our business operations.

**9. *Failure to meet future export obligations would entail payment of the amount of duty saved together with interest.***

Currently we do not have any outstanding export obligations. However, our Company proposes to import certain plant & machinery, required for the proposed Terry Towel project, under the EPCG Scheme, in terms of which, capital goods may be imported at a concessional rate of custom duty. As per the EPCG scheme, we may be required to export goods aggregating in value to eight times of the custom duty saved, failing which an amount equivalent to the duty amount saved along with interest at applicable rates would be required to be paid to the Government of India.

#### **INTERNAL RISKS**

**10. *Our Promoter Company, SEL Manufacturing Company Limited and our Promoter Group Entity M/s S.E. Exports, a partnership concern are involved in a number of legal proceedings which, if determined against us, could adversely affect our business and financial condition.***

Our Promoter Company, SEL Manufacturing Company Limited and our Promoter Group Entity M/s S.E. Exports, a partnership concern are involved in certain legal proceedings and claims incidental to their business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Any adverse decision may render us liable and may adversely affect our groups business and results of operations. A classification of

these legal and other proceedings instituted against/by our Company is given in the following table:

**a) Cases by and against our Promoter Company**

Type of legal proceedings	Total number of pending cases	Amount Involved (Rs. in Lacs)
Income Tax matters	3	359.40
Customs matters	1	150.00

**b) Cases involving our Group Partnership, M/s S.E. Exports**

Type of legal proceedings	Total number of pending cases	Amount Involved (Rs. in Lacs)
Income Tax matters	3	237.3

For further details regarding these legal proceedings, please refer to Chapter titled “Outstanding Litigations, Material Developments and Other Disclosures” beginning on page 160 of the Red Herring Prospectus.

**11. Our Company has a negative cash flow, details of which are given below. Sustained negative cash flow could impact our growth and business.**

Particulars	(Rs. in Lacs)	
	March 31, 2009	December 31, 2009
Cash flow from operating activities	-0.36	-2730.00
Cash flow from investing activities	0.00	-3987.69

Cash flow of a company is a key indicator to show the extent of cash generated from operations to meet capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If we are not able to generate sufficient cash flows, it may adversely affect our business and financial operations.

**12. Some of the Promoter Group Entities have incurred losses in the last three years. Sustained financial losses by our Group Companies may not be perceived positively by external parties such as customers, bankers, suppliers etc, which may affect our credibility and business operations.**

The following Promoter Group Companies/Entities have incurred losses in one or more of the last three years:

Name of the Company	(Rs. In Lacs)		
	FY 2007	FY 2008	FY 2009
<b>GROUP COMPANY</b>			
Shiv Narayan Investments Private Limited		(2.04)	(41.28)
Rythm Textile & Apparels Park Limited			(5.87)
Silverline Textile Park Limited			(0.10)
SEL Developers Private Limited			(0.12)
SEL Aviation Private Limited			(0.12)
Vista Knitberry Fashions Private Limited			(0.10)
<b>PARTNERSHIP CONCERNS</b>			
M/s Saluja International	(4.95)	(48.42)	(0.29)
M/s Saluja Fabrics	(67.57)	(79.50)	(34.17)

**13. We have certain contingent liabilities, which have not been provided for. Crystallization of any of these contingent liabilities may adversely affect our financial condition.**

The Contingent liabilities of our Company not provided for, as certified by our statutory auditors are as under:

(Rs. In Lacs)		
Sr. No.	Nature of Liability	As on 31.12.09
1)	Bills discounted	246.88

In the event any of these contingent liabilities gets crystallized, our financial condition may be adversely affected.

**14. Our Company may be exposed to changes in interest rate.**

Our Company's interest and financial cost for 9 months ended December 31, 2009 was Rs. 29.58 Lacs constituting 1.65% of our turnover for the same period. Any increase in interest rate may increase our Company's interest cost and affect its profits and operations negatively.

**15. We have issued Equity Shares in the last twelve months, the price of which may be lower than the Issue Price.**

We have issued Equity Shares in last twelve months and the price at which these equity shares are issued may be less than the Issue Price. The price at which the Equity Shares were being issued in last twelve months is not indicative of the price which may be offered in this Issue. *For further details of Equity Shares issued, please refer to Chapter titled, 'Capital Structure' beginning on page 42 of the Draft Red Herring Prospectus.*

**16. Our Company operates under several statutory and regulatory permits, licenses and approvals. Our failure to obtain and/or renew any approvals or licenses in future may have an adverse impact on our business operations.**

Our Company requires several statutory and regulatory permits, licenses and approvals to operate the business. Many of these approvals are granted for fixed periods of time and need renewal from time to time. Our Company is required to renew such permits, licenses and approvals. There can be no assurance that the relevant authorities will issue any of such permits or approvals in time or at all. Further, these permits, licenses and approvals are subject to several conditions, and our Company cannot assure that it shall be able to continuously meet such conditions or be able to prove compliance with such conditions to statutory authorities, and this may lead to cancellation, revocation or suspension of relevant permits/ licenses/ approvals. Failure by our Company to renew, maintain or obtain the required permits, licenses or approvals, or cancellation, suspension or revocation of any of the permits, licenses or approvals which may result in the interruption of our Company's operations and may have a material adverse effect on the business. *For details please refer to Chapter titled "Government and Other Statutory Approvals" beginning on page 163 of the Draft Red Herring Prospectus.*

**17. Our Company has acquired two spinning units for which no independent valuations were conducted.**

Our Company has acquired the existing spinning unit known by the name of 'Perna Syntex at Neemrana, Rajasthan from Vast Textiles Limited vide agreement for purchase of property dated June 29, 2009 at a consideration of Rs. 3251.00 Lacs. The Neemrana facility has an installed capacity of 24960 spindles. Further, we have entered into MoU dated August 21, 2009 for the acquisition of a existing spinning unit at Hansi, Haryana from Radhika Fibres India Limited at a lump sum consideration of Rs. 2689.20 Lacs with an installed capacity of 25,200 Spindles. No

independent valuation for the valuation was carried out and the consideration was finalised based on our Company's own assessment and estimates. However, none of our Promoter or Director is were interested or related parties in these transactions.

**18. *The prices we are able to obtain for the yarns that we produce depend largely on prevailing market prices. Any decrease in yarn prices may adversely affect our profitability.***

Both Cotton and yarn prices are cyclical in nature. Adverse movement in either may have an impact on profitability of our Company. The wholesale price of cotton has a significant impact on our profits. Cotton is subject to price fluctuations resulting from weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond our control. As a result, any prolonged decrease in cotton prices could have a material adverse effect on our Company and our results of operations.

**19. *Increase in cotton prices or decrease in supply of cotton may materially adversely affect our business***

Raw material cost constitutes significant percentage of our total expenses. Raw materials costs accounted for 69.11% of our Turnover and 75.19% of operating expenses for the 9 months period ended December 31, 2009. Our primary raw material is cotton, which we source from the domestic market. Cotton is an agricultural product and its supply and quality are subject to forces of nature. Any material shortage or interruption in the domestic supply or deterioration in the quality of cotton due to natural causes or other factors could result in increased production costs, which we may not successfully be able to pass on to customers, which in turn would have an material adverse effect on our business. Although domestic cotton prices have been lower than imported, price levels for cotton in the recent past but there can be no assurance that the price levels of cotton will remain favourable. Any increase in cotton prices would have a material adverse effect on our business.

**20. *Substantial portions of our Sales have been dependent upon a few customers. The loss of any one or more of our major customers would have a material adverse effect on our business operations and profitability.***

Our top 5 customers contributed approximately 75.49% of our sales for the 9 months period ended December 31, 2009. Further, our top ten customers contributed approximately 87.14% of our sales for the same period. Any decline in our quality standards and growing competition and any change in the demand for our product by these customers may adversely impair our ability to retain these customers. The loss of our major customers or a decrease in the volume of products sourced from us may adversely affect our revenues and profitability. We cannot assure you that we shall generate the same quantum of business, or any business at all, from these customers, and loss of business from one or more of them may adversely affect our operations and profitability.

**21. *We are dependent upon few suppliers for our raw material for our current manufacturing facilities. In an eventuality where our suppliers are unable to deliver us the required materials in a time-bound manner it may have a material adverse effect on our business operations and profitability.***

About 77.79% of our purchases depend upon our top 5 suppliers for the 9 months period ended December 31, 2009. Further our top 10 suppliers contribute about 91.10% of our total purchases for the 9 months period ended December 31, 2009. Any problems faced by our suppliers in their manufacturing facilities resulting in delays or non-adherence to quality requirements could adversely impact our ability to meet our customer's requirements in time and our operations would be affected to the extent we are unable to line up supplies from alternate suppliers.

**22. *Our Company does not have any long term contracts with its customers. Any significant variation in the demand may adversely affect the operations and profitability of our Company.***

Our Company sells its products based on the purchase orders placed by its customers. The demand for yarn manufactured by our Company is dependant on customers' requirements, which further depends on market conditions and competition. Our Company does not have any long term arrangements with its customers. Any significant variation in the demand may adversely affect the operations and profitability of our Company.

**23. *Any failure to keep abreast with the latest trends in the technologies may adversely affect our cost competitiveness and ability to develop new products.***

We operate in a technologically intensive environment, where we will be competing on a global scale for our Terry Towel products. Players of the Textile industry are largely dependent on the technology adopted. The manufacturing process in the Textile Industry is prone to technological and process changes. Technology by its very nature is dynamic and ever-changing, and we may not be able to keep pace with the rapidly changing technological environment. Any such failure on our part could adversely affect our ability to compete efficiently, our cost-competitiveness and the quality of our products, which could consequentially adversely affect our sales and profitability.

**24. *Any defects in our products could make our Company liable for customer claims, which in turn could affect our Company's results of operations.***

Our Company is bound by the terms and conditions as stated in the purchase order placed by its customers. There are no specific regulations governing the supply of the same, other than the general law of contracts. Any claims made by these customers for defects in the products, would be subject to these terms and conditions, which are in the nature of normal contractual obligations in India. Any violation of these obligations could impact our Company's results of operations.

**25. *Mishaps or accidents in the manufacturing facilities could result in a loss or shutdown of operations and could also cause damage to life and property.***

The manufacturing facilities of our Company are subject to operating risks, including but not limited to, breakdown or accidents & mishaps. While, till date, there have not been any incidents involving mishaps or major accidents, we cannot assure that these may not occur in the future. Any consequential losses arising due to such events will affect our operations and financial condition.

**26. *If our Company cannot manage its growth effectively, the business, operations and financial results of our Company will suffer.***

Our Company is expanding its operations by a mix of both Organic and Inorganic Models of Growth and expects to continue to do so in the future, including by expanding its work force and production capabilities. At the same time, it continues to seek to refine its operations in order to reduce costs while maintaining and improving the quality of its products. At this stage of our business, we believe that a combination of organic and inorganic models will help us continue to grow. Strategic acquisitions would help us in leveraging complementary skills to capture market opportunities as well as reduce time-to-market and accelerate growth. Managing such growth and change is likely to pose complex challenges, as it would for any company. Management resources and operational, financial and other management information systems could possibly be strained, perhaps on a regular basis. If our Company cannot manage its growth successfully, the business, operations and financial results of our Company will suffer.

**27. *Failure to comply with the conditions applicable under TUFS, may render our Company ineligible for interest subsidies.***

Our Company presently avails term loan facilities for which we have applied for eligibility under TUFS. These loans are eligible for 5% interest subsidy. Such interest subsidies are allowed subject to fulfilment of conditions provided therein. If we fail to comply with the conditions stipulated under the TUFS, our Company may be denied the interest subsidy, making its operations less cost effective.

**28. *Our Company may face risks arising from any disproportionate increase in labour costs including in relation to increased wage demands, labour unrest, or claims arising from industrial accidents.***

Currently, our Company has manpower strength of 795 employees, of which 21 are of management cadre, 61 officer/clerks and 713 workers. The number of our employees is likely to increase with our proposed expansion plans. Currently, our Company's workmen are not represented by any labour unions. While we consider our labour relations to be good, there is no assurance that it will not experience future disruptions to its operations due to problems with its workforce. For the 9 months period ended December 31, 2009, the staff cost constituted about 6.37% of our Company's cost of production. In the event the cost of labour continues to increase, we may be unable to pass on the additional increase to our customers due to market conditions and pricing pressure from our competitors. This would result in our Company being required to absorb the additional increase in cost, which may have a material adverse effect on our profitability. Any upward revision of the prescribed minimum wage or other benefits required to be paid to its workers (including in the event of injuries or death sustained in course of employment, dismissal or retrenchment), or unavailability of the required number of labour in future, may adversely affect the revenues and operations of our Company. Although, we endeavour to provide a safe working environment to all our employees, we cannot rule out the possibility of future industrial accidents. A claim brought against us may have a material adverse effect on its financial position.

**29. *Our ability to pay dividends will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lender's approvals and other factors.***

Till date our Company has not paid any dividends. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements, capital expenditures, lender's approvals and other factors. There can be no assurance that we shall have distributable funds or that we will declare dividends in the future. Additionally, the terms of any financing we obtain in the future, may contain restrictive covenants which may also affect some of the rights of our shareholders, including the payment of the dividend.

**30. *Any disruption affecting the production facilities could have a material adverse effect on our Company's business, financial position and results of operations.***

Any significant interruption to the operations as a result of industrial accidents, severe weather or other natural disasters could materially and adversely affect our Company's business, financial condition and results of operations. There can be no assurance that such events may not occur and that if they do occur, the production would not be materially and adversely impacted. Our Company is also subject to mechanical failure and equipment shutdowns. In the event that our Company is forced to shut down any of its production facilities for a significant period of time, it would have a material adverse effect on its earnings, other results of operations and its financial condition as a whole.

**31. Our success depends largely upon the services of our Chairman and Managing Director and other key managerial personnel and our ability to retain them. Our inability to attract and retain key managerial personnel may adversely affect the operations of our Company.**

Our Company and our Promoting Company have over the years built relations with suppliers, customers and other persons who are connected with us. Further, most of the key managerial personnel of our Company have joined recently. Accordingly, our Company's performance is dependent upon the services of our Chairman and Managing Director and other key managerial personnel. Our future performance will depend upon the continued services of these persons. Demand for key managerial personnel in the industry is intense and our inability to attract and retain key managerial personnel may affect the operations of our Company.

**32. Delays or defaults in client payments could result in a reduction of our profits.**

We may be subject to working capital shortages due to delays or defaults in payment by clients. In case our customers default/delay in their payment obligations to us, for which we have devoted significant resources, it could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

**33. Members of our Promoters' Group will continue to retain significant control in our Company after the Issue, which will allow them to influence the outcome of matters submitted to shareholders for approval in their favour.**

After this Issue, members of our Promoter group will beneficially own approximately 72.24% of our post-Issue Equity Share Capital. As a result, our Promoters' Group will have the ability to exercise significant influence over all matters requiring shareholders' approval, including the election of directors and approval of significant corporate transactions. The Promoters' Group will also be in a position to influence any shareholder action or approval requiring a majority vote, except where they are required by applicable laws to abstain from voting. Such a concentration of ownership may also have the effect of delaying, preventing or deterring a change in control.

**34. We have entered into related party transactions aggregating Rs. 471.78 Lacs for the 9 months period ended December 31, 2009. Such transactions or any future transactions with related parties may potentially involve conflicts of interest and impose certain liabilities on our Company.**

Our Company has entered into certain Related Party Transactions with our Promoter Company. The total amount of related party transactions for the 9 months period ended December 31, 2009, aggregated to Rs. 471.78 Lacs. The details of the same are as under:

Particulars	9 months period ended
	December 31, 2009
<b>SEL Manufacturing Company Limited</b>	
Purchases	323.69
Sales	147.89
Rent Paid	0.20
<b>Total</b>	<b>471.78</b>

There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of our operations. For further information please refer "Annexure 19" beginning on page 141 under Chapter titled "Auditors' Report and Financial Information of our Company" beginning on page 127 of the Draft Red Herring Prospectus.

- 35. Our Company has taken on lease, properties owned by our Promoter Company, SEL Manufacturing Company Limited for our registered office and also for setting up of new Terry Towel Project. If the agreement under which we occupy the premises are not renewed or renewed on such terms and conditions that are unfavourable to us, we may suffer a disruption in our operations which could have a material adverse effect on our business and operations. The details of these properties are as under:**

Sr. No.	Details of the Agreement	Description of the Property	Validity	Rent paid	Usage
1.	Lease Deed dated November 4, 2009 (Extension of Lease Agreement dated February 15, 2010)  Lessor - SEL Manufacturing Company Limited	Ground Floor, 274, Dhandari Khurd, G.T. Road, Ludhiana (Punjab) 141 010	The lease is for a period of 12 (Twelve) years commencing from November 5, 2009 to November 4, 2021  The lease period may be extended with mutual discussion and consent after the expiry of the lease on November 4, 2021 for a further period of 12 years.	Security Deposit – Nil. Monthly Lease Rent – INR 10,000 (Rupees Ten Thousand).	Registered Office
2.	Lease Deed dated January 1, 2010.  Lessor - SEL Manufacturing Company Limited	Land measuring 11 Acre 1 Kanal 5 ½ M at Village Shekhan Majra, Machiwara Rahon Road, Dist. Nawan Shehar, Punjab	The lease is for a period of 11 (Eleven) years commencing from January 1, 2010 to December 31, 2020.  The lease period may be extended with mutual discussion and consent after the expiry of the lease on December 31, 2020 for a further period of 11 years.	Security Deposit – Nil. Annual Lease Rent – INR 50,000 (Rupees Fifty Thousand).	For Proposed Unit III for the manufacturing of Terry Towel

- 36. RIICO has transferred the leasehold rights of M/s Prerna Syntex to our Company on certain terms and conditions and in case of breach of any condition our operations may be adversely affected.**

Our Company has purchased the lease hold rights relating to the plot of land situated at SP – 15BCD & 20BCD Industrial Area, Neemrana, Behror, Alwar, Rajasthan (“the Premises”) from M/s Prerna Syntex (“Prerna Syntex”) (a Unit of VAST Textiles Limited) vide (registered) Sale Deed dated July 22, 2009 (“the Sale Deed”) entered into amongst our Company and Prerna Syntex. The said lease had been granted to Prerna Syntex by Rajasthan State Industrial Development & Investment Corporation Ltd. (“RIICO”).

Our Company had subsequent to execution of the said Sale Deed applied to RIICO requesting it to allow transfer of the leasehold rights relating to the premises from Prerna Syntex to our



Company. RIICO vide letter no. Sr. RM/ SJPR/ 2382 dated August 13, 2009 allowed our Company's application for transfer of leasehold rights. The aforesaid permission is inter alia subject to the following terms and conditions:

- a) The constitution of M/s SEL Textiles Private Limited will be a Private Limited Company. Our Company has however obtained No Objection Certificate from RIICO to this effect.
- b) The Company shall duly pay the Economic Rent ("ER"), Service Charge and all other charges, as may be applicable to the said premises;
- c) The term of the lease shall be 99 years, which shall be deemed to have started from June 2, 1994;
- d) The plot shall be used for manufacture of cotton yarn;
- e) The transfer shall be subject to the condition that a no-objection certificate is obtained from the Rajasthan pollution Control and Prevention Board before starting the construction and consent before starting production from the plot;

In case there is a breach of any of the conditions mentioned in the present letter from RIICO, the allotment shall be automatically treated as cancelled and security money shall be forfeited.

**37. Some of our Promoter Group entities have objects similar to that of our Company's business and this could lead to a potential conflict of interest.**

Our Promoter Company, SEL Manufacturing Company Limited is engaged in the same line of business as ours. Further, one of our Promoter Group Company i.e. Vista Knitberry Fashions Private Limited have objects similar to that of our Company. Vista Knitberry Fashions Private Limited was incorporated with the object of carrying fashion textile related business however it has not started any business till date. Further, our two group partnership firms, i.e. M/s SE Exports and M/s Kudu Industries having business interests, which may be similar to that of our Company and which may be in conflict with our Company.

Other than our Promoter Company, none of our Group Companies are currently carrying any business competing with that of our Company, and we do not have any non-compete agreement/arrangement with any of the aforesaid companies. Further, our Promoter or Promoter Group Entities may incorporate more companies or partnership firms in future to undertake similar line of business, which may compete with our Company.

**38. Insurance cover available for certain risks as is customary in our business may be inadequate and may not protect us from entire liability for damages in case of any unforeseen adverse event.**

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions and/or insurance, the indemnities set forth in our contracts and/ or our insurance may not be enforceable in all instances or the limitations of liability may not protect us from entire liability for damages. A successful assertion of one or more large claims against us could adversely affect the results of our operations. Our Company has availed following insurance policies:

Sr. No.	Period	Policy No.	Sum assured	Particulars of policy	Insurer	Unit for which insurance is covered
1	20/07/2009 to 19/07/2010	200900/11/09/11/00000297	Total Sum Insured Rs.20,00,00,000/- [Individual Insurance Coverage of	Standard Fire and Special Perils Policy	United India Insurance Company Limited	Building and machinery situated at Plot No.15B, RIICO Industrial

			Rs.10,00,00,000/- each on building and machinery. Also an add-on coverage of Rs.20,00,00,000/- for earthquake (fire and shock).			Area, Neemrana, Alwar, Rajasthan.
	20/07/2009 to 19/07/2010	200900/21/09/02/00000429	Total Sum Insured Rs.10,00,00,000/- and per transit/ location limit of Rs. 2,00,00,000/-	Marine Insurance.	United India Insurance Company Limited	Consignment of all types of raw material such as cotton and/ or acryloic and/ or fiber used in raw material, yarn duly packed.
	21/10/09 to 20/10/2010	200900/11/09/12/00008464	Rs.10,00,00,000	Fire Policy	United India Insurance Company Limited	Plant & Machinery (Fire Policy)
	23/09/2009 to 22/09/2010	200900/21/09/02/00000638	Total Sum Insured Rs.6,00,00,000/- and per transit/ location limit of Rs. 60,00,000/-	Marine Cargo	United India Insurance Company Limited	Consignment said to contain all types of yarns duly packed.

We have not claimed any losses against our insurance policy cover. There are various other types of risks and losses for which we are not insured, such as loss of business and environmental liabilities, because they are either uninsurable or not insurable on commercially acceptable terms. We also do not carry any key-man insurance. Should an uninsured loss or a loss in excess of insured limits occur, or our insurers decline to fully compensate us for our losses, we could incur liabilities, lose capital invested in that property or lose the anticipated future income derived from that business or property, while remaining obligated for any indebtedness or other financial obligations related to our business. Any such loss could result in an adverse effect to our financial condition.

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

As per our current financing arrangements with our lenders, we are subject to certain restrictive covenants which require us to obtain the prior consent of the respective lenders before undertaking certain actions such as:

- Our Company will not effect any material change in the capital structure of our Company or formulate any scheme of amalgamation or reconstruction.
- Our Company will not effect any major changes in the management of our Company without prior permission of the bank.
- Our Company will not pay any dividend without the lenders' approval, if the cash accruals are less than those projected in the base case financial model or there is any irregularity in term loan/ interest payments.
- Our Company will agree for disclosures under bank/RBI/CIBIL norms.

In the event that such lenders, in the future decline to consent or delay in granting the consent to our plans of expansion/modernization/diversification of our business, such declination or delay as the case may be may have adverse bearing on our future growth plan. For further details about the facilities availed by us from our lenders, please refer to Annexure 14 on page 138 under the chapter "Auditors' Report And Financial Information of Our Company" beginning on page 127 of the Draft Red Herring Prospectus.

## **EXTERNAL RISK FACTORS**

### ***40. Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.***

Global economic and political factors that are beyond our control, influence forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, foreign exchange fluctuations, consumer credit availability, consumer debt levels, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude.

### ***41. Global recession and market conditions could cause our business to suffer.***

The developed economies of the world viz. U.S., Europe, Japan and others are in midst of recovering from recession which is affecting the economic condition and markets of not only these economies but also the economies of the emerging markets like Brazil, Russia, India and China. General business and consumer sentiment has been adversely affected due to the global slowdown and there cannot be assurance, whether these developed economies will see good economic growth in the near future. Consequently, this has also affected the global stock and commodity markets.

### ***42. Any disruption in the supply of power, IT infrastructure, telecom lines and disruption in internet connectivity could disrupt our business process or subject us to additional costs.***

Any disruption in basic infrastructure or the failure of the Government to improve the existing infrastructure facilities could negatively impact our business since we may not be able to provide timely or adequate services to our clients. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power, IT infrastructure, internet connectivity or telecom lines is disrupted. This may result in the loss of a client, impose additional costs on us and have an adverse effect on our business, financial condition and results of operations and could lead to decline in the price of our Equity Shares.

### ***43. Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.***

India has experienced natural calamities such as earthquakes, tsunami, floods and drought in the past few years. Natural calamities could have a negative impact on the Indian economy and may cause suspension, delays or damage to our current projects and operations, which may adversely affect our business and our results of operations.

### ***44. Outbreak of contagious diseases in India may have a negative impact on the Indian industry.***

Recently, there have been threats of epidemics, including the H1N1 virus that causes "swine flu" and which the World Health Organization has declared a pandemic, in the Asia Pacific region,

including India, and in other parts of the world. If any of our people are suspected of having contracted any of these infectious diseases, we may be required to quarantine such people or the affected areas of our facilities and temporarily suspend part or all of our operations which would have a material adverse effect on our business, prospects, financial condition and results of operations and could cause the price of our Equity Shares to decline.

**45. *Terrorist attacks and other acts of violence or war involving India, the United States, and other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.***

Terrorist attacks and other acts of violence or war, including those involving India, the United States or other countries, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

**46. *The price of our Equity Shares may be highly volatile, or an active trading market for its Equity Shares may not develop.***

After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop. The prices of our Equity Shares on the Stock Exchanges may fluctuate as a result of several factors, including:

- Volatility in the Indian and global securities market;
- Our results of operations and performance, in terms of market share;
- Performance of the Indian economy;
- Changes in Government policies;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Perceptions about our future performance or the performance of Textile companies generally;
- Performance of the Company's competitors in the Textile Industry and market perception of investments in the Indian Textile Industry;
- Adverse media reports on our Company or the Textile Industry;
- Significant developments in India's economic liberalization and deregulation policies; and
- Significant developments in India's fiscal and environmental regulations.

**47. *The Issue price of our Equity Shares may not be indicative of the market price of our Equity Shares after the Issue and the market price of our Equity Shares may decline below the issue price and you may not be able to sell your Equity Shares at or above the Issue Price.***

The Issue Price of our Equity Shares will be determined on the basis of the Book Building Process. This price will be based on numerous factors (*For further information please refer Chapter titled "Basis for Issue Price" beginning on page 62 of the Draft Red Herring Prospectus.*) and may not be indicative of the market price of our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to sale your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- Quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- Changes in revenue or earnings estimates or publication of research reports by analysts;
- Speculation in the press or investment community;
- General market conditions; and

- Changes in economic, legal and regulatory factors (both domestic and international) unrelated to our performance such as global recession, imposition of trade / non trade barriers and sanctions etc.

**48. You will not be able to immediately sell any of our Equity Shares purchased through this Issue on Stock Exchanges until the receipt of appropriate trading approvals from Stock Exchanges.**

Our Equity Shares will be listed on the BSE and the NSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors demat accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Thereafter, upon receipt of trading approval from the Stock Exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved. We cannot assure you that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above. Any delay in obtaining the approvals would restrict your ability to dispose of your Equity Shares.

**Prominent Notes:**

1. Investors may contact the BRLM or the Compliance officer for any complaint/clarification/information pertaining to the issue. *For contact details of the BRLM and the Compliance Officer, please refer to Chapter titled "General Information" beginning on page 34 of the Draft Red Herring Prospectus.*
2. Pre-Issue Net worth of our Company as on March 31, 2009 is Rs. 0.62 Lacs and as at December 31, 2009 is Rs. 4,561.24 Lacs.
3. Size of the Present Issue – Public Issue of 1,10,00,000 Equity Shares of Rs.10/- each at a Price of Rs. [•] per Equity Share (including a Premium of Rs. [•] per Equity Share) for cash aggregating Rs. [•] Lacs (the "Issue"), including reservation for Eligible Employees of 2,00,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share aggregating Rs [•] Lacs ("Employee Reservation Portion"), by SEL Textiles Limited (the "Company" or the "Issuer"). The Net Issue to the public is of 1,08,00,000 Equity Shares of Rs. 10 each at a price of Rs. [•] for cash aggregating Rs. [•] Lacs (referred to as the "Net Issue"). The Net Issue shall constitute 27.25 % of the post issue paid up capital of our Company. The Issue will constitute 27.76% of the fully diluted post Issue paid-up capital of our Company.
4. The average cost of acquisition of Equity Shares of our Promoter is given below:

Name of our Promoter	Average cost of acquisition of shares (Rs.)
SEL Manufacturing Company Limited	15.71

*For further details relating to the allotment of Equity Shares to our Promoter's, please refer to the Chapter titled "Capital Structure" beginning on page 42 of the Draft Red Herring Prospectus.*

5. Other than the issue of bonus Equity Shares, Our Company has not issued any Equity Shares for consideration other than cash.
6. Book value of the Equity Shares of our Company as on March 31, 2009 is Rs. 6.20 per Equity Share and as on December 31, 2009 is Rs. 15.93 per Equity Share.

7. None of our Group Company except for our Promoter Company have any business interest in our Company. For details please refer *Related Party Transactions, "Annexure 19" beginning on page 141 under Chapter titled "Auditors' Report And Financial Information of our Company" beginning on page 127 of the Draft Red Herring Prospectus.*
8. Our Company has entered into following transactions with our Promoter Company for the 9 months period ended December 31, 2009:

		(Rs. Lacs)
		9 months period ended December 31, 2009
<b>SEL Manufacturing Company Limited</b>		
Purchases		323.69
Sales		147.89
Rent Paid		0.20
<b>Total</b>		<b>471.78</b>

9. No part of the Issue proceeds will be paid as consideration to Promoter, Directors, Key Managerial Personnel or persons forming part of Promoter Group.
10. For details of liens and hypothecation on the movable and immovable properties and assets of our Company please refer *"Annexure 14" beginning on page 138 under Chapter titled "Auditors' Report And Financial Information of our Company" beginning on page 127 of the Draft Red Herring Prospectus.*
11. There are no contingent liabilities as on December 31, 2009, except as mentioned in *"Annexure 19" beginning on page 141 under Chapter titled "Auditors' Report And Financial Information of our Company" beginning on page 127 of the Red Herring Prospectus*
12. Our Company and the BRLM shall update the Draft Red Herring Prospectus in accordance with the Companies Act, 1956. All information shall be made available by our Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports, at bidding centres etc.
13. Trading in Equity Shares for all investors shall be in dematerialized form only.
14. There are no financing arrangements whereby persons forming part of the Promoter Group, the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company during the period of six months immediately preceding the date of filing Draft Red Herring Prospectus with the Board.
15. This Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved for Mutual Funds. If at least 50% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
16. Under-subscription, if any, in the Retail Individual Investors and Non-institutional Investor would be allowed to be met with spill-over from any other category at the sole discretion of our Company in consultation with BRLM. In case of Under-subscription in the Qualified Institutional Buyers Portion (i.e. subscription less than 50% mandatory of the Net Issue), the

same shall not be available to other categories and full subscription monies shall be refunded.

17. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Individual Bidders and shall be on a proportionate basis, in consultation with BSE, the Designated Stock Exchange.
18. Our Company was originally incorporated as Jupiter Drapes & Cuts Apparels Private Limited on July 1, 2008 under the Companies Act, 1956. The name of our Company was changed to SEL Textiles Private Limited vide fresh Certificate of Incorporation dated April 3, 2009. The name was changed since our Company was entering into cotton yarn manufacturing business. Subsequently, our Company was converted into a public limited company vide fresh Certificate of Incorporation dated October 15, 2009 and the name of our Company was changed to "SEL Textiles Limited".

## SECTION IV – INTRODUCTION

### SUMMARY

*You should read the following summary together with the risk factors and the more detailed information about us and our financial data included in the Draft Red Herring Prospectus. Unless otherwise indicated, all financial and statistical data relating to the industry in the following discussion is derived from internal Company reports & data, industry publication and estimates. This data has been reclassified in certain respects for purposes of presentation. For more information, please refer to Chapter titled “Forward Looking Statements” and “Presentation of Financial Information and Use of Market Data” beginning on page 10 & 9 respectively of the Draft Red Herring Prospectus.*

### SUMMARY ABOUT THE INDUSTRY

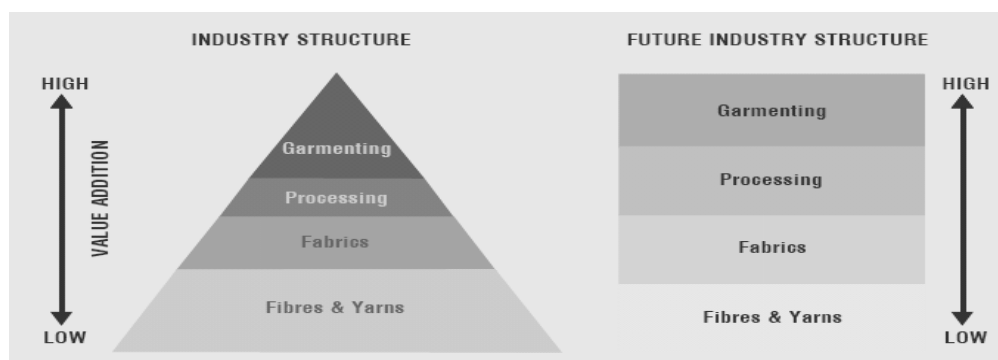
The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14% to industrial production, 4 percent to the GDP, and 17% to the country's export earnings. It provides direct employment to over 35 million people. The Textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

Exports form over 40% of the country's total production of the textiles sector, the biggest employment generator after agriculture sector and is expected to generate 12 million new jobs by 2010. The sector targets US\$ 6 billion foreign direct investment (FDI) by 2015 to be invested in green field units in textiles machinery, fabric and garment manufacturing, as well as technical textiles.

(Source: [http://www.ibef.org/artdispview.aspx?in=73&art\\_id=24783&cat\\_id=123&page=2](http://www.ibef.org/artdispview.aspx?in=73&art_id=24783&cat_id=123&page=2))

### Current Industry Structure and Future Industry Structure



The major sub-sectors that comprise the textiles sector include the organized Cotton / Man-Made Fibre Textiles Mill Industry, the Man-made Fibre / Filament Yarn Industry, the Wool and Woollen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

### TERRY TOWEL INDUSTRY

Source: <http://www.ced-gujarat.org/pdf/Magazine/TERRY%20TOWEL.doc>



Terry or Turkish Towels were originally woven in handloom and originated in Constantinople of Turkey. Terry fabrics, basically belong to the group of pile fabrics, wherein additional loose (with lesser tension) yarn is introduced to form loops called as piles to give a distinct appearance and effect. In the present age, pile formation is microprocessor controlled with high level of accuracy and distinct features.

The estimated annual production of terry towels is 100,000 tons and is likely to go up to 115,000 tons with ongoing expansion and new investment by 2012 in the country. The leading players like Welspun and Abhishek Industries together account for nearly 70% of the country's production from organized sector.

### **Government Initiatives**

In addition to the above, the Government announced on 7<sup>th</sup> December, 2008 and 2<sup>nd</sup> January, 2009, packages of measures to stimulate the economy. So far as the textiles sector is concerned, the measures, inter-alia, provide for the following:

- Additional allocation of US \$533.87 million to clear the entire backlog of Technology Upgradation Fund Scheme (TUFS).
- All items of handicrafts to be included under "Vishesh Krishi & Gram Udyog Yojana (VK&GUY)".
- Provision of Additional funds for full refund of Terminal Excise Duty/Central Sales Tax.
- Enhanced back-up guarantee to EPGC to cover for exports to difficult markets/products.
- Refund of Service Tax on foreign agent commissions of upto 10% of Freight on Board (FOB)
- Value of exports as well as refund of service tax on output service while availing benefits under Duty Drawback Scheme.
- Credit targets of Public Sector Banks revised upward to reflect the needs of the economy.
- Guarantee cover under Credit Guarantee Scheme doubled to Rs.10 million with cover of 50%.

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

### **THE ROAD AHEAD**

The government strategizes to attract foreign investments in the textile sector by initiating trade talks with manufacturers and business groups in Switzerland, Italy and Turkey. The aim is to tap foreign capital towards establishing green field units in textiles machinery, fabric and garment manufacturing and attracting investments in the field of technical textiles. India offers various incentives to foreign investors like low-cost labour and intellectual right protection. The government has allowed 100 per cent FDI in the textiles sector. India has a vertical and horizontal integrated textiles value chain, and represents a strong presence in the entire value chain from raw materials to finished goods.

The textile ministry expects Textile Industry to more than double to \$115 billion by 2012 from the current \$50 billion. India's share of global textile exports is expected to increase from the current 4.0 per cent to around 7.0 per cent over the next three-years. The textile ministry is also pursuing trade agreements with the US and the European Union, which together account for almost 40 per cent of the country's textile exports. The government is looking at new markets in Russia, China, South East Asia, the Middle East, Japan and Latin America, under the new export policy. India's textile exports have shot up over 15 per cent from \$19.14 billion in 2006-07 to \$22.13 billion in 2007-08.

(Source: [http://www.domain-b.com/industry/Textiles/20091007\\_textile\\_ministry.html](http://www.domain-b.com/industry/Textiles/20091007_textile_ministry.html))

## **SUMMARY ABOUT OUR COMPANY'S BUSINESS**

Our Company is engaged in the business of manufacturing combed and carded cotton yarns, which are appropriate for apparels, suitings & knitted fabrics. Our Company is a subsidiary of SEL Manufacturing Company Limited, the flagship company of the R.S. Saluja Group.

We acquired the existing spinning unit known by the name of 'Prerna Syntex at Neemrana, Rajasthan from Vast Textiles Limited in June 2009 with an installed capacity of 24,960 spindles to produce 16.80 tonnes cotton yarn per day. The unit is located about 120 kilometres from Delhi & 140 kilometres from Jaipur. After the completion of maintenance, the commercial operations of this unit have started from August 2009.

Further, our Company has entered into an MoU dated August 21, 2009 for the acquisition of a existing spinning unit at Hansi, Haryana from Radhika Fibres India Limited, New Delhi with an installed capacity of 25,200 Spindles to produce about 17.08 tonnes of cotton yarn per day. The unit built up on an industrial plot of 21 acres has a built up area of 14833 sq. metres.

In order to capture the growing market of Terry Towels both domestic as well as exports and to expand the business activities of our Company, we are proposing to set up a 3600 TPA (10 TPD) Terry Towel facility at village Shekhon Majra, Rahon Road, Distt. Nawan Sheher, Punjab. Our Company proposes to become a vertically integrated textile company (including spinning and terry towel), which will give us a significant cost advantage due to savings in transportation, freight and material handling. The existing distribution network of our Promoter Company SEL Manufacturing Company Limited would be of added advantage for our Company to sell our products.

### BRIEF DETAILS OF THE ISSUE

<b>Equity Shares offered:</b>	1,10,00,000 Equity Shares of face value of Rs.10 each
Fresh Issue by our Company	aggregating upto Rs. [●] Lacs
<b>Issue Price</b>	Rs. [●] per Equity Share
<b>Reservation for Eligible Employees</b>	2,00,000 Equity Shares (Reserved for eligible employees on a competitive basis)
<b>Net Issue to the Public*</b>	1,08,00,000 Equity Shares of face value of Rs.10 each aggregating upto Rs. [●] Lacs
<b>Of which:</b>	54,00,000 Equity Shares of face value of Rs. 10 each
(A) Qualified Institutional Buyers portion (QIBs) **	constituting at least 50% of the Net Issue to the Public (Allocation on a proportionate basis)
	Of the above Equity Shares, 2,70,000 Equity Shares shall be available for allocation to Mutual Funds
	The balance 51,30,000 Equity Shares shall be available to all QIBs, including Mutual Funds
(B) Non-Institutional Portion	16,20,000 Equity Shares of face value of Rs 10 each constituting not less than 15% of the Net Issue to the Public (Allocation on a proportionate basis)
(C) Retail Portion	37,80,000 Equity Shares of face value of Rs 10 each constituting not less than 35% of the Net Issue to the Public (Allocation on a proportionate basis)
<b>Note:</b> Under-subscription, if any, in any of the categories would be allowed to be met with spill over from the other categories, at the sole discretion of our Company and the BRLM.	
<b>Equity Shares outstanding prior to the Issue</b>	2,86,30,000 Equity Shares of face value of Rs.10 each
<b>Equity Shares outstanding after the Issue</b>	3,96,30,000 Equity Shares of face value of Rs.10 each
<b>Use of Issue proceeds</b>	Please refer to the Section titled "Objects of the Issue" beginning on page 50 of the Draft Red Herring Prospectus for additional information.

*\*Our Company is considering a Pre – IPO Placement of up to [●] Equity Shares with some investors. The Pre – IPO Placement, if any, will be completed before the filing of the Red Herring Prospectus with the RoC. The number of Equity Shares in the Issue will be reduced to the extent of the Equity Shares proposed to be allotted in the Pre – IPO Placement, if any, subject to the Net Issue to the public being at least 25% of the fully diluted post – Issue paid up capital of our Company.*

*The Equity Shares allotted under the Pre – IPO Placement, if completed, shall be subject to a lock – in period of one (1) year from the date of the Allotment pursuant to the Issue.*

## SUMMARY OF FINANCIAL INFORMATION

The following summary of financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations, 2009 and restated as described in the Auditor's Report of our statutory auditor's Dinesh K Mehtani, Chartered Accountants dated February 13, 2010 in the section titled 'Financial Information'. You should read this financial data in conjunction with our financial statements for Financial Year 2009 and 9 months period ended December 31, 2009 including the notes thereto and the reports thereon, which appears under the Section titled "Financial Information" and Chapter titled "Management's Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements" beginning on pages 127 and 154 of the Draft Red Herring Prospectus.

### Summary statement of Assets & Liabilities, as restated

(Rs. in Lacs)

	Particulars	As At	
		31.12.09	31.03.09
<b>A.</b>	<b>Fixed Assets</b>		
	Gross block	3651.90	0.00
	Less: Depreciation	60.45	0.00
	Net Block	3591.45	0.00
	Capital Work-in-Progress & Capital Advances	335.78	0.00
	<b>Total fixed assets (A)</b>	<b>3927.23</b>	<b>0.00</b>
<b>B.</b>	<b>INVESTMENTS</b>	<b>0.00</b>	<b>0.00</b>
<b>C.</b>	<b>Current assets, loans and advances</b>		
	Inventories	2378.54	0.00
	Receivables	180.76	0.00
	Cash and bank balances	485.04	0.64
	Loans and advances	1242.72	0.00
	<b>Total (C)</b>	<b>4287.06</b>	<b>0.00</b>
	<b>Total assets (A + B + C)</b>	<b>8214.29</b>	<b>0.00</b>
<b>D.</b>	<b>Liabilities and provisions</b>		
	Secured loans	2738.57	0.00
	Unsecured loans	0.00	0.00
	Deferred Tax Liability	23.05	0.00
	Current liabilities	848.64	0.02
	Provisions	42.79	0.00
	<b>Total Liabilities (D)</b>	<b>3653.05</b>	<b>0.62</b>
<b>E.</b>	<b>Net worth (A+B+C-D)</b>	<b>4561.24</b>	<b>0.62</b>
<b>F.</b>	<b>Represented by</b>		
	Share capital		
	-Equity Share Capital	2863.00	1.00
	Reserves and surplus	1698.24	-0.38
	<b>TOTAL</b>		
	Less Miscellaneous Expenditure (To the extent not written off)	0.00	0.00
	<b>Net Worth</b>	<b>4561.24</b>	<b>0.62</b>

**Summary statement of Profit & Loss, as restated**

**(Rs. in Lacs)**

Particulars		Period ended	
		31.12.09	31.03.09
<b>A</b>	<b>Income</b>		
	Sales of Products Manufactured by the Company	1792.92	0.00
	Sales of Products Traded by the Company	0.00	0.00
	Less Excise Duty	0.00	0.00
	Net Sales	1792.92	0.00
	Other Income	83.52	0.00
	<b>Total (A)</b>	<b>1876.44</b>	<b>0.00</b>
<b>B</b>	<b>Expenditure</b>		
	Materials consumed	1239.12	0.00
	Staff Costs	98.51	0.00
	Other manufacturing expenses	208.62	0.00
	Administrative, selling and distribution expenses	101.68	0.38
	<b>Total (B)</b>	<b>1647.93</b>	<b>0.38</b>
<b>C</b>	<b>Profit Before Interest, Depreciation and Tax</b>	<b>228.51</b>	<b>-0.38</b>
	Depreciation	60.45	0.00
	<b>Profit Before Interest and Tax</b>	<b>168.06</b>	<b>-0.38</b>
	Financial Charges	29.58	0.00
<b>D</b>	<b>Profit after Interest and Before Tax</b>	<b>138.48</b>	<b>-0.38</b>
	Preliminary Expenses W/o	0.00	0.00
<b>E</b>	<b>Profit before Taxation</b>	<b>138.48</b>	<b>-0.38</b>
	Provision for Taxation	42.79	0.00
	Provision for Deferred Tax	0.00	0.00
	Add/Less Tax adjustment	0.00	0.00
<b>F</b>	<b>Profit After Tax but Before Extra ordinary Items</b>	<b>95.69</b>	<b>-0.38</b>
	Extraordinary items	0.00	0.00
	Impact of material adjustments for restatement in corresponding years (net of tax) (B)	23.05	0.00
<b>G</b>	<b>Net Profit after adjustments</b>	<b>72.64</b>	<b>-0.38</b>

## GENERAL INFORMATION

Our Company was originally incorporated as Jupiter Drapes & Cuts Apparels Private Limited on July 1, 2008 under the Companies Act, 1956. The name of our Company was changed to SEL Textiles Private Limited *vide* fresh Certificate of Incorporation dated April 3, 2009. Our Company was converted into a public limited company *vide* fresh Certificate of Incorporation dated October 15, 2009 and subsequently the name of our Company was changed to “SEL Textiles Limited”. Our Company has been allocated Corporate Identification Number U17299PB2008PLC032050.

### Registered Office:

#### SEL Textiles Limited

Plot No. 274, G.T. Road,  
Dhandari Khurd,  
Ludhiana -141010  
Punjab

**Tel. No. :** + 91 161 6611111

**Fax No. :** + 91 161 6611112

**Contact Person:** Ms. Himani Dua, Company Secretary & Compliance Officer

**Email:** ipo@rssalujagroup.co.in

**Website:** www.rssalujagroup.co.in

For details of change in name and registered office, *please refer to the Chapter titled “History and Other Corporate Matters” beginning on page 101 of the Draft Red Herring Prospectus.*

### Address of the RoC:

Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh situated at Corporate Bhawan, Plot No. 4B, Sector 27 B, Madhya Marg, Chandigarh-160019.

### Our Board of Directors:

The Board of Directors consists of the following:

Sr. No.	Name of the Director	Designation	Category
1.	Mr. Ram Saran Saluja	Chairman & Managing Director	Executive & Non Independent
2.	Mr. Neeraj Saluja	Director	Non Executive & Non Independent
3.	Mr. Dheeraj Saluja	Director	Non Executive & Non Independent
4.	Mr. Navneet Gupta	Director	Non Executive & Non Independent
5.	Mr. Ashwani Kumar	Director	Non Executive & Independent
6.	Mr. Amar Gopal Das Narang	Director	Non Executive & Independent
7.	Mr. Gulshan Kumar	Director	Non Executive & Independent
8.	Mr. Sandeep Gupta	Director	Non Executive & Independent

For detailed profile of our Directors, *please refer to the Chapter titled “Our Management” and “Our Promoter and its Background” beginning on pages 104 & 117 respectively of the Draft Red Herring Prospectus.*

## COMPANY SECRETARY AND COMPLIANCE OFFICER

### Ms. Himani Dua

#### SEL Textiles Limited

Plot No. 274, G.T. Road,  
Dhandari Khurd,

Ludhiana -141010  
**Tel. No. :** + 91 161 6611111  
**Fax No. :** + 91 161 6611112  
**Email:** ipo@rssalujagroup.co.in  
**Website:** www.rssalujagroup.co.in

**Investors are advised to contact the Compliance Officer Ms. Himani Dua and / or the Registrar to the Issue in case of any pre-Issue or post-Issue problems such as non-receipt of letters of Allocation, credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders, non receipt of funds by electronic mode etc.**

#### **BANKERS TO OUR COMPANY**

##### **Allahabad Bank**

IIFB Branch, 165 Industrial Area A  
Cheema Chowk  
Ludhiana - 141010  
**Tel. No.:** +91 161 5029096  
**Fax No.:** +91 161 2227117  
**Email:** albiifbldh@yahoo.co.in  
**Website:** www.allahabadbank.com  
**Contact Person:** Mr. P.S. Azad

##### **Central Bank of India**

C-14, Focal Point,  
Ludhiana-141010  
**Tel. No.:** +91 161 2676746  
**Fax No.:** +91 161 2676746  
**Email:** bmludh2415@centralbank.co.in  
**Website:** centralbankofindia.co.in  
**Contact Person:** Mr. D.K. Gosain

#### **STATUTORY AUDITORS TO OUR COMPANY**

##### **Dinesh K Mehtani**

Chartered Accountants,  
B-XI-1916, Old Civil hospital Road  
Ludhiana - 141001  
Telephone: +91 161 2225785  
Fax: + 91 161 2225785  
Email: mehtanidinesh\_1969@yahoo.co.in  
Contact Person: Mr. Dinesh K Mehtani

#### **ISSUE MANAGEMENT TEAM**

##### **BOOK RUNNING LEAD MANAGER**

##### **Saffron Capital Advisors Private Limited**

**SEBI Registration No:** INM000011211  
204, Vishwananak, Gurunanakwadi,  
Andheri Ghatkoper Link Road, Chakala  
Andheri (East), Mumbai - 400 099  
**Tel No:** +91 22 4082 0905/0906  
**Fax No:** +91 22 4082 0999  
**Website:** www.saffronadvisor.com

**Email:** seltextiles.ipo@saffronadvisor.com  
**Investor Grievance Id:** investorgrievance@saffronadvisor.com  
**Contact Person:** Mr. Saurabh Vijay

#### **REGISTRARS TO THE ISSUE**

**Link Intime India Private Limited**  
**SEBI Registration No.** INR000004058  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai - 400 078  
**Tel. No:** +91 22 2596 0320  
**Fax No:** +91 22 2596 0329  
**Website:** www.linkintime.co.in  
**Email:** sel.ipo@linkintime.co.in  
**Contact Person:** Mr. Sachin Achar

#### **LEGAL ADVISORS TO THE ISSUE**

**Vaish Associates Advocates**  
803, Tower A, Signature Towers,  
South City -1, National Highway # 8,  
Gurgaon 122001, Haryana  
**Tel. No:** +91 124 4541000  
**Fax No:** +91 124 4541010  
**Email:** [hitender@vaishlaw.com](mailto:hitender@vaishlaw.com)  
**Contact person:** Mr. Hitender Mehta

#### **SYNDICATE MEMBERS**

[•]  
The Syndicate Member(s) will be appointed prior to filing the Red Herring Prospectus with RoC.

#### **BANKERS TO THE ISSUE & ESCROW COLLECTION BANK**

[•]  
The Bankers to the Issue shall be appointed prior to filing of the Red Herring Prospectus with RoC.

#### **REFUND BANKER TO THE ISSUE**

[•]  
The Refund Banker(s) shall be appointed prior to filing of the Red Herring Prospectus with RoC.

#### **SELF CERTIFIED SYNDICATE BANKS**

[•]  
The SCSBs as per updated list available on SEBI's website ([www.sebi.gov.in](http://www.sebi.gov.in)). Investors are requested to refer the SEBI website for updated list of SCSBs and their designated branches.

#### **STATEMENT OF RESPONSIBILITIES**

Saffron Capital Advisors Private Limited is the sole BRLM to the Issue and shall be responsible for the following activities:

Sr.	Activity
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No.	
1.	Capital structuring with the relative components and formalities such composition of debt and equity, type of instruments, etc.
2.	Conducting a Due diligence of our Company's operations / management / business plans / legal, etc. Drafting and designing the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus. Ensuring compliance with the SEBI (ICDR) Regulations, 2009 and other stipulated requirements and completion of prescribed formalities with the Stock Exchanges (pre-issue), RoC and SEBI.
3.	Primary co-ordination with SEBI, RoC and Stock Exchanges up to bidding and coordinating interface with lawyers for agreements.
4.	Appointment of the Registrar, Bankers to the issue and appointment of other intermediaries viz. printers and advertising agency
5.	Primary coordination of drafting/proofing of the design of the Prospectus, bid forms including memorandum containing salient features of the Prospectus with the printers. Primary coordination of the drafting and approving the statutory advertisement.
6.	Drafting and approving all publicity material other than statutory advertisement as mentioned in (4) above including corporate advertisement, brochure, etc.
7.	Retail & HNI segment Marketing, Which will cover inter alia: <ul style="list-style-type: none"> <li>• Preparation of road show presentation.</li> <li>• Finalising centers for holding Brokers' conference</li> <li>• Finalising media, marketing and PR Strategy</li> <li>• Follow up on distribution of publicity and issue material including application form, brochure and deciding on quantum of issue material</li> <li>• Finalising collection centers as per schedule III of SEBI (ICDR) Regulations, 2009</li> </ul>
8.	Institutional Marketing, which will cover inter alia: <ul style="list-style-type: none"> <li>▪ Finalisation of list of investors.</li> <li>▪ Finalisation of one to one meetings and allocation of institutions.</li> <li>▪ Finalisation of presentation material</li> </ul>
9.	Managing Book & co-ordination with stock Exchanges for bidding terminals, mock trading etc
10.	Pricing and QIB allocation
11.	Follow – up with the bankers to the issue to get quick estimates of collection and advising the issuer about closure of the issue, based on the correct figures.
12.	The post-Issue activities for the Issue will involve essential follow up steps, which include finalizing basis of allotment / weeding out of multiple applications, the listing of instruments and dispatch of certificates/demat credits or refunds 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, Self Certified Syndicate Banks, the bank handling refund business. The Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Syndicate Members, Brokers, Advertising agencies etc. will be finalised by our Company in consultation with the BRLM.

Even if many of these activities will be handled by other intermediaries, the BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.

## CREDIT RATING

This being an issue of Equity Shares, there is no requirement of credit rating for the Issue.

## **IPO GRADING**

[•]

Details of IPO Grading along with the grading rationale will be incorporated before filing of the Red Herring Prospectus with RoC.

## **TRUSTEES**

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

## **APPRAISAL AND MONITORING AGENCY**

The proposed funds requirement is not appraised by any Bank/Financial Institution. As the net proceeds of the Issue will be less than Rs. 50,000 lacs, under the SEBI (ICDR) Regulations, 2009 it is not required that a monitoring agency be appointed by our Company.

However, as per the Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges upon listing of the Equity Shares and in accordance with the Corporate Governance requirements, the Audit Committee of our Company would be monitoring the utilization of the Issue Proceeds.

## **WITHDRAWAL OF THE ISSUE**

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of the closure of the Issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The Stock Exchanges where the specified securities were proposed to be listed shall also be informed promptly.

If our Company withdraws the Issue after closure of bidding, we will be required to file a fresh draft offer document with the Securities and Exchange Board of India.

In the event of withdrawal of the Issue anytime after the Bid/Issue Opening Date, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of withdrawal, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

## **BOOK BUILDING PROCESS**

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

- Our Company;
- BRLM, in this case being Saffron Capital Advisors Private Limited;
- Syndicate Member(s) who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange(s) and eligible to act as underwriters. Syndicate members are appointed by the BRLM;
- Registrar to the issue, in this case being Link Intime India Private Limited ,
- Banker(s) to the issue, Refund Bank(s), and
- Self Certified Syndicate Banks

Regulation 43(2) of the SEBI (ICDR) Regulations, 2009 has permitted an issue of securities to the public through the 100% Book Building Process, wherein at least 50% of the Net Issue shall be available for allocation to QIBs on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Qualified Institutional Buyers' portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue price. Further, not less than 15% of the Net Issue shall be available for allotment to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allotment to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received at or above the Issue Price.

We will comply with the SEBI (ICDR) Regulations, 2009 for this Issue. In this regard, we have appointed Saffron Capital Advisors Private Limited as the BRLM to manage the Issue and procure subscriptions to the Issue.

The process of Book Building under the SEBI (ICDR) Regulations, 2009 is subject to change from time to time and Investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid. Allocation to QIBs will be on a proportionate basis. *For further details please refer paragraph titled "Maximum and Minimum Bid Size" beginning on page 187 under Chapter titled "Issue Procedure" beginning on page 184 of the Draft Red Herring Prospectus.*

Resident Retail Individual Bidders have the option to submit their Bids under the "ASBA Process", which would entail blocking of funds in the investor's bank account rather than transfer of funds to the respective Escrow Accounts. *For further details, please refer to the Chapter titled "Issue Procedure for ASBA Bidders" beginning on page 215 of the Draft Red Herring Prospectus.*

Steps to be taken by the Bidders for bidding:

- 1) Check eligibility for making a Bid *(For details please refer to the paragraph titled "Who Can Bid" beginning on page 185 under Chapter titled "Issue Procedure" beginning on page 184 of the Draft Red Herring Prospectus);*
- 2) Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form including ASBA Form;
- 3) Ensure that the Bid-cum-Application Form including ASBA Forms is duly completed as per instructions given in the Draft Red Herring Prospectus and in the Bid-cum-Application Form including ASBA Forms; and
- 4) Ensure that the Permanent Account Number is mentioned on Bid-cum-Application Form/ASBA Form. Bidders are specifically requested not to mention their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected on this ground.

#### **BID/ISSUE PROGRAM**

<b>Bid/Issue opens on:</b> [●], 2010	<b>Bid/Issue closes on:</b> [●], 2010
--------------------------------------	---------------------------------------

Bids and any revision in Bids shall be accepted **only between 10.00 am and 3.00 pm** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. Standardized cut-off time for uploading of bids on the bid/issue closing date is as under:

1. A standard cut-off time of 3.00 pm for acceptance of bids
2. A standard cut-off time of 4.00 pm for uploading of bids received from non retail applicants i.e. QIBs and HNIs.

3. A standard cut-off time of 5.00 pm for uploading of bids received from retail applicants, Employees bidding under the Employee Reservation Portion where the Bid Amount is up to Rs. 100,000 which may be extended up to such time as deemed fit by Stock Exchanges. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, not later than the times mentioned above. All times mentioned in the Draft Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, our Company, the BRLM and the Syndicate Member shall not be responsible. On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Individual Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

**Investors please note that as per letter no. List/smd/sm/2006 dated July 3, 2006 and letter no. NSE/IPO/25101-6 dated July 6, 2006 issued by BSE and NSE respectively, bids and any revision in Bids shall not be accepted on Saturdays and holidays as declared by the Exchanges.**

The Price Band and the minimum Bid lot size for the Issue will be decided by our Company, in consultation with the BRLM, and advertised at least two working days prior to the Bid/Issue Opening Date. The announcement on the Price Band shall also be made available on the websites of the BRLM and at the terminals of the Syndicate.

We reserve the right to revise the Price band during the Bidding Period in accordance with SEBI (ICDR) Regulations, 2009. The cap on the Price Band should not be more than 20% of the floor of the Price band. Subject to compliance with the immediately preceding sentence, the floor of the Price band can move up or down to the extent of 20%.

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

## **UNDERWRITING AGREEMENT**

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued in the Issue. Pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event the Syndicate Members do not fulfil their underwriting obligations. Pursuant to the terms of the Underwriting

Agreement dated [●], the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

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

*(This portion has been intentionally left blank and will be completed prior to filing the Prospectus with RoC)*

<b>Name and Address of the Underwriters</b>	<b>Indicative Number of Equity shares to be Underwritten</b>	<b>Amount Underwritten (Rs. in Lacs)</b>
<b>Saffron Capital Advisors Private Limited</b> <b>SEBI Registration No:</b> INM000011211 204, Vishwananak, Gurunanakwadi, Andheri Ghatkoper Link Road Chakala, Andheri (East), Mumbai - 400 099. <b>Tel No:</b> +91 22 4082 0905/0906 <b>Fax No:</b> +91 22 4082 0999 <b>Website:</b> www.saffronadvisor.com <b>Email:</b> seltextiles.ipo@saffronadvisor.com	[●]	[●]
[●]	[●]	[●]
[●]	[●]	[●]
<b>Total</b>	<b>[●]</b>	<b>[●]</b>

The above-mentioned amount is indicative underwriting and would be finalized after determination of the Issue Price and actual allocation.

Our Board of Directors (based on a certificate given by the Underwriters), are of the opinion that the same are sufficient to enable them to discharge their respective underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLM 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 Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure / subscribe to the Equity Shares to the extent of the defaulted amount as specified in the Underwriting Agreement.

## CAPITAL STRUCTURE

The Share Capital of our Company as on the date of filing of the Draft Red Herring Prospectus with SEBI is as set forth below:

Particulars		Nominal Value (Rs. Lacs)	Aggregate Value (Rs. Lacs)
<b>A AUTHORISED CAPITAL</b>			
5,00,00,000	Equity Shares of Rs. 10/- each	5,000.00	
<b>B ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>			
2,86,30,000	Equity Shares of Rs. 10/- each	2,863.00	
<b>C ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS*</b>			
1,10,00,000	Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	1,100.00	[●]
<b>D RESERVATION FOR ELIGIBLE EMPLOYEES</b>			
2,00,000	Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	20.00	
<b>E NET ISSUE TO THE PUBLIC</b>			
1,08,00,000	Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	1,080.00	[●]
<b>F PAID UP CAPITAL AFTER THE PRESENT ISSUE</b>			
3,96,30,000	Equity Shares of Rs. 10/- each	3,963.00	[●]
<b>G SHARE PREMIUM ACCOUNT</b>			
	Before the issue		1,626.00
	After the issue		[●]

\*Our Company is considering a Pre – IPO Placement of up to [●] Equity Shares with some investors. The Pre – IPO Placement, if any, will be completed before the filing of the Red Herring Prospectus with the RoC. The number of Equity Shares in the Issue will be reduced to the extent of the Equity Shares proposed to be allotted in the Pre – IPO Placement, if any, subject to the Net Issue to the public being at least 25% of the fully diluted post – Issue paid up capital of our Company.

The Equity Shares allotted under the Pre – IPO Placement, if completed, shall be subject to a lock – in period of one (1) year from the date of the Allotment pursuant to the Issue.

\*\*The Share Premium Account after the Issue will be determined after Book Building Process

### Notes to Capital Structure:

#### 1. Details of Increase in Authorized Equity Share Capital

Sr. No.	Particulars of Increase/Modification	Cumulative No. of Shares	Cumulative Authorised Capital	Date of Meeting	Whether AGM / EGM
1	Incorporation	100000	1000000	-	-
2	Increased from Rs. 10 lacs to Rs. 500 lacs	5000000	50000000	23-Jul-2009	EGM
3	Increased from Rs. 500 lacs to Rs. 5000 lacs	50000000	500000000	8-Oct-2009	EGM

**2. Share Capital History: Our existing Equity Share Capital has been subscribed and allotted as under:**

Date of Allotment /Fully Paid up	Number of Equity Shares allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Remarks	Cumulative No. of Equity Shares	Cumulative Paid up Share Capital (Rs.)	Cumulative Share Premium (Rs.)
01-Jul-08	10,000	10	10	Cash	Subscription to MOA	10,000	1,00,000	0
27-Jul-09	9,89,000	10	110	Cash	Further Allotment	9,99,000	99,90,000	989,00,000
21-Sep-09	30,91,000	10	110	Cash	Further Allotment	40,90,000	4,09,00,000	40,80,00,000
20-Oct-09	2,45,40,000	10		Bonus	Bonus in the ratio of 6:1 out of free reserves	2,86,30,000	28,63,00,000	16,26,00,000

**3. Equity Shares issued for consideration other than cash**

Other than the issue of bonus shares as mentioned in point 2 above, our Company has not issued any Equity Shares for consideration other than cash. Further, our Company has not issued any Equity Shares out of revaluation reserves.

4. Till date no Equity Shares have been allotted pursuant to any scheme approved under section 391-394 of the Companies Act, 1956.
5. Our Company does not have any Employee Stock Option Scheme /Employee Stock Purchase Plan for our employees and we do not intend to allot any shares to our employees under Employee Stock Option Scheme / Employee Stock Purchase Plan from the proposed issue. As and when, options are granted to our employees under the Employee Stock Option Scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
6. Except as stated below, our Company has not made any issue of Equity Shares during preceding one year.

Date of Issue	Name of the Persons	No. of Shares	Issue Price (Rs.)	Whether Part of Promoter Group
27-Jul-09	SEL Manufacturing Company Limited	9,89,000	110	Yes
21-Sep-09	SEL Manufacturing Company Limited	30,90,700	110	Yes
	Mr. Neeraj Saluja	100	110	Yes
	Mrs. Reema Saluja	100	110	Yes

	Mrs. Ritu Saluja	100	110	Yes
20-Oct-09	SEL Manufacturing Company Limited	2,44,78,200	Bonus	Yes
	Mr. Ram Saran Saluja	24,000	Bonus	Yes
	Mr. Neeraj Saluja	600	Bonus	Yes
	Mr. Dhiraj Saluja	18,000	Bonus	Yes
	Mrs. Sneha Lata Saluja	18,000	Bonus	Yes
	Mrs. Reema Saluja	600	Bonus	Yes
	Mrs. Ritu Saluja	600	Bonus	Yes

7. Subject to the Pre-IPO placement, we presently do not have any proposal or intention to alter our capital structure by way of split or consolidation of the denomination of Equity Shares or issue of specified securities on a preferential basis or issue of bonus or rights or further public issue of Equity Shares or Qualified Institutions Placement within a period of six months from the date of opening of this Issue. However, if we go in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

8. Capital built up our Promoter Company, SEL Manufacturing Company Limited is detailed below:

Name of Promoter	Date of Allotment / Transfer and made fully paid	Nature of Allotment (Bonus, Rights etc.)	No. of Shares	Face Value	Issue / Transfer Price	Consi-deration	% of Pre Issue Capital	% of Post Issue Capital
SEL Manufacturing Company Limited	27-Jul-09	Further Allotment	9,89,000	10	110	Cash	3.45%	2.50%
	21-Sep-09	Further Allotment	30,90,700	10	110	Cash	10.80%	7.80%
	20-Oct-09	Bonus	2,44,78,200	10		Bonus	85.50%	61.77%
<b>Total</b>			<b>2,85,57,900</b>				<b>99.75%</b>	<b>72.06%</b>

None of the Equity Shares held by our Promoter have been pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, or creditor/lender.

9. During the six months preceding the date of filing Draft Red Herring Prospectus with SEBI, there are no transactions in our Equity Shares, which have been purchased/(sold) by our Promoter, persons in promoter group or by the directors of our Promoter Company or by the Directors of our Company and their immediate relatives (as defined under sub-clause (zb) sub-regulation (1) Regulation 2 of the SEBI (ICDR) Regulations, 2009) or the Directors of our Company.
10. Neither of our Promoter Company, its directors and nor persons forming part of Promoter Group, our Directors or their relatives thereof have financed the purchase of the Equity Shares of our Company by any other person or entity during the period of six months immediately preceding the date of filing the Draft Red Herring Prospectus with SEBI.
11. The details of locked in Equity Shares of our Promoter as per SEBI (ICDR) Regulations, 2009 is as follows:

Name of Promoter	Date of Allotment / Transfer and made fully paid	Nature of Allotment (Bonus, Rights etc.)	No. of Shares	Face Value	Issue / Transfer Price	Consi-deration	% of Post Issue Capital	Lock in Period (Years)
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SEL Manufacturing Company Limited	27-Jul-09	Further Allotment	9,89,000	10	110	Cash	2.50%	1 Year
	21-Sep-09	Further Allotment	30,90,700	10	110	Cash	7.80%	1 Year
	20-Oct-09	Bonus	1,65,52,200	10		Bonus	41.77%	1 Year
			79,26,000	10			20.00%	3 Years
<b>Total</b>			<b>2,85,57,900</b>				<b>72.06%</b>	

20% of the Post-Issue Paid-up Equity Share Capital, as determined after the book-building process, would be locked-in for a period of three years from the date of allotment and the balance Pre-Issue Paid-up Equity Share Capital would be locked-in for a period of one year from the date of allotment. The lock-in period shall be reckoned from the date of allotment of Equity Shares in the present Issue. These securities will not be disposed / sold / transferred by the Promoter during the period starting from the date of filing the Draft Red Herring Prospectus with SEBI till the date of commencement of lock in period as stated in the Draft Red Herring Prospectus.

**Note:** The Equity Shares that are being locked-in are eligible for computation of Promoter's contribution under Regulation 33(1) of the SEBI (ICDR) Regulations and are being locked-in under Regulation 36 of the SEBI (ICDR) Regulations.

**12. We confirm that the minimum Promoters' contribution of 20% of the post-Issue Capital, which is subject to lock-in for three years does not consist of :**

- (a) Equity Shares acquired within three years before the filing of the Draft Red Herring Prospectus with SEBI for consideration other than cash and revaluation of assets or capitalisation of intangible assets or resulting from a bonus issued by utilization of revaluation reserves or unrealized profits of our Company or from bonus issue against Equity Shares which are ineligible for minimum Promoter's contribution.
- (b) Securities acquired by our Promoter, during the preceding one year, at a price lower than the price at which Equity Shares are being offered to the public in the Issue.
- (c) Private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
- (d) Equity Shares issued to our Promoter on conversion of partnership firms into limited company.
- (e) Promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from persons defined as promoter under SEBI (ICDR) Regulations, 2009.
- (f) Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoter's contribution subject to lock-in.
- (g) Pledged Equity Shares held by our Promoter.

**13. The specific written consent has been obtained from the Promoter for inclusion of such number of their existing shares to ensure minimum Promoter's contribution subject to lock-in to the extent of 20% of Post-Issue Paid-up Equity Share Capital.**

**14. The entire pre-issue Equity Share Capital of our Company other than the minimum Promoter's contribution, which is locked-in for a period of three years, shall be locked-in for a period of one year from the date of allotment in the present Public Issue.**

15. Our Company, our Promoter, our Directors and the BRLM to this Issue have not entered into any buy-back, standby or similar arrangements with any person for purchase of our Equity Shares issued by our Company through the Draft Red Herring Prospectus.

16. 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 during finalizing the allotment, subject to minimum allotment being equal to [●] Equity Shares, which is the minimum bid lot in this Issue.

Consequently, the actual allotment may go up by a maximum of 10% of the Net Issue to Public, as a result of which, the post-issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by the Promoter and subject to lock- in shall be suitably increased; so as to ensure that 20% of the Post Issue paid-up capital is locked in.

17. Since the entire money of Rs. [●] per share (Rs. 10 face value + Rs. [●] premium) is being called on application, all the successful applicants will be issued fully paid-up Equity Shares only.

18. The Pre-Issue & Post-Issue shareholding pattern of our Promoter & Promoter Group is as under:

Sr. No.	Particulars	Pre-Issue		Post-Issue	
		No. of Shares	% Holding	No. of Shares	% Holding
a.	<b>Promoter</b>	<b>2,85,57,900</b>	<b>99.75%</b>	<b>2,85,57,900</b>	<b>72.06%</b>
	SEL Manufacturing Company Limited	2,85,57,900	99.75%	2,85,57,900	72.06%
b.	<b>A subsidiary or holding company of Promoter Company in A. above</b>	Nil		Nil	
c.	<b>Any body corporate in which the promoter holds ten per cent or more of the equity share capital or which holds ten per cent or more of the equity share capital of the promoter</b>	Nil		Nil	
d.	<b>Any body corporate in which a group of individuals or companies or combinations thereof which hold twenty per cent or more of the equity share capital in that body corporate also holds twenty per cent. or more of the equity share capital of the issuer</b>	Nil		Nil	
e.	<b>All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus as "Shareholding of the Promoter Group".</b>	<b>72,100</b>	<b>0.25%</b>	<b>72,100</b>	<b>0.18%</b>
	Mr. Ram Saran Saluja	28,000	0.10%	28,000	0.07%
	Mr. Neeraj Saluja	700	0.002%	700	0.002%
	Mr. Dhiraj Saluja	21,000	0.07%	21,000	0.05%
	Mrs. Sneh Lata Saluja	21,000	0.07%	21,000	0.05%
	Mrs. Reema Saluja	700	0.002%	700	0.002%
	Mrs. Ritu Saluja	700	0.002%	700	0.002%
	<b>Total</b>	<b>2,86,30,000</b>	<b>100.00%</b>	<b>2,86,30,000</b>	<b>72.24%</b>

19. Shareholding Pattern of our Company before and after the Issue is as under:

Category	Pre-Issue		Post-Issue*	
	No. of Shares	% Holding	No. of Shares	% Holding
Promoter	2,85,57,900	99.75%	2,85,57,900	72.06%
Promoter Group	72,100	0.25%	72,100	0.18%
<b>Promoter &amp; Promoter Group Sub-total</b>	<b>2,86,30,000</b>	<b>100.00%</b>	<b>2,86,30,000</b>	<b>72.24%</b>
Employees	Nil	--	200000	0.50%
Public (IPO)	Nil	--	10800000	27.25%
<b>Total</b>	<b>2,86,30,000</b>	<b>100.00%</b>	<b>3,96,30,000</b>	<b>100.00%</b>

\*The above shareholding pattern is indicative, and is based on the fact that all shareholders in their respective categories will subscribe to 100% of the shares offered in their respective categories. The final Post Issue Shareholding pattern will be determined after the Book-Building Process.

20. The Equity Shares which are subject to lock-in shall carry the inscription 'non-transferable' and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to the Stock Exchanges, where the shares are to be listed, before the listing of the securities.
21. The Equity Shares held by persons other than Promoter may be transferred to any other person holding shares prior to the Issue, subject to continuation of lock-in with transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.
22. The Equity Shares to be held by the Promoter under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares held by Promoter, which are locked in, may be transferred to and among Promoter Group or to a new Promoter(s) or persons in control of our Company, subject to the continuation of lock-in with the transferees for the remaining period and compliance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.
23. As on the date of filing of the Draft Red Herring Prospectus with SEBI, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.
24. Equity Shares held by Promoter and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the following:
  - (a) if the specified securities are locked-in for 3 years in terms of clause (a) of regulation 36 of SEBI (ICDR) Regulations, 2009, the loan has been granted by such bank or institution for the purpose of financing one or more of the objects of the issue and pledge of specified securities is one of the terms of sanction of the loan;
  - (b) if the specified securities are locked-in for one year in terms of clause (b) of regulation 36 of SEBI (ICDR) Regulations, 2009 and the pledge of specified securities is one of the terms of sanction of the loan.
25. In case of over-subscription in all categories, at least 50% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (including specific allocation of 5% within the category of QIBs for Indian Mutual Funds). Further not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a

proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

26. Only Eligible Employees who are Indian nationals based in India and are physically present in India on the date of submission of the Bid-cum-Application Form would be eligible to apply in this Issue under the Employee Reservation Portion on competitive basis. Our Promoter or persons forming part of Promoters group are not eligible to bid through the Employee Reservation Portion. Employees other than those mentioned hereinabove are not eligible to participate under the Employee Reservation Portion. Bid/Application by Eligible Employees can also be made in the "Net Issue to Public" and such Bids shall not be treated as multiple Bids.
27. In case of reserved category, a single applicant in the reserved category may make an application for a number of securities, which exceeds the reservation but not more than the total issue size.
28. Under-subscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the Public. Under subscription, if any, in the Non-institutional Portion and Retail Portion shall be allowed to be met with spill over from the other categories, including Employee Reservation Portion at the sole discretion of our Company and BRLM. In case of Under-subscription in the Qualified Institutional Buyers Portion (i.e. subscription less than 50% mandatory of the Net Issue), the same shall not be available to other categories and full subscription monies shall be refunded. However, if the aggregate demand by Mutual Funds is less than 5% of QIB Portion, the balance share available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to QIB Bidders.
29. As on date of filing of the Draft Red Herring Prospectus with SEBI, the entire Issued Share Capital of our Company is fully paid-up.
30. Particulars of top ten shareholding is as follows:

a. As on the date of filing the Draft Red Herring Prospectus

Sr. No.	Name of the Shareholder	No. of Shares	% of issued capital
1	SEL Manufacturing Company Limited	2,85,57,900	99.75%
2	Mr. Ram Saran Saluja	28,000	0.10%
3	Mr. Neeraj Saluja	700	0.002%
4	Mr. Dhiraj Saluja	21,000	0.07%
5	Mrs. Sneh Lata Saluja	21,000	0.07%
6	Mrs. Reema Saluja	700	0.002%
7	Mrs. Ritu Saluja	700	0.002%
	<b>Total</b>	<b>2,86,30,000</b>	<b>100.00%</b>

b. 10 days prior to the date of filing the Draft Red Herring Prospectus

Sr. No.	Name of the Shareholder	No. of Shares	% of issued capital
1	SEL Manufacturing Company Limited	2,85,57,900	99.75%
2	Mr. Ram Saran Saluja	28,000	0.10%
3	Mr. Neeraj Saluja	700	0.002%
4	Mr. Dhiraj Saluja	21,000	0.07%
5	Mrs. Sneh Lata Saluja	21,000	0.07%
6	Mrs. Reema Saluja	700	0.002%

7	Mrs. Ritu Saluja	700	0.002%
	<b>Total</b>	<b>2,86,30,000</b>	<b>100.00%</b>

c. Shareholding as on July 1, 2008 (date of incorporation)

<b>Sr. No.</b>	<b>Name of the Shareholder</b>	<b>No. of Shares</b>	<b>% of then issued capital</b>
1	Mr. Ram Saran Saluja	4,000	40.00%
2	Mr. Dhiraj Saluja	3,000	30.00%
3	Mrs. Sneha Lata Saluja	3,000	30.00%
4	<b>Total</b>	<b>10000</b>	<b>100.00%</b>

31. Our Company has not raised any bridge loan against the proceeds of this Issue.
32. Our Promoter and members of Promoter Group will not participate in this Issue.
33. Other than Pre-IPO placement, 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 issued through the Prospectus are listed or application moneys refunded on account of failure of Issue.
34. Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and our Company shall comply with such accounting and disclosure norms as specified by SEBI from time to time.
35. A Bidder cannot make a Bid for more than the number of Equity Shares being issued through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
36. No payment, direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by us or our Promoter to the persons who receive allotments, if any, in this issue.
37. As on the date of filing of the Draft Red Herring Prospectus our Company has 7 members.
38. The BRLM does not hold any equity shares of our Company.

## SECTION V

### OBJECTS OF THE ISSUE

The present issue is being made to raise the funds for the following purposes:

1. Setting up a new facility for manufacturing of Terry Towels with an installed capacity of 3600 TPA;
2. Meeting the expenses of the public issue;
3. To list the shares offered through this issue on BSE and NSE;

The other objects of the Issue also include creating a public trading market for the Equity Shares of our Company by listing them on BSE and NSE. We believe that the listing of our Equity Shares will enhance our visibility and brand name and enable us to avail of future growth opportunities.

The main object clause of Memorandum of Association of our Company enables us to undertake the existing activities and the activities for which the funds are being raised by us through the present Issue. Further, we confirm that the activities which we have been carrying out till date are in accordance with the object clause of our Memorandum of Association.

### DESCRIPTION OF THE PROJECT

#### **To set up a new facility for manufacturing of Terry Towels with an installed capacity of 3600 TPA**

Our Company is setting up a new facility to manufacture Terry Towels with a capacity of 3600 TPA at village Shekhon Majra, Rahon Road, Distt. Nawan Sheher, Punjab. The location is adjacent to existing manufacturing facilities of our Promoter Company i.e. SEL Manufacturing Company Limited.

We have taken the 11 acres of land at the above location on at lease of eleven years from our Promoter Company, SEL Manufacturing Company Limited at an annual lease rent of Rs. 50,000.00. As the land has been taken on lease, the cost of land has not been included in the cost of project.

In order to capture the growing market of Terry Towels both domestic as well as exports after the phasing out of Multi Fiber Agreement, our Company is in the process of setting up Terry Towel Capacity of 3600 TPA.

### Cost of Project and Means of Finance

The Cost of Project and Means of Finance as estimated by our management are given below:

#### **Cost of Project**

		(Rs. in Lacs)
Sr. No.	Particulars	Amount
<b>A</b>	<b>To set up a new facility for manufacturing of Terry Towels with an with an installed capacity of 3600 TPA</b>	
1	Site Development	110.00
2	Building & Civil Works	948.72
3	Plant & Machinery	
	- Indigenous	926.54
	- Imported	6,929.74
4	Miscellaneous Fixed Assets	829.52

5	Preliminary & Pre-operative Expenses	94.00
6	Provision for Contingencies	166.74
7	Margin Money for Working Capital	211.00
	<b>Sub-total</b>	<b>10,216.26</b>
<b>B</b>	<b>Public Issue Expenses</b>	<b>[•]</b>
	<b>Total</b>	<b>[•]</b>

#### Means of Finance

		(Rs. in Lacs)
Sr. No.	Particulars	Amount
1	Initial Public Offer	[•]
2	Internal Accruals	[•]
	<b>Total</b>	<b>[•]</b>

[•] – The relevant figure will be updated on finalization of the issue price.

Proceeds from the Initial Public Offer would be crystallized on finalization of the Issue Price on conclusion of the book building process.

We confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through proposed issue and existing identifiable internal accruals, shall be ensured.

The fund requirement and deployment are based on our management estimates and the quotations received from the suppliers. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals; availability of working capital finance on acceptable terms; and changes in management's views of the desirability of current plans, amongst others.

#### DETAILS OF MEANS OF FINANCE

##### Initial Public Offer

We propose to raise Rs. [•] Lacs by way of public issue of 1,10,00,000 Equity Shares of Rs. 10/- each at a price of Rs. [•] in terms of this Draft Red Herring Prospectus.

##### Internal Accruals

Our Company intends to deploy Rs. [•] Lacs on the Project through internal accruals. The exact amount that will be spent out of internal accruals will be the balancing figure and will be finalized only after the issue proceeds are received by our Company.

#### Schedule of Implementation

##### To set up a new facility for manufacturing of Terry Towels

Activity	Original Schedule	
	Month of Commencement	Expected Month of Completion
Site Development	April 2010	June 2010
Building and Civil Works	June 2010	December 2010
Plant & Machinery		
- Placement of Order – Indigenous	April 2010	June 2010
- Placement of Order – Imported	April 2010	June 2010

- Receipt of Plant & Machinery	November 2010	March 2011
- Erection and Commissioning	November 2010	March 2011
Trial Run Production	March 2011	
Commercial Production	April 2011	

### Deployment of Funds in the Project

We have incurred the following expenditure on the project till February 15, 2010. The same has been certified by our statutory auditors, M/s Dinesh K Mehtani, Chartered Accountants vide the certificate dated February 19, 2010.

(Rs. Lacs)

Sr. No.	Particulars	Amount Deployed till February 15, 2010
1	Preliminary and pre- operative Expenses	0.87
2	Public Issue Expenses	14.55
	<b>Total</b>	<b>15.42</b>

The above mentioned deployment has been financed out of the Internal Accruals.

### Details of balance fund deployment

The overall cost of the proposed Project and the proposed year wise break up of deployment of funds are as under:

(Rs. in Lacs)

Sr. No.	Particulars	Amount Deployed till February 15, 2010	Amount to be Deployed till March 2011	Amount Total
1	Site Development		110.00	110.00
2	Building & Civil Works		948.72	948.72
3	Plant & Machinery			
	- Indigenous		926.54	926.54
	- Imported		6,929.74	6,929.74
4	Miscellaneous Fixed Assets		829.52	829.52
5	Preliminary & Pre-operative Expenses	0.87	93.13	94.00
6	Provision for Contingencies		166.74	166.74
7	Margin Money for Working Capital		211.00	211.00
8	Public Issue expenses	14.55	[•]	[•]
	<b>Total</b>	<b>15.42</b>	<b>[•]</b>	<b>[•]</b>

### DETAILED BREAK UP OF THE PROJECT COST

#### A. To set up a new facility for manufacturing of Terry Towels with an with an installed capacity of 3600 TPA

##### 1. Site Development

Site Development expenses have been estimated as per the estimate of Architect, M/s Vivek Consultants, Architects, Engineers, Interior Designer, Planners vide their certificate dated February 22, 2010 as follows:

(Rs. Lacs)

Sr. No.	Particulars	Amount
1.	Boundary Wall with Bricks, Site Development	60.00



2.	Internal Roads	50.00
	<b>Total</b>	<b>110.00</b>

## 2. Building and Civil Works

The details of the buildings to be constructed are as follows:

(Rs. Lacs)				
Sr. No.	Particulars	Area	Rs./Sq.Mtr.	Amount
<b>1.</b>	<b>Main Building</b>			
	- Air Jet Loom Hall	1,350		
	- Jacquard Loom Hall	550		
	- Sectional Warping	1,050		
	- Direct Warping	642		
	- Sizing	408		
	- Beam Storage Area	408		
	- Towel Dyeing	525		
	- Yarn Dyeing	467		
	- Re Winding	467		
	- Soft Winding	467		
	- Drying Shed	817		
	- Grey Inspection	400		
	- Stiching Hall	817		
	- Embroidery Hall	408		
	- Hemming/Cutting Machine Line	1,167		
	- Sizing Kitchen	117		
	- Ready Material Store	292		
	- Lab	100		
	- Shearing	83		
	<b>Sub Total</b>	<b>10,535</b>	<b>5,500</b>	<b>579.43</b>
<b>2.</b>	<b>Godowns</b>			
	- Finished Godown-I	1,333		
	- Finished Godown-II	933		
	- Dyed Yarn	667		
	- Grey Yarn	667		
	- Yarn Godown	583		
	- Packing Material Store	233		
	- Carton Packing	400		
	- Colour Store	233		
	- Dye & Chemical Store	292		
	<b>Sub Total</b>	<b>5,341</b>	<b>4,500</b>	<b>240.35</b>
<b>3.</b>	<b>Other Buildings</b>			
	- Transformer House	167		
	- Sub Station	525		
	- Compressor Hall	125		
	- Work Shop	100		
	- ETP & STP Plant	1,417		
	- Humidification Plant (4)	700		
	- Other Utilities	650		
	<b>Sub-total</b>	<b>3,684</b>	<b>3,500</b>	<b>128.94</b>
	<b>Total</b>			<b>948.72</b>

The Cost of Construction of Buildings and Other Civil Works has been estimated by Architect, M/s Vivek Consultants, Architects, Engineers, Interior Designer, Planners vide their certificate dated February 22, 2010.

### 3. Plant and Machinery

#### Plant and Machinery - Indigenous

Our Company proposes to acquire following indigenous plant & machinery for which we are yet to place the order:

(Rs. Lacs)						
Sr. No.	Description	Supplier Name	Quotation Date	No. of Units	Cost per Unit	Total Cost
1	Sizing Machine for processing of spun Yarns	Prashant West Point Machinery Private Limited	October 10, 2009	1	158.92	158.92
2	Direct Warper Model MPB-2200 for processing of spun Yarns with Warping Creel Model MPV - 844	Prashant West Point Machinery Private Limited	October 10, 2009	1	77.35	77.35
3	Section Warping Machine Model Lasertronic GESP-1250 alongwith waxing device, Pneumatic Beam Pressing Device, Twin Creel-Model CB-R (Revolving Type), Automatic Air Blowing Device	Prashant Gamatex Private Limited	October 10, 2009	2	99.16	198.32
4	Gantry for Jacquard	Mecon Industries	October 14, 2009	6	4.50	27.00
5	Tumbler Dryer Machine - Capacity of 325 kgs will all necessary accessories	Peninsula Engineers	October 20, 2009	3	41.40	124.20
6	Hot Air Stenter	Harish Enterprises	October 14, 2009	1	90.00	90.00
7	ZHC 7000, ZHC 10000, ZHC 15000 Centrifugal Compressor	Atlas Copco	October 20, 2009	1	131.58	131.58
8	3 x 120 Spindles of Versa Cone Winder, Model, Versa-C	Peass, New Delhi		1	101.00	101.00
<b>Sub-total</b>						<b>908.37</b>
Taxes						18.17
<b>Total</b>						<b>926.54</b>

#### Plant and Machinery – Imported

Following new Plant & Machinery are proposed to be imported for which orders are yet to be placed:

(Rs. Lacs)						
Sr. No.	Description	Supplier Name	Date of Quotation	No. of Units	Cost per Unit	Total Cost

Sr. No.	Description	Supplier Name	Date of Quotation	No. of Units	Cost per Unit	Total Cost
1	Automatic shuttleless rapier looms type Vamatex SILVER DT, nominal width 3600mm	Itama Weaving India Private Limited	October 12, 2009	6	56.89	341.34
2	Automatic shuttleless rapier looms type Vamatex SILVER DT, nominal width 3000mm	Itama Weaving India Private Limited	October 12, 2009	4	55.75	223.00
3	Tsudakoma ZAX9100 T Air Jet Loom - ZAX9100 TERRY-340-Dobby	Tsudakoma Corp, Japan	October 13, 2009	18	55.40	997.27
4	Beam Knotting Machines Type TPM-201 with Tying Frame Type TPF3B (Standard)	Staubli, Switzerland		3	14.70	44.10
5	Electronic Jacquard Model ZJ2-28 with 2688 solenoids & 8536 ends Startes harness in component form over 360 cm loom	NV Bonas Textile Machinery, Belgium	October 13, 2009	6	29.40	176.40
6	Electronic Jacquard Model ZJ2-28 with 2688 solenoids & 7118 ends Startes harness in component form over 300 cm loom	NV Bonas Textile Machinery, Belgium	October 13, 2009	2	28.70	57.40
7	Electronic Jacquard Model LJ7-48 with 6912 solenoids & 7118 ends Startes harness in component form over 300 cm loom	NV Bonas Textile Machinery, Belgium	October 13, 2009	1	64.75	64.75
8	Slitter BNTS-3400, including 7 blades	Barudan Sewing Machine Company Limited, Japan	October 12, 2009	1	88.40	88.40
9	Side Hemming BSD-TB-1200-340 including 1 set of Dust Extractor (Lh & RH)	Barudan Sewing Machine Company Limited, Japan	October 12, 2009	2	141.70	283.40
10	Cross cutting machine BNKS 1800S	Barudan Sewing Machine Company Limited, Japan	October 12, 2009	1	114.40	114.40
11	Cross Hemming Machine BEST-I SJ (1015/1520) including labeler	Barudan Sewing Machine Company Limited, Japan	October 12, 2009	3	130.60	391.80
12	Cross Hemming Machine BEST-IIIB 1025 including labeler	Barudan Sewing Machine Company Limited, Japan	October 12, 2009	2	200.72	401.44
13	Cross Hemming Machine BEST-V1000 including labeler	Barudan Sewing Machine Company Limited, Japan	October 12, 2009	2	185.12	370.24
14	Cone to cone winding machines model CW2-W ClassicWind single or double sided execution each with 72 spindles	SSM Vertriebs AG, Switzerland	October 21, 2009	1	63.95	63.95
15	SSM Precision Package Winding Machine model PS6 plus W single or double sided execution with 50 spindles each	SSM Vertriebs AG, Switzerland	October 21, 2009	1	120.46	120.46

Sr. No.	Description	Supplier Name	Date of Quotation	No. of Units	Cost per Unit	Total Cost
16	High Temperature Fabric Dyeing Machine, Type 50H/T complete with Continuous AQUACHRON 2G washing and Full Automation by Sclavos Sedomat 5500	Sclavos S.A., Greece	October 14, 2009	1	60.83	60.83
17	High Temperature Fabric Dyeing Machine, Type 350H/T complete with Continuous AQUACHRON 2G washing, 2nd Addition Tank, Dry Salt Transfer system, PH/TDS system, Sclavos Heat Recovery system and Full Automation by Sclavos Sedomat 5500	Sclavos S.A., Greece	October 14, 2009	1	228.28	228.28
18	High Temperature Fabric Dyeing Machine, Type 700H/T complete with Continuous AQUACHRON 2G washing, 2nd Addition Tank, Dry Salt Transfer system, PH/TDS system, Sclavos Heat Recovery system and Full Automation by Sclavos Sedomat 5500	Sclavos S.A., Greece	October 14, 2009	1	274.95	274.95
19	High Temperature Fabric Dyeing Machine, Type 1050 H/T complete with Continuous AQUACHRON 2G washing, 2nd Addition Tank, Dry Salt Transfer system, PH/TDS system, Sclavos Heat Recovery system and Full Automation by Sclavos Sedomat 5500	Sclavos S.A., Greece	October 14, 2009	2	326.28	652.56
20	High Temperature Fabric Dyeing Machine, Type 1400 H/T complete with Continuous AQUACHRON 2G washing, 2nd Addition Tank, Dry Salt Transfer system, PH/TDS system, Sclavos Heat Recovery system and Full Automation by Sclavos Sedomat 5500	Sclavos S.A., Greece	October 14, 2009	2	367.50	735.00
21	Automatic Folding Machine for Terry Towels Model FS 120	Magetron, Italy		1	151.20	151.20
22	Packaging Machine for Terry Towels Model, Pack 500 with optional shrinking tunnel and carton insertion	Magetron, Italy		1	91.00	91.00
23	TRAMATEX 90/SP04 WEFT Straightener - Model "BIG" & Rope Opening Line	Bianco SPA, Italy	October 20, 2009	1	122.99	122.99
24	Color Matching System, Lab dispenser, Dyeing Lab Equipments	Euro Tech		1	77.70	77.70
25	High Speed Shearing Machine Model SSC/a Woven Turbo Working Width 3600 mm Mechanical Speed 40 MT/MIN	Mario Crosta, Italy	October 13, 2009	1	149.49	149.49

Sr. No.	Description	Supplier Name	Date of Quotation	No. of Units	Cost per Unit	Total Cost
26	Auto Controlled Humidification Plant	Aesa Air Engineering, France	October 22, 2009	1	256.90	256.90
27	Embroidery	Estimates		1	46.50	46.50
28	Sewing Machines	Estimates		20	2.33	46.50
29	Needle Detectors	Estimates		1	23.25	23.25
<b>Sub-total</b>						<b>6,655.50</b>
Taxes and other charges						274.24
<b>Total</b>						<b>6,929.74</b>

**Note:** The actual suppliers of the Plant & Machinery, the type of plant and machinery and the prices may differ considering the conditions prevailing while placing the orders. We do not propose to purchase any second hand machinery in the proposed project.

#### 4. Miscellaneous Fixed Assets

Miscellaneous Fixed Assets includes the following:

(Rs. Lacs)						
Sr. No.	Description	Supplier Name	Date of Quotation	No. of Units	Cost per Unit	Total Cost
1	Effluent Treatment Plant for 4000 KL/Day	Wintech Engineers	October 21, 2009	1	347.50	347.50
2	Water Softening Plant, Capacity 3000 m <sup>3</sup> /Day	Wintech Engineers	October 21, 2009	1	34.75	34.75
3	Auto Controlled Humidification Plant (Ind. Parts)	Aesa Air Engineering	October 22, 2009	1	315.00	315.00
4	Inspection Machine	Estimates		4	4.00	16.00
5	CAD Systems with equipments	Estimates		1	5.00	5.00
6	Material Handling Equipment	Estimates		1	15.00	15.00
7	Testing Equipments	Estimates		1	18.00	18.00
8	10 TPH Boiler, Model Fluidpac MTFH-100 b/11.25Kg/cm <sup>2</sup>	Estimates		1	62.00	62.00
<b>Sub-total</b>						<b>813.25</b>
Taxes						16.27
<b>Total</b>						<b>829.52</b>

**Note:** The actual suppliers, the type of Miscellaneous Fixed Assets and the prices may differ considering the conditions prevailing while placing the orders.

#### 5. Preliminary and Pre Operative Expenses

Preliminary and Pre Operative Expenses include the following:

(Rs. in Lacs)	
Particulars	Amount
Travelling & Other Administration Expenses	25.00
Power Connection Charges (3000 KW @ 1800/-)	54.00
Other Miscellaneous Expenses including Insurance during Construction / implementation etc.	15.00
<b>Total</b>	<b>94.00</b>

## 6. Provision for Contingencies

Provision for contingencies has been estimates as follows:

(Rs. Lacs)

Particulars	Cost of Fixed Assets	% age	Contingency Amount
Site Development	110.00	1.0%	1.10
Building & Civil Works	948.72	1.0%	9.49
Plant & Machinery			
- Indigenous	926.54	1.0%	9.27
- Imported	6,929.74	2.0%	138.59
Miscellaneous Fixed Assets	829.52	1.0%	8.30
<b>Total</b>			<b>166.74</b>

## 7. Margin Money for Working Capital

We will need additional working capital for the new project. We have estimated our additional working capital requirements for FY 2011-2012 for the proposed project out of which margin will be funded through the proposed public issue. The details of working capital margin requirements are as under:

(Rs. in Lacs)

Particulars	Requirement for FY 2011-212				
	No. of Months	Margin (%)	Total Amount	Bank Finance	Margin Money
Raw Materials	0.70	25	188.00	141.00	47.00
Consumable Stores	3.00	25	111.00	83.25	27.75
Stock of Finished Goods	0.50	25	219.00	164.25	54.75
Stock in Process	0.40	25	182.00	136.50	45.50
Receivables - Exports	2.00	0	964.00	964.00	0.00
- Domestic	2.00	40	90.00	54.00	36.00
<b>Sub-total</b>			<b>1,754.00</b>	<b>1,543.00</b>	<b>211.00</b>
Less : Sundry Creditors	0.33	0	101.00	101.00	0.00
<b>Total</b>			<b>1,653.00</b>	<b>1,442.00</b>	<b>211.00</b>
<b>Working Capital Limits</b>					
<b>Bank Finance</b>					<b>1,442.00</b>
<b>Margin Funding Through IPO</b>					<b>211.00</b>

## B. Public Issue Expenses

The expenses for this Issue include Issue management fees, IPO grading expenses, selling commissions, underwriting commission, printing and distribution expenses, fee payable to other intermediaries, statutory advertisement expenses and listing fees payable to the Stock Exchanges, amongst others. The estimated Issue expenses are as under:

(Rs. in Lacs)

Activity	Expenses*	% of Issue Size	% of Issue expenses
Lead management, Syndicate fees, underwriting and selling commission	[•]	[•]	[•]
Advertisement and marketing expenses	[•]	[•]	[•]
Printing and stationery (including expenses on transportation of the material)	[•]	[•]	[•]
Others (Filing Fees with SEBI, BSE and NSE,	[•]	[•]	[•]

Registrar's fees, legal fees, IPO Grading, listing fees, travelling and other misc. expenses etc.)			
<b>Total</b>	<b>[•]</b>	<b>[•]</b>	<b>[•]</b>

*\* Will be incorporated after finalization of the Issue Price*

### **Interim Use of Funds**

The management, in accordance with the approval of the Board of Directors, will have the flexibility in deploying the Issue Proceeds received by us. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds and deposits with banks for the necessary duration or for reducing overdraft.

### **Monitoring of Issue proceeds**

Our Audit Committee will also monitor the utilization of the Issue Proceeds. We will disclose the utilization of the Issue proceeds under separate head in our balance sheet for the Financial Year 2011 and 2012.

Further, on an annual basis, our Company shall prepare a statement of funds utilized for purposes other than those stated in the Draft Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made till such time that the full money raised through the Issue has been fully spent. The statement shall be certified by the Statutory Auditors. Further, our Company will furnish to the Stock Exchanges on a quarterly basis, a statement indicating material deviations, if any, in the use of Issue Proceeds from the Objects stated in the Draft Red Herring Prospectus. Pursuant to Clause 49 of the listing agreement, our Company shall on a quarterly basis disclose to the Audit Committee the uses and application of the Issue Proceeds. We will disclose the utilization of the Issue Proceeds under a separate head in our balance sheet till such time the Issue Proceeds have been utilized, clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheet till such time the Issue Proceeds have been utilized, provide details, if any, in relation to all such Issue Proceeds that have not been utilized thereby also indicating investments, if any, of such unutilized Issue Proceeds.

No part of the Issue Proceeds of this issue will be paid as consideration to our Promoter, directors, key managerial employees or group concerns/companies promoted by our Promoter.

## **BASIC TERMS OF THE ISSUE**

### **Terms of the Issue**

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (ICDR) Regulations, 2009, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid-cum-Application Form, ASBA Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### **Terms of Payment**

Applications should be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. The entire price of the Equity Shares of Rs. [•] per share (Rs. 10 face value + Rs. [•] premium) is payable on application. In case of allotment of lesser number of Equity Shares than the number applied, the excess amount paid on application shall be refunded by us to the applicants.

### **Ranking of Equity Shares**

The Equity Shares being offered through the Issue shall be subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company and shall rank *pari passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The Allottees, in receipt of Allotment of Equity Shares under the Issue, will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of Allotment.

### **Face Value and Issue Price per Share**

The Equity Shares having a face value of Rs. 10 each are being offered in terms of the Draft Red Herring Prospectus at a price of Rs. [•] per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

Price Band: Rs. [•] to Rs. [•] per Equity Share of Face Value of Rs. 10 each. The Floor Price is [•] times of the Face Value and the Cap Price is [•] times of the Face Value.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. In terms of existing SEBI (ICDR) Regulations, 2009, the trading in the Equity Shares shall only be in dematerialized form for all investors.

Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of [•] Equity Shares to the successful bidders.



**Minimum Subscription**

If our Company do not receive the minimum subscription of 90% of the Issue to the Public including devolvement of the Underwriters within 60 days from the Bid Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company become liable to pay the amount, we shall pay interest prescribed under Section 73 of the Companies Act 1956.

## BASIS FOR ISSUE PRICE

*Investors should read the following summary along with the Sections titled “Risk Factors”, “About Us” and “Financial Information” beginning on pages 11, 72 & 127 respectively of the Draft Red Herring Prospectus. The trading price of the Equity Shares of our Company could decline due to these risks and you may lose all or part of your investments.*

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

### Quantitative Factors

Information presented in this section is derived from our Company’s restated, financial statements.

#### 1. Adjusted Earnings Per Share

Particulars	EPS (Rs)	Weights
2008-2009	(3.80)	1
April to Dec 2009 (Not Annualised)	0.88	2
<b>Weighted Average EPS</b>	<b>(0.68)</b>	

#### 2. Pre Issue Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [●] per Equity Share

Particulars	P/E at the lower end of the price band (Rs. [●])	P/E at the higher end of the price band (Rs. [●])
Based on April to December 2009 EPS of Rs. 0.88	[●]	[●]

Industry P/E*	
▪ Highest – Sutej Textiles	73.9
▪ Lowest – Sri Ramakrishna Mills (Coimbatore) Limited	2.0
▪ Average – Textiles – Cotton / Blended	8.3

*Source: Capital Market, VolumeXXIV/26, February 22, 2010 – March 07, 2010*

#### 3. Average Return on Net Worth

Particulars	RONW (%)	Weights
2008-2009	(61.29)	1
April to Dec 2009	1.59	2
<b>Weighted Average RONW</b>	<b>(19.37)</b>	

#### 4. Minimum Return on Net Worth needed after the Issue to maintain pre-Issue EPS of Re. 0.88 is

- a) At the higher end of the price band [●]%
- b) At the lower end of the price band [●]%

## 5. Net Asset Value (Rs.)

Particulars	At the lower end of the price band (Rs. [●])	At the higher end of the price band (Rs. [●])
As on December 31, 2009	15.93	15.93
After Issue	[●]	[●]
Issue Price	[●]	

## 6. Comparison of Accounting Ratios with Peer Group Companies

Particulars	Sales	EPS – TTM	P/E	RONW	NAV	Face
	(Rs. Cr.)	(Rs.)	Ratio	(%)	(Rs.)	Value
Amarjothi Spinning Mills Limited	93.0	5.1	9.0	13.0	40.1	10
Bannari Amman Spinning Mills Limited	286.8	7.6	13.2	5.0	101.8	10
Kallam Spinning Mills Limited	67.2	7.5	3.4	16.9	31.8	10
PBM Polytex Limited	137.0	8.2	3.2	0.1	58.1	10
Sri Ramakrishna Mills (Coimbatore) Limited	51.2	12.5	2.0	--	13.8	10
Super Sales India Limited	102.9	44.3	5.0	1.9	153.7	10
Suryajyoti Spinning Mills Limited	209.5	4.5	5.6	4.7	41.7	10
SEL Textiles Limited	17.93	0.88	[●]	1.6	15.93	10

Source: Capital Market, VolumeXXIV/26, February 22, 2010 – March 07, 2010

7. The face value of our Equity Shares is Rs.10 per share and the Issue Price of Rs. [●] is [●] times of the face value of our Equity Shares. The final price would be determined on the basis of the demand from the investors.

The BRLM believes that the Issue Price of Rs. [●] per Equity Shares is justified in view of the above qualitative and quantitative parameters. The investors may also want to peruse the risk factors and our financials as set out in the Auditors Report in the Draft Red Herring Prospectus to have a more informed view about the investment proposition.

## STATEMENT OF TAX BENEFITS

**The Board of Directors,**  
**SEL Textiles Limited**  
Plot No. 274, G.T. Road,  
Dhandari Khurd, Ludhiana -141010  
Punjab

Dear Sirs,

### **Sub: Statement of Possible Tax Benefits**

We hereby report that the enclosed annexure states the possible tax benefits that may be available to SEL Textiles Limited (the "Company") and to the Shareholders of the Company under the provisions of current tax laws presently in force in India.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence, the ability of the Company or its Shareholders to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed in the enclosed statement are not exhaustive nor are they conclusive. This statement is only intended to provide general information and to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

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 benefits have been / would be met with;
- the revenue authorities/ courts will concur with the views expressed herein.

Our views are based on the existing provisions of law and its interpretations, which are subject to change from time to time. We do not assume responsibility to up-date the views of such changes. 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. While all reasonable care has been taken in the preparation of this opinion, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

This report is intended solely for information and for the inclusion in the offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For Dinesh K Mehtani**  
**Chartered Accountants**

**Dinesh Kumar**  
**Prop.**  
**M. No. 091676**  
**Date : 13.02.10**  
**Place : Ludhiana**

## **STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS**

### **A. SPECIAL TAX BENEFITS TO THE COMPANY**

There are no special tax benefits available to the Company.

### **B. SPECIAL TAX BENEFITS TO THE SHAREHOLDERS OF OUR COMPANY: NIL**

### **C. GENERAL TAX BENEFITS, AVAILABLE TO ALL CATEGORIES OF COMPANIES OR TO THE SHAREHOLDERS OF ANY COMPANY, SUBJECT TO FULFILLING CERTAIN CONDITIONS AS REQUIRED UNDER THE RESPECTIVE ACTS:**

#### **BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME TAX ACT, 1961**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received by the Company from domestic companies is exempt from income tax.
2. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
3. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India after 1<sup>st</sup> October, 2004 and is liable to securities transaction tax.
4. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National highway Authority of India Act88;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the

year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

6. **Deduction under Section 32:** As per provisions of Section 32(1)(iia) of the Act, the company is entitled to claim additional depreciation of 20% of the actual cost of any new machinery or plant which has been acquired and installed after 31<sup>st</sup> March, 2005 subject to fulfillment of conditions prescribed therein.
7. Under section 115JAA (2A) of the Act tax credit shall be allowed in respect of any tax paid (MAT) under section 115JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years immediately succeeding the year in which the MAT credit initially arose.

#### **BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to section 48 of the IT Act, in respect of long term capital gains (i.e. shares held for a period exceeding 12 months) from transfer of shares of Indian Company, it permits substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed from time to time.
3. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
4. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National highway Authority of India Act;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

6. Under section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
7. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
8. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction e from the amount of income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

#### **BENEFITS AVAILABLE TO MUTUAL FUNDS**

1. As per the provisions of Section 10(23D) of the IT Act, Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, would be eligible for exemption from income tax on their income.

#### **BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS')**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.

3. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

4. Under section 115AD (1)(ii) of the Act short term capital gains on transfer of securities shall be chargeable @ 30% and 10% (where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax). The above rates are to be increased by applicable surcharge and education cess.

Under section 115AD(1)(iii) of the Act income by way of long term capital gain arising from the transfer of shares (in cases not covered under section 10(38) of the Act) held in the company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation and foreign currency fluctuations are not available to FIIs.

5. As per section 90(2) of the IT Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act to the extent they are more beneficial to the FII.
6. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction e from the amount of income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

## **BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/ FUNDS**

1. Under section 10(23FB) of the IT Act, any income of Venture Capital companies/ Funds (set up to raise funds for investment in venture capital undertaking notified in this behalf) registered with the Securities and Exchange Board of India would be exempt from income tax, subject to conditions specified therein. As per section 115U of the IT Act, any income derived by a person from his investment in venture capital companies/ funds would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.



**BENEFITS AVAILABLE TO NON-RESIDENTS/ NON-RESIDENT INDIAN SHAREHOLDERS  
(OTHER THAN MUTUAL FUNDS, FIIS AND FOREIGN VENTURE CAPITAL INVESTORS)**

1. Under section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
2. Under section 10(38) of the IT Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
3. Under the first proviso to section 48 of the IT Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the IT Act-discussed hereunder), 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.
4. Under section 112 of the IT Act and other relevant provisions of the IT Act, long term capital gains, (other than those exempt under section 10(38) of the IT Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
5. Under section 54EC of the IT Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the IT Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
  - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act;
  - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment made in the long term assets as specified above by the assessee during any financial year is subject to maximum of Fifty lacs rupees. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act.

6. Under section 54F of the IT Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house

property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.

7. Under section 111A of the IT Act and other relevant provisions of the IT Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
8. Where shares of the Company have been subscribed in convertible foreign exchange, Non-Resident Indians (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) have the option of being governed by the provisions of Chapter XII-A of the IT Act, which inter alia entitles them to the following benefits:
  - i. Under section 115E, where the total income of a non-resident Indian includes any income from investment or income from capital gains of an asset other than a specified asset, such income shall be taxed at a concessional rate of 20 per cent (plus applicable surcharge and education cess). Also, where shares in the company are subscribed for in convertible foreign exchange by a Non-Resident India, long term capital gains arising to the non-resident Indian shall be taxed at a concessional rate of 10 percent (plus applicable surcharge and education cess). The benefit of indexation of cost and the protection against risk of foreign exchange fluctuation would not be available.
  - ii. Under provisions of section 115F of the IT Act, long term capital gains (in cases not covered under section 10(38) of the IT Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the IT Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets or in any savings certificates referred to in section 10(4B), within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
  - iii. Under provisions of section 115G of the IT Act, it shall not be necessary for a Non-Resident Indian to furnish his return of income under section 139(1) if his income chargeable under the Act consists of only 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 as per the provisions of Chapter XVII-B of the IT Act.
  - iv. In accordance with the provisions of Section 115H of the Act, a Non Resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the assessing officer along with his return of income for that year under Section 139 of the Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
9. In terms of section 36(xv) of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for deduction e from the amount of income chargeable

under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

10. As per Section 90(2) of the IT Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the Non-Resident/ Non-Resident India would prevail over the provisions of the IT Act to the extent they are more beneficial to the Non-Resident/ Non-Resident India.

#### **BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957**

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares of the Company held by the shareholders would not be liable to wealth tax.

#### **Notes:**

1. The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity Shares;
2. The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws, including as laid down by the circular 4/2007 dated 15th June 2007 issued by CBDT concerning capital gain, for availing concessions in relation to capital gains tax;
3. 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, 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;
4. 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 Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and
5. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint share holders.

## SECTION VI - ABOUT US

### INDUSTRY OVERVIEW

*Disclaimer: Pursuant to the requirements of the SEBI (ICDR) Regulations, 2009, the discussion on the business of Our Company in the Red Herring Prospectus consists of disclosures pertaining to industry grouping and classification. The industry grouping and classification is based on our Company's own understanding and perception and such understanding and perception could be substantially different or at variance from the views and understanding of third parties. Our Company acknowledges that certain products described in the Red Herring Prospectus could be trademarks, brand names and/ or generic names of products owned by third parties and the reference to such trademarks, brand names and/or generic names in the Red Herring Prospectus is only for the purpose of describing the products. The industry data has been collated from various industry and/or research publications and from information available from the World Wide Web.*

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14% to industrial production, 4 percent to the GDP, and 17% to the country's export earnings. It provides direct employment to over 35 million people. The Textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation.

The Indian textiles industry is extremely varied, with the hand-spun and hand woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized power looms/ hosiery and knitting sectors form the largest section of the Textiles

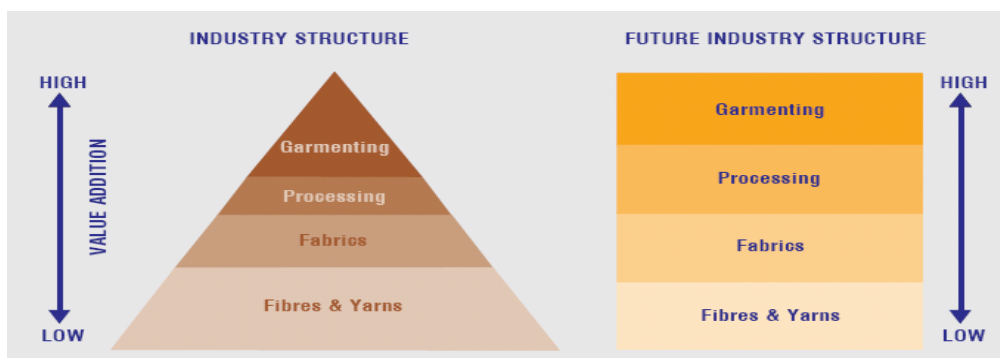
(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

Exports form over 40% of the country's total production of the textiles sector, the biggest employment generator after agriculture sector and is expected to generate 12 million new jobs by 2010. The sector targets US\$ 6 billion foreign direct investment (FDI) by 2015 to be invested in green field units in textiles machinery, fabric and garment manufacturing, as well as technical textiles.

India has made inroads into the markets of its key competitors which include Asian countries such as Sri Lanka, Bangladesh, Vietnam and Cambodia. The Indian textile and apparel industry is taking a new course by entering the Chinese market. Most of the top global apparel retailers, such as JC Penny, Nautica, Dockers and Target, have their sourcing network in India. Indian textiles and apparel exports, which is worth US\$ 22 billion, is expected to register a four-fold increase to touch US\$ 90 to 100 billion in the next 25 years.

(Source: [http://www.ibef.org/artdispview.aspx?in=73&art\\_id=24783&cat\\_id=123&page=2](http://www.ibef.org/artdispview.aspx?in=73&art_id=24783&cat_id=123&page=2))

### **Current Industry Structure and Future Industry Structure**



The current textile industry structure in India is with maximum players in the Fibres and Yarns and very few players in the Garmenting and retailing sector. But now Indian players have realized the need to be a vertically integrated player and more and more companies are moving up the value chain both organically as well as through consolidations.

The major sub-sectors that comprise the textiles sector include the organized Cotton / Man-Made Fibre Textiles Mill Industry, the Man-made Fibre / Filament Yarn Industry, the Wool and Woollen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

### **ORGANISED COTTON/ MAN - MADE FIBRE TEXTILES INDUSTRY**

The Cotton/ Man-made fibre textile industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes & chemicals. As on 31.03.2008, there were 1773 cotton/manmade fibre textile mills (non-SSI) in the country with an installed capacity of 35.01 million spindles, 4,61,000 rotors and 56,000 looms.

Textile production covering man-made fibre, filament yarn and spun yarn showed a minor setback in 2008-09. Man-made fibre production recorded a fall of about 14% and filament yarn production recorded a fall of about 6% during 2008 - 2009. Blended and 100% non-cotton yarn production recorded a fall of about 4.4% during 2008 - 2009.

There were 1773 cotton/man-made fibre textile mills (non-SSI) in the country as on March 31, 2008 with 35.01 million spindles, 461000 rotors and 56000 looms capacity.

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

### **MAN- MADE STAPLE FIBRE AND FILAMENT YARN INDUSTRY**

The industry comprises fibre and filament yarn manufacturing units of cellulosic and non-cellulosic origin. The cellulosic fibre/yarn industry is under the administrative control of the Ministry of Textiles, while the non-cellulosic industry is under the control of Ministry of Chemicals and Fertilizers (Department of Chemicals and Petro-Chemicals).

The production of man-made staple fibre industry achieved a growth rate of 8.9% during 2007-08 showing an increase trend as compared to the corresponding period of 2006-07. But, the man-made staple fibre industry attenuated 14.2% decline during 2008-09 (P). The production of viscose staple fibre and acrylic staple fibre is expected to decrease by 5% and 45%, respectively during 2008-09. The production of polyester staple fibre is also expected to decrease 11% during 2008-09.

The total production of man-made filament yarn is expected to decrease by about 2.27% during 2008-09 (P). The production of nylon filament yarn and polyester filament yarn is also expected to decrease 30% and 2.5%, respectively during 2008-09. But, the production of viscose filament yarn is expected to increase by about 22% during 2008-09 (P).

Year	No. of Spinning Mills	No. of composite Mills	Total
2001-02	295	126	421
2002-03	349	134	483
2003-04	374	94	468
2004-05	376	99	475
2005-06	387	96	483
2006-07	380	87	467
2007-08	318	63	381

The installed capacity and details of production of man made staple fibre and filament yarn are as under:

**Installed Capacity and Production of Man-Made Staple Fibre/Filament Yarn**

Type	No. of units	Installed capacity (tpa) (as on 31.03.07)	2005-06	Production (Mn. Kg)			
				2006-07(E)	2007-08(P)	2008-09 (April-Jan.)	2008-09(P)
<b>Staple Fibre</b>							
Viscose	3	328.8	229	230	242	191	229
Polyester	17	1294.6	628	754	820	611	733
PP	4	9.7	3	1	2	2	2
Acrylic	7	162.9	108	131	144	65	78
<b>Total</b>	<b>31</b>	<b>1796</b>	<b>968</b>	<b>1117</b>	<b>1217</b>	<b>870</b>	<b>1042</b>
<b>Filament</b>							
Nylon	7	654.4	37	38	40	23	28
Polyester	43	2164.14	1076	1225	1348	1096	1315
PP	17	116.2	14	15	16	13	16
Viscose	7	80.1	53	53	54	55	66
<b>Total</b>	<b>74</b>	<b>3014.84</b>	<b>1178</b>	<b>1331</b>	<b>1458</b>	<b>1167</b>	<b>1425</b>

*E = Estimated*

*P = Provisional*

*Source: ASFI.*

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

## THE POWERLOOM SECTOR

The decentralized Powerloom Sector plays a pivotal role in meeting the clothing needs of the country. The powerloom industry produces a wide variety of cloth, both grey as well as processed. Production of cloth as well as generation of employment has been rapidly increasing in the powerloom sector. There are 21.55 lakh powerlooms in the country as on 31st December, 2008 distributed over approximately 4.82 lakh units. The powerloom sector contributes about 62% of the total cloth production of the country, and provides employment to about 54.00 lakh persons. More than 60% of the cloth meant for export comes from the powerloom sector. The

estimated number of powerlooms in the decentralised sector in the country till December, 2008 was 21,58,362.

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 (P)
Cotton	6761	6370	7361	8639	9647	9923	9621
Blended	4695	4688	4526	4652	5025	4918	4764
100% Non Cotton	14498	15889	16438	17246	18207	19884	19263
<b>Total</b>	<b>25954</b>	<b>26947</b>	<b>28325</b>	<b>30537</b>	<b>32879</b>	<b>34725</b>	<b>33648</b>

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

## COTTON

Cotton is one of the principal crops of the country, plays a vital role in the Indian economy providing substantial employment and making significant contributions to export earnings. It engages around 6 millions farmers, while another about 40 - 50 million people depend on activities relating to cotton cultivation, cotton trade and its processing for their livelihood. It is the principal raw material for the domestic textile industry comprising 1608 spinning mills and 200 composite mills, with an installed capacity of 35.61 million spindles, 4,48,000 Open End Rotors and 69,000 looms in the organized sector plus another 1219 small scale spinning units with 4.00 million spindles and about 1,57,226 Rotors in the small scale decentralized sector.

Cotton has turned out to be an incredibly good performer in the country's agricultural sector. India ranks first in cotton-cultivated area and second in production among all cotton producing countries in the world, next to China and the USA.

India has brought about a qualitative and quantitative transformation in the production of cotton since her independence. During the year 2008-09, the cotton production in the country was estimated to be 290 lakh bales as against the production of 315 lakh bales during the previous year. India has the distinction of having the largest area under cotton cultivation at around 9 million hectares and constitutes around 25% of the total world. However, in productivity (591 kg.lint/ha), India is far behind many countries (USA: 912 kg/ha, China: 1251 kg/ha and World Average: 766 kg/ha). One of the major reasons for low yield is that 65 % area under cotton is rain fed. The country's cotton output for the cotton season 2008 - 09 has been estimated at a record 390 bales (of 170 kgs each). First time in 2006-07 cotton season, cotton yield of about 520 kg/hectare which reached at 560 in 2007- 2008 and 526 in 2008 - 2009. With the further possibility of higher use of Bt seeds/Hybrid seeds and a decline in the cost of such seeds, it is projected that by the terminal year of XI Five year plan (2007-2012), the yield per hectare will increase to 700 kgs and cotton production will reach the level of 390 lakh bales.

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

## HANDLOOMS

This sector today, with about 35 lakh looms, provides employment to 65 lakh persons. The sector is beset with various problems, such as obsolete technology, unorganized production system, low productivity, inadequate working capital, conventional product range, weak marketing links, overall stagnation of production and sales and above all, competition from powerlooms and mill sector. The rise in yarn prices have always been causing considerable hardship to the weavers all over the country as, yarn being a free market commodity, its prices are governed by laws of demand and supply. The Government of India has been initiating effective measures to bring down yarn prices and to ensure steady supply. To ensure steady availability of yarn, a statutory obligation has been imposed on the spinning mills to pack not less than 40% of their total marketable yarn

in the form of hanks. There are further stipulations that atleast 80% of such yarn packed should be in the counts of 40s and below.

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09 (P)
Cotton	5098	4519	4792	5341	5717	6076	5840
Blended	118	117	146	163	99	118	118
100% Non Cotton	764	857	784	759	720	719	719
<b>Total</b>	<b>5980</b>	<b>5493</b>	<b>5722</b>	<b>6263</b>	<b>6536</b>	<b>6947</b>	<b>6677</b>

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

## TERRY TOWEL INDUSTRY

Terry or Turkish Towels were originally woven in handloom and originated in Constantinople of Turkey. Terry fabrics, basically belong to the group of pile fabrics, wherein additional loose (with lesser tension) yarn is introduced to form loops called as piles to give a distinct appearance and effect. In the present age, pile formation is microprocessor controlled with high level of accuracy and distinct features.

Generally terry towels are used as bathing towels where its main function is to absorb water during the course of wiping of the wet body. It is therefore fibres that have greater ability to absorb water as well as have softer feel are preferably used in manufacturing of terry towels. The two fibres that have quality matching with the requirements of towels are cotton and linen. Linen has a rather harsher feel but it may not be a disadvantage in certain cases. The price of linen is also a barrier. Viscose staple yarn are also used as it possess adequate moisture absorption capacity but its ability to resist frequent laundering is poor as compared to cotton. It is therefore the bulk of towels are manufactured from cotton.

Among various parameters of yarn, linear density, twist per inch and packing density play a significant role in achieving desired quality of terry towels. Higher packing density of yarn resists absorbing more quantity of water due to availability of lesser space to retain water. Conversion process of yarn into fabric requires many intermediate operations, wherein yarn has to subject with varied amount of tensions. Therefore, the yarn, that has to be used for weaving, must have adequate strength to bear with these tensile forces, otherwise it will show poor performance during fabric manufacturing yarn quality in terms of strength alone is not adequate for production of good quality of fabrics. In addition to yarn strength, other factors which play a crucial role in deciding weaving efficiency are uniformity, frequency of imperfections, long faults, slubs, count variation, twist variation and hairiness.

Till last decade, Indian terry towel industry was dominated by decentralized Handloom and Powerloom sectors of Panipat, Karur, Erode, Mumbai, Sholapur, Ahmedabad and Delhi, constituting the share of over 80% of the total production of Towel Industry. But, for the last 10 years, many of the organized sectors have entered in this segment. Organized Sectors are mainly moving from mid low end to mid high end market whereas decentralized Sholapur, Panipat are concentrating more on low end and domestic market. Some of the high quality powerloom fabrics from decentralized sectors are being slowly accepted in leading markets of USA and EU. In the recent past, many of them installed shuttleless rapier looms with modern processing facilities for high end solid, dobby and jacquard velour beach towel.

USA is the World's single largest buyer for Made-ups and Terry Towels. India, China and Pakistan together supply 65% towels, 81% of sheets and 79% of comforters imported by USA, India has a dominant position in America's terry towel import with a share of around 26%.



The estimated annual production terry towels is 100,000 tons and will likely to go up to 115,000 tons with ongoing expansion and new investment by 2012 in the country. The leading players like Welspun and Abhishek Industry together account nearly 70% of the country's production from organized sector.

Source: <http://www.ced-gujarat.org/pdf/Magazine/TERRY%20TOWEL.doc>

## **THE INDIA ADVANTAGE**

Moreover certain natural advantages and external factors have fuelled the growth of this industry with a clear competitive edge.

### **Availability of Raw Materials**

#### **India is rich in**

Cotton Dominates the Industry

- Nearly 56% of yarn produced is made of cotton
- Country produces nearly 23 varieties of cotton
- India is the second largest player in the world cotton trade

India's position is strong vis-à-vis other countries in most raw materials

- Second largest player in world cotton trade
- Largest producer of jute
- Second largest producer of silk
- Third largest producer of cotton, accounting for nearly 16% of global production
- Third largest producer of cellulosic fibre/yarn
- Fifth largest producer of synthetic fibres/yarn
- Eleventh largest producer of wool

#### **Cotton**

Cotton is the predominant fabric used in the Indian textile industry – nearly 60 % of the overall consumption in textiles and more than 75% production in spinning mills is cotton.

- Nearly 56% of yarn produced is made of cotton
- India is the second largest player in world cotton trade
- India produces nearly 23 varieties of cotton
- Cotton yield per hectare is the lowest and the country has the largest acreage land under cultivation
- Grade and timing of purchase is essential for pricing
- US subsidies will greatly affect the pricing of Cotton
- Of the Total Yarn Manufactured in India, Long Staple yarns dominate the yarn Industry
  - Long Staple – 69%
  - Short Staple – 6%
  - Medium Staple – 25%

(Source: [www.imacs.in](http://www.imacs.in) and Annual Report 2008 – 2009, Ministry of Textiles, GOI)

#### **Wool**

India's wool industry is primarily located in the northern states of Punjab, Haryana, and Rajasthan. These three states alone account for more than 75 per cent of the production capacity, with both licensed and decentralised players. There are more than 700 registered units in the sector and more than 7000 powerlooms and other unorganised units. The woollen industry provides employment to approximately 1.2 million people.

## Silk

India is the second largest producer of silk in the world, contributing about 18 per cent to global production. Growing demand for traditional silk fabrics and exports of handloom products have spurred growth in silk demand.

## Jute

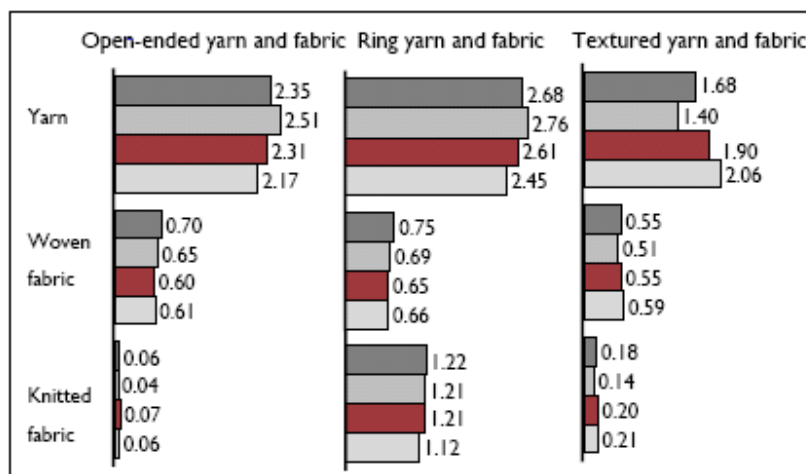
The Jute Textiles Industry occupies an important place in the national economy. It is one of the major industries in the eastern region, particularly in West Bengal. The production process in the Jute Industry goes through a variety of activities, which include cultivation of raw jute, processing of jute fibres, spinning, weaving, bleaching, dyeing, finishing and marketing of both, the raw jute and its finished products. The Jute Industry is labour intensive and as such its labour-output ratio is also high in spite of various difficulties being faced by the industry. Capacity utilization of the industry is around 75 per cent. These apart, the jute industry contributes to the export earnings to the tune of nearly Rs. 1200 crores annually.

([www.texmin.nic.in](http://www.texmin.nic.in), Sector review)

## Low Cost Quality Materials

Access to raw material and fabric is equally important for global buyers. Having a reliable domestic supply source reduces the turnaround time, which is critical in the mercurial world of fashion. Local supply sources also reduce transportation cost besides making it easier to ramp up capacity as demand rises. Countries with well-developed indigenous textile sectors such as China, India, Pakistan and Indonesia will have an advantage over those that rely on imports. India capitalizes on strong raw material base - cotton, man-made fibres, jute, silk India has natural fibres like cotton, jute, silk and wool to man made fibres like polyester, viscose, acrylic and multiple blends of such fibres. India has overtaken the US to become the world's 2nd largest cotton producing country, after China, as per a study by International Service for the Acquisition of Agri-biotech Application. BT cotton was a major factor contributing to higher rate of production, from 15.8 million bales in 2001-02 to 31 million bales in 2007-08.

Cost competitiveness



Source: [www.texmin.nic.in](http://www.texmin.nic.in) - statistics

Yarn: US\$ per kg of yarn

Fabric: US\$ per yard of fabric



Source: IBEF, Report of Textiles and Apparels, September, 2009

## Cheap Skilled Labor

Labor cost per unit of output for India is one of the lowest in the world. Developed countries like the US and EU are at a comparative disadvantage as their cost of production is almost 37 times higher than that of China or India, while the quality and skill sets are of similar standards. Moreover, with reforms in labor laws slowly taking shape and thrust of the government towards regularizing the unorganized sector makes India competitive in the outsourcing scenario.



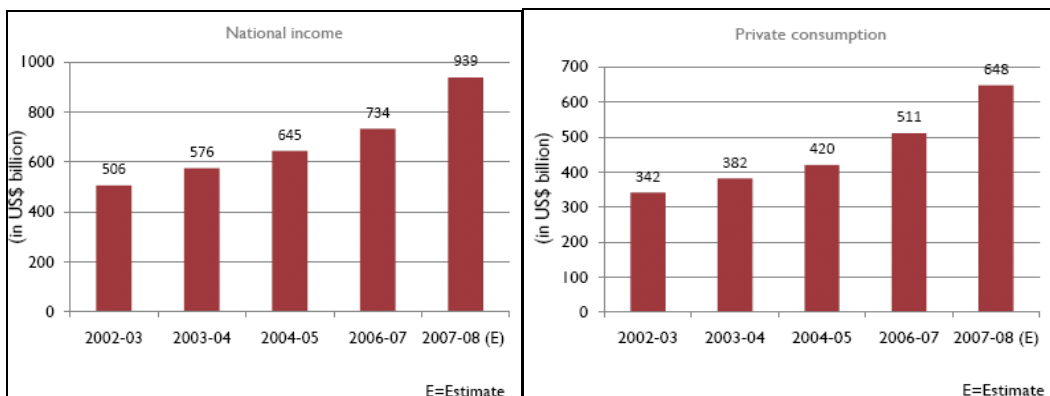
Source: IBEF, Report of Textiles and Apparels, September, 2009

## Consumer Demographics

Disposable incomes have been rising steadily in India.

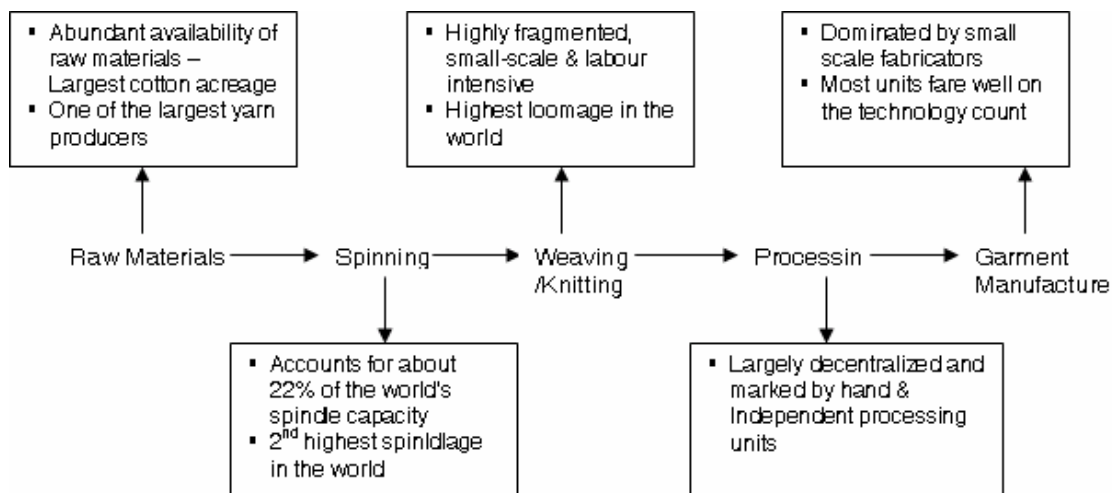
The consuming class is expected to constitute 80 per cent of the population by 2010.

Change in consumer mindset has led to an increasing spend on consumption, including textiles.



Source: IBEF, Report of Textiles and Apparels, September, 2009

## Presence in the Value Chain

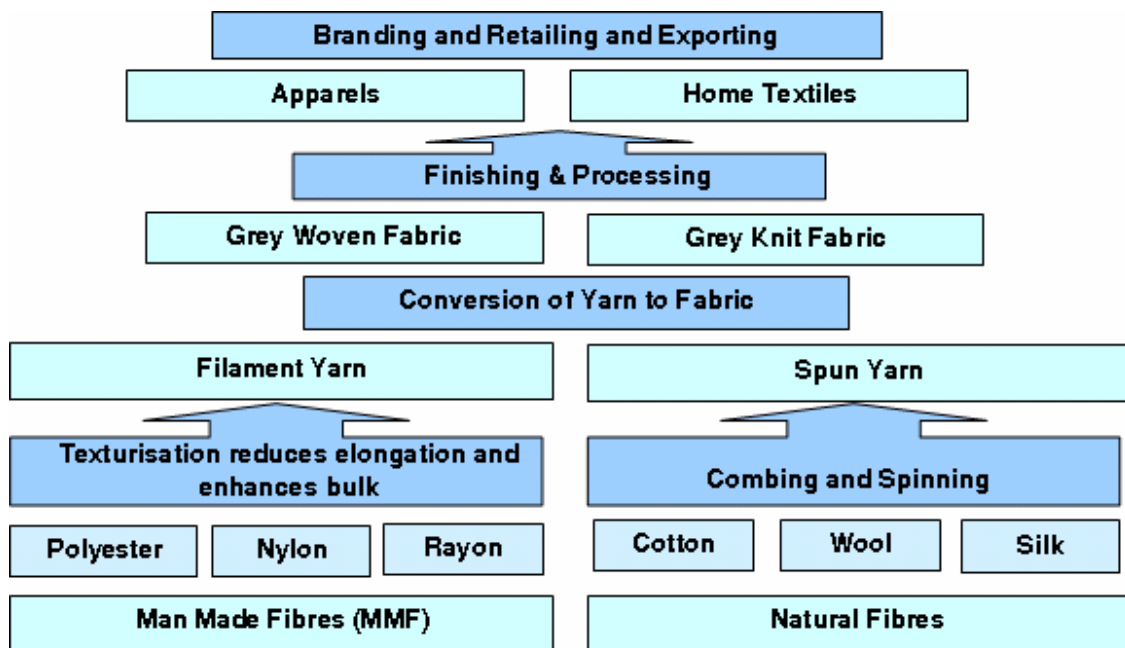


(Source: [www.ibef.org](http://www.ibef.org), Textiles and Apparels, September, 2009)

	INDIA	OTHER COUNTRIES
Capacity Utilization	High	Low
Raw material self-sufficiency	High	Low
Level of Integration	High	Low
Dependence on Exports	Low	High
Textile Industry	Fragmented	Consolidated
Textile Exports	Cotton-Based	Non Cotton Based
Per capita fibre consumption	Low	High

### Value Addition Norms

Some of the large Indian players have been conferred quality certifications by global retailers for their quality and manufacturing standards. These certifications and quality recognitions have helped Indian companies drive improved price realizations vis-à-vis regional peers. The players catering to the mass merchandisers are expected to face higher competition, as the number of players catering to this segment is higher creating higher price competition. Hence, garmenting and integrated units, catering to specialty stores and brands are expected to have a better pricing flexibility.



Fibre to Spun Yarn: 75%

Yarn to Grey: 40%

Grey Fabric to processed fabric for apparel consumption: 80%

Grey Fabric to non apparel textile items: 100%

Processed fabric to apparel: 110%

Retail value addition for Apparel: 100%

### Investments in the Textile sector

Indian textile companies are expanding their manufacturing facilities to industrial fabrics to tap new customers in the construction, automobiles and healthcare sectors, who are currently importing these products. Some of the major global luxury apparel retailers are eyeing markets like India. According to industry analysts, the market for luxury and premium brands in India is estimated at about US\$ 1.3 billion - US\$ 1.5 billion and growing at about 25-30 per cent.

### Growth Drivers

#### Domestic Growth Drivers

- Growth in GDP Rate by 8.5% p.a
- Increase in Working Population
- Increase in Young Population
- Greater Disposable Income
- Usage of newer Credit facilities
- Growth in Organized Retail
- Change in Lifestyle
- Increase in Hotels and Tourism
- Hospitals and other Healthcare Products (diapers etc)
- Auto Textiles
- Sports Shoes and Shoe Industry
- Packaging Items

#### Global Factors

- Need for Vertically Integrated Players
- Quota Regime on China
- Rising Outsourcing Budgets of Textile Players
- Increase in Specialty Stores
- Rising Inflation and Uncompetitive manufacturing in the Developed world
- Indian Companies have design studios abroad
- Dismantling of spinning and weaving capacities in USA, Europe and Japan
- Better Corporate Governance of Indian Corporates
- Chances of Removal of Subsidies on Cotton Production in USA

### **Government Initiatives**

The Some of the steps taken by the Government to support the textiles and garments industry include the following:

In addition to the above, the Government announced on 7<sup>th</sup> December, 2008 and 2<sup>nd</sup> January, 2009, packages of measures to stimulate the economy. So far as the textiles sector is concerned, the measures, inter-alia, provide for the following:

- Additional allocation of US \$533.87 million to clear the entire backlog of Technology Upgradation Fund Scheme (TUFS).
  - All items of handicrafts to be included under “Vishesh Krishi & Gram udyog Yojana (VK&GUY)”.
  - Provision of Additional funds for full refund of Terminal Excise Duty/Central Sales Tax.
  - Enhanced back-up guarantee to EPGC to cover for exports to difficult markets/products.
  - Refund of Service Tax on foreign agent commissions of upto 10% of Freight on Board (FOB)
  - Value of exports as well as refund of service tax on output service while availing benefits under Duty Drawback Scheme.
  - Credit targets of Public Sector Banks revised upward to reflect the needs of the economy.
  - Guarantee cover under Credit Guarantee Scheme doubled to Rs.10 million with cover of 50%.
- (Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

### **Textile Upgradation Scheme**

The Technology Upgradation Fund Scheme (TUFS) was commissioned on 01.04.1999 initially for a period of 5 years with a view to facilitate the modernization and upgradation of the textiles industry by providing credit at reduced rates to the entrepreneurs both in the organized and the unorganized sector. The Scheme, which has now been extended up to 31.03.2012, has been fine-tuned to catapult the rapid investments in the targeted segments of the textile industry. TUFS has helped in the transition from a quantitatively restricted textiles trade to market driven global merchandise. It has infused an investment climate in the textiles sector and in its operational life span has propelled investment of more than Rs.1,66,839 crores.

The modified techno-financial parameters of the Scheme will infuse capital investment into the textiles sector, and help it capitalize on the vibrant and expanding global and domestic markets, through technology upgradation, cost effectiveness, quality production, efficiency and global competitiveness. It is estimated that this will ensure a growth rate of 16% in the sector. The modified structure of TUFS focuses on additional capacity building, better adoption of technology, and provides for a higher level of assistance to segments that have a larger potential for growth, like garmenting, technical textiles, and processing.

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

### **Scheme for Integrated Textile Parks (SITP)**

The 'Scheme for Integrated Textile Parks (SITP)' is being implemented to facilitate setting up of textile units with appropriate support infrastructure. Industry Associations / Group of Entrepreneurs are the main promoters of the Integrated Textiles Park (ITP).

Forty (40) textiles park projects have been approved by the Ministry of Textiles. State wise sanction of project is – Andhra Pradesh (6), Gujarat (7), Karnataka (1), Madhya Pradesh (1), Maharashtra (9), Punjab (3) Rajasthan (5), Tamil Nadu (6), and West Bengal (1). These Parks would have facilities for spinning, sizing, texturising, weaving, processing, apparels etc. The estimated project cost (for common infrastructure and common facilities) is Rs. 4199.35 Crore, of which Government of India assistance under the scheme would be Rs. 1438.03 Crore. 2171 entrepreneurs will put up their units in these parks covering an area of 4611 Acre. The projected investment in these parks is Rs. 21,700 Crore and estimated annual production is Rs 38,717 Crore.

(Source: Annual Report 2008 – 2009, Ministry of Textiles, GOI)

### **THE ROAD AHEAD**

The government strategizes to attract foreign investments in the textile sector by initiating trade talks with manufacturers and business groups in Switzerland, Italy and Turkey. The aim is to tap foreign capital towards establishing green field units in textiles machinery, fabric and garment manufacturing and attracting investments in the field of technical textiles. India offers various incentives to foreign investors like low-cost labour and intellectual right protection. The government has allowed 100 per cent FDI in the textiles sector. India has a vertical and horizontal integrated textiles value chain, and represents a strong presence in the entire value chain from raw materials to finished goods.

The textile ministry expects Textile Industry to more than double to \$115 billion by 2012 from the current \$50 billion. India's share of global textile exports is expected to increase from the current 4.0 per cent to around 7.0 per cent over the next three-years. The textile ministry is also pursuing trade agreements with the US and the European Union, which together account for almost 40 per cent of the country's textile exports. The government is looking at new markets in Russia, China, South East Asia, the Middle East, Japan and Latin America, under the new export policy. India's textile exports have shot up over 15 per cent from \$19.14 billion in 2006-07 to \$22.13 billion in 2007-08.

(Source: [http://www.domain-b.com/industry/Textiles/20091007\\_textile\\_ministry.html](http://www.domain-b.com/industry/Textiles/20091007_textile_ministry.html))

## BUSINESS OVERVIEW

Our Company is engaged in the business of manufacturing combed and carded cotton yarns, which are appropriate for apparels, suitings & knitted fabrics. Our Company is a subsidiary of SEL Manufacturing Company Limited, the flagship company of the R.S. Saluja Group.

We acquired the existing spinning unit known by the name of 'Prerna Syntex at Neemrana, Rajasthan from Vast Textiles Limited in June 2009 with an installed capacity of 24,960 spindles to produce 16.80 tonnes cotton yarn per day. The unit is located about 120 kilometres from Delhi & 140 kilometres from Jaipur. After the completion of maintenance, the commercial operations of this unit have started from August 2009.

The unit built up on an industrial plot of 30 acres has a built up area of 28639 sq. metres. The building consists of halls for spinning machinery, winding, godowns, power house, administration block, labour and staff colony etc. The plant and machinery consists of entire spinning machinery including blow room, carding machines, draw frames, combers, lap formers, speed frame, ring frames etc. and auto coners, yarn conditioning, packing, humidification plant, generator sets, fire hydrant systems etc.

Further, our Company has entered into an MoU dated August 21, 2009 for the acquisition of a existing spinning unit at Hansi, Haryana from Radhika Fibres India Limited, New Delhi with an installed capacity of 25,200 Spindles to produce about 17.08 tonnes of cotton yarn per day. The unit built up on an industrial plot of 21 acres has a built up area of 14833 sq. metres.

The main plant and machinery at this plant consists Blow Room with Bale Opener, Six Chamber, Three RCC, Heavy Particle Separator, Tower Reserve/Pinned Fine Opener/Wire Fine Opener & Chute Fee, Card with Auto Levellers, Breaker Draw Frame with Auto Levellers, Combers, Finisher Draw Frames, Auto Levellers, Speed Frames, Ring Frames, Auto Coners, Manual Winding Machine, Manual Winding Machine etc. The plant is under maintenance and the commercial production is expected to start by April 2010.

In order to capture the growing market of Terry Towels both domestic as well as exports and to expand the business activities of our Company, we are proposing to set up a 3600 TPA (10 TPD) Terry Towel facility at village Shekhon Majra, Rahon Road, Distt. Nawan Sheher, Punjab. Our Company proposes to become a vertically integrated textile company (including spinning and terry towel), which will give us a significant cost advantage due to savings in transportation, freight and material handling. The existing distribution network of our Promoter Company SEL Manufacturing Company Limited would be of added advantage for our Company to sell our products.

### Our Group

Mr. Ram Saran Saluja, our Chairman & Managing Director, promoted the R. S. Saluja Group in 1969. The group started with a modest business to manufacture hosiery products and knitted fabrics catering to the domestic market. Over the years the group has evolved as an integrated textile player with presence in all the value added segments, from yarn manufacturing to manufacture of knitted garments. SEL Manufacturing Company Limited is the flagship company of our Group.

### LOCATION

Currently, we are operating from the following unit:

Location	Activity
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<b>UNIT I</b> - 15b, Riico Industrial Area, Neemrana, District Alwar – 301 705, Rajasthan.	Manufacturing of 100% Cotton combed and carded yarns
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Further, we have entered into MoU for the acquisition for following Unit, which will commence commercial operations from April 2010.

<b>UNIT II</b> - 21st Milestone, Hansi, Haryana	Manufacturing of Cotton yarns
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Further we are in the process of setting up of the following new Terry Towel unit:

<b>UNIT III</b> - Village Shekhon Majra, Rahon Road, Distt. Nawan Sheher Punjab. Near Ludhiana	3,600 TPA (10 TPD) Terry Towel Manufacturing facility
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## **OUR COMPETITIVE STRENGTHS**

We believe that the following are our primary competitive strengths:

### **1. Experienced promoter and professionally managed business**

Our Promoter SEL Manufacturing Company Limited has been in textile business since the year 2000 and our Chairman & Managing Director Mr. Ram Saran Saluja has been in textile business since 1969. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

### **2. Distribution Network of our Promoting Company**

Existing network for distribution of the promoter Company, SEL Manufacturing Company Limited shall make it helpful for our Company to sell the products.

### **3. Strong Customer Base**

Our group has strong customer base in the local as well as international market. Over a period of time, our group has built-up a track record for quality products and timely delivery. Our group has been able to retain customers and further strengthen the relationship by providing them timely and cost competitive solutions for their requirements. We intend to leverage on these customer relations developed by our group for our existing as well as proposed projects.

### **4. Process and technology**

We endeavour use process and technology to continuously improve our business operations and offer competitive products.

## **OUR BUSINESS STRATEGY**

Our strategic objective is to continue to improve on and consolidate our position in the market by adopting latest technologies. We intend to achieve this by implementing the following aims:

### **1. Mix of Organic and Inorganic Models of Growth**

Our strategy so far had been inorganic growth. At this stage of our business, we believe that a combination of organic and inorganic models will help us continue to grow. Strategic acquisitions

would help us in leveraging complementary skills to capture market opportunities as well as reduce time-to-market and accelerate growth.

## **2. Investing In Advanced Technology**

The technology used in textile industry is continuously changing. New technologies are constantly being developed for the various processes of manufacturing. We have invested in latest technology, Plant & Machinery and intend to continue upgrading our technology in the future to keep ourselves competitive and efficient. We also propose to invest Rs. 7856.28 Lacs into plant and machinery in the project being undertaken by our Company.

## **3. Enhancing our existing customer base**

Our present customer base comprises of a large number of Indian companies/concerns. Our Company intends to grow in the business continuously by adding new customers. We are also exploring the international markets for exports of the products from our Terry Towel Project. With the growth in the retail and hospitality sector, we foresee a good business opportunity for Terry Towel products. Our strategy will be to capitalize on the growth of these sectors.

## **4. Venturing into Terry Towel Products**

Our Company has been operating as a spinning unit which manufactures Cotton, combed and carded yarns. The business segment of our Company essentially falls into conventional textiles segment and the technologies used by our Company are common. Our Company is expanding its business and is creating one more vertical in terry towel space, in addition to conventional textiles which require specialized technologies. This will add value to our existing business.

## **OUR PRODUCTS**

Currently we produce cotton yarn. The yarns produced by our Company are used for made ups in apparels, hosiery & garment industry.

Further, by setting up of proposed project of Terry Towel, our Company intends to manufacture the following products to add value addition in our existing product line:

- Beach Towels
- Bath & Bath Sheet
- Hand & Wash Towels
- Bath & Tub Mats
- Kitchen Towels
- Gym Towels
- Celebration Towels for Gift Purpose
- Luxurious Towels

## **PLANT & MACHINERY**

### **Unit I – Neemrana, Rajasthan**

The major plant and machinery at our Neemrana Unit includes the following:

<b>Machine &amp; Model</b>	<b>Make</b>	<b>Qty.</b>
Blow Room - Blendomat BDT 019, Axi Flow MCM-6, CVT3	Trutzschler	2
Card D 760 with Auto Leveller	Trutzschler	20
Card D 780 with Auto Leveller	Trumac	2

Butt Welding Machine	LMW	1
Flat Grinding Machine	LMW	1
On Card Flat Grinding Machine	ICC	1
Lickerin Wire Mounting Machine	LMW	1
Card Waste Filtration Unit	Hennatex	1
Card Waste Checking Machine	Trumac	1
Flat Mounting Machine	LMW	1
Wire Mounting Machine	LMW	1
Wire Grinding Machine	LMW	1
Wire Grinding Machine	ICC	1
Draw Frame Breaker D-600	Cherry Hara	4
Super Lap SL-100 with grain adjustment	Cherry Hara	3
Comber VC-300A	Cherry Hara	16
Draw Frame Finisher D-600 USC with Autoleveller	Cherry Hara	4
Simplex FL-16 (120 spindles)	Toyoda	8
Ring Frame RX-220 SF (960 spindles)	Toyoda	26
Calendering Machine	Virajka	1
Auto Coner Machconer 7-V	Muratec	8
Yarn Conditioning Vapo fix 18/50 P	Elgi Welker	1
Packing Machine	Signode (Carton)	2
	MIMA (Pallet Packing)	1
HIV 900	Uster	1
AFIS	Uster	1
UT3	Uster	1
Tensorapid 3	Uster	1
Classimat	Uster	1
Autosorter	Uster	1
Warp Reel	Kamal	1
Warp Block	Kamal	1
Trash Analyser	Statex	1
Friction Tester	Lawson Hemphill	1
Cone Collapsing Strength Tester	Test Techno Consultants	1
Lea strength Tester	MRG Ind.	1
Twist Tester	Statex	1
Yarn Appearance Tester	Kamal	1
Projection Microscope	Metzer	1
Moisture Meter	Semitronik	1
Splice Strength Tester	Murata	1
Tension Meter		1
Stroboscrope	Rahul & Co.	1
Oven	Lifelong App.	1
Sample Dyeing Machine	Febro Tech	1
Sample Knitting Machine (18 feeder)	Bharat Machines	1
Air Compressor with Dryer	Atlas Copco	2
Humidification Plant	LTG Ameliorair	1
Automatic Waster Collection System	LTG Ameliorair	1
Fire Hydrant System	Essobigi	1
Bale Press	Lakshmi Textile Traders	3

## Unit II – Hansi, Haryana

Particulars	Supplier	Qty.
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Blow Room - M 7812 - with Bale Opener, Six Chamber, Three RCC, Heavy Particle Separator, Tower Reserve/Pinned Fine Opener/Wire Fine Opener & Chute Fee	Crosrol	1
Card MK - 5C with Auto Leveller	Crosrol	16
Breaker Draw Frame SB-2 with Auto Leveller	Rieter	3
Unilap E 5/3	Rieter	2
Comber E-60	Rieter	11
Finisher Draw Frame RSB D30C with Auto Leveller	Rieter	6
Speed Frame LF 1400 A	LMW	7
Ring Frame G 5/1	LMW	25
Auto Coner Espero L - 60 Drums each (Yarn Clearer UPC 200C USTER)	Savio	6
Manual Winding Machine 120 Drums	R.J.K.	1
Manual Winding Machine 120 Drums	Tax Raj	1
<b>Other Miscellaneous Fixed Assets</b>		
Yarn Conditioning (Xorella AG) Contextxor	Rieter	1
Humidification Plant	LTG	1
Cotton Testing Instrument - HVI-900	Zellweger Uster	1
Yarn Unevenness Testing UT-4	Zellweger Uster	1
Single Yarn Strength UTR-3	Zellweger Uster	1
Yarn Faults Testing CMT-3	Zellweger Uster	1
Count Measurement UAS-4	Zellweger Uster	1
Reeling Machine - Motorise Automatic	Innovative Engitech	1
Lea Strength Tester - YT-04	MRG Industries	1
Wrap Block Manual	Innovative Engitech	1
Splice Strength Tester Manual	Schlaforst	1
Vernier Caliper Manual	Mitutoyo	1
Twist Tester Half Twisting	MRG Industries	1

### **Proposed Unit: Unit III, Nawan Sheher**

We intend to purchase machinery for setting up 3600 TPA Terry Towel facility as detailed under paragraph titled "Plant and Machinery" beginning on page 54 under Section titled "Objects of the Issue" beginning on page 50 of the Draft Red Herring Prospectus.

### **Technology**

Our Group is well-versed with textile technology as it is already operating in vertically integrated textile operations.

The major plant and machinery for our Unit I, Neemrana Unit consists of entire spinning machinery including blow room, carding machines, draw frames, combers, lap formers, speed frame, ring frames etc. and auto coners, yarn conditioning, packing, humidification plant, generator sets, fire hydrant systems etc..

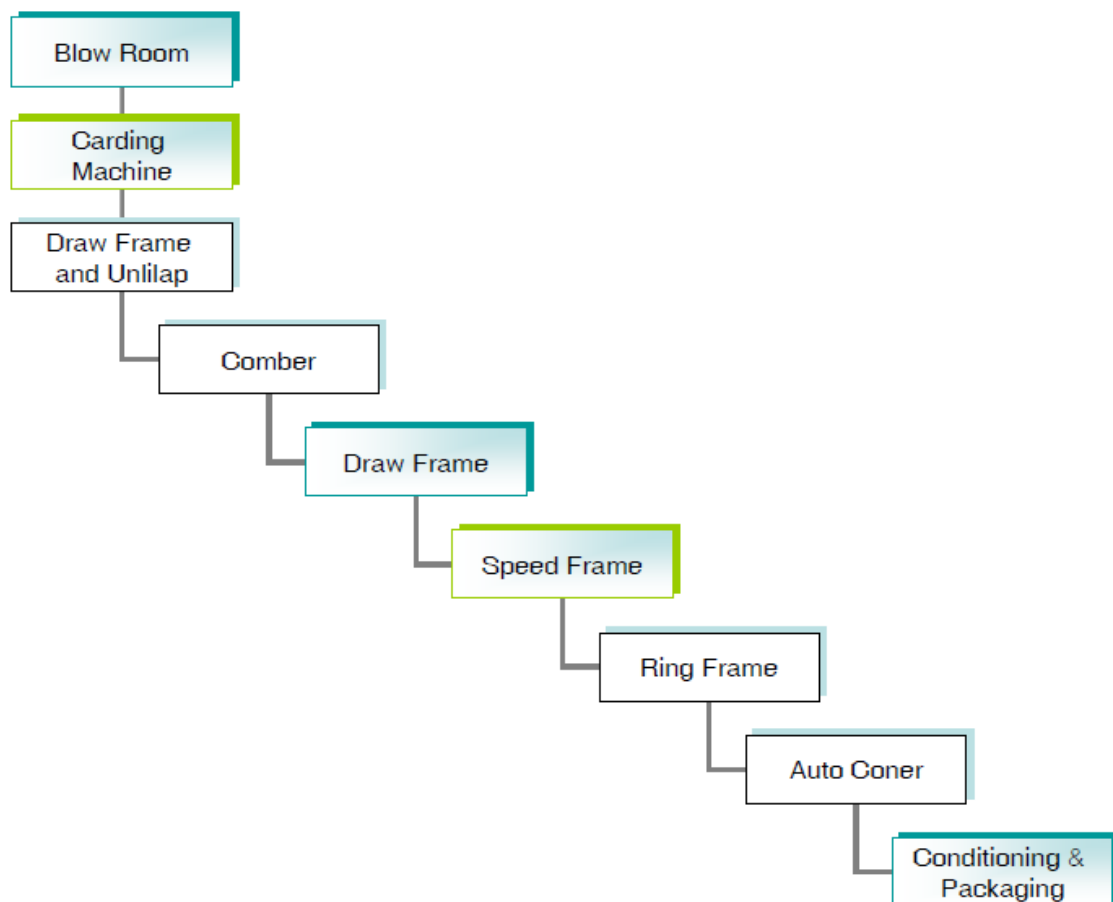
The main plant and machinery at Unit II, Hansi Unit consists of Blow Room with Bale Opener, Six Chamber, Three RCC, Heavy Particle Separator, Tower Reserve/Pinned Fine Opener/Wire Fine Opener & Chute Fee, Card with Auto Levellers, Breaker Draw Frame with Auto Levellers, Combers, Finisher Draw Frames, Auto Levellers, Speed Frames, Ring Frames, Auto Coners, Manual Winding Machine, Manual Winding Machine etc.

Presently our Company is using proven technology for spinning of cotton yarn.

For the Terry Towel facility, we intend to purchase the latest and technologically superior machinery. It is proposed to install (air-jet dobby looms and rapier looms with jacquard attachments). Jacquard looms are more versatile with high designing abilities (to make heavier designs/towels) and are used to manufacture products having non uniform patterns. The products manufactured by Jacquard looms fetch higher realization as compared to dobby looms, which are generally used to produce towels having simple uniform designs. However, production per loom from a dobby loom is much higher with relatively lower preparatory expenses. Though a Jacquard attachment fitted loom has the flexibility to manufacture dobby towel as well.

## MANUFACTURING PROCESS (DIAGRAMMATIC REPRESENTATION)

### 1. Process for spinning at Neemrana unit and Hansi Unit (Unit I & Unit II)



#### Blow Room

The first stage in the spinning process is opening and cleaning of cotton with the help of air pressure blown through ducts in Blow Room. From Blow Room, cotton is sent for carding process where the cotton is further cleaned in order to remove the objectionable parts like dust, kitty and individualization of the fiber is done. The main function of the Blow Room is to open and clean the material and to make a uniform sheet of fibres.

### **Carding**

After removing dust particles, the cotton is transferred to carding machine where fibers are collected to form sliver. Carding machine completely opens the fibres and also parallelisation of fibre to fibre is achieved by the carding machine which is very essential regarding quality of yarn. In this process finally a continuous rope like structure of parallel & cleansed fibres are formed which are known as slivers. These Slivers have uniform weight as per length throughout its length.

### **Lapping**

This sliver is then passed through the Draw Frame and Unilap to prepare lap.

### **Combing**

In Combing, the short fibers and neps are removed to improve the quality of yarn. The combed sliver is then passed through the draw frame machine to make the sliver more parallel and uniform.

### **Speed Frame – Roving**

After Combing, sliver is converted into Roving through drafting and twisting in the Speed Frame.

### **Ring Frame - Yarn Preparation**

In the Ring-Frame, roving is converted to yarn of the required count and specifications by applying drafting and twisting.

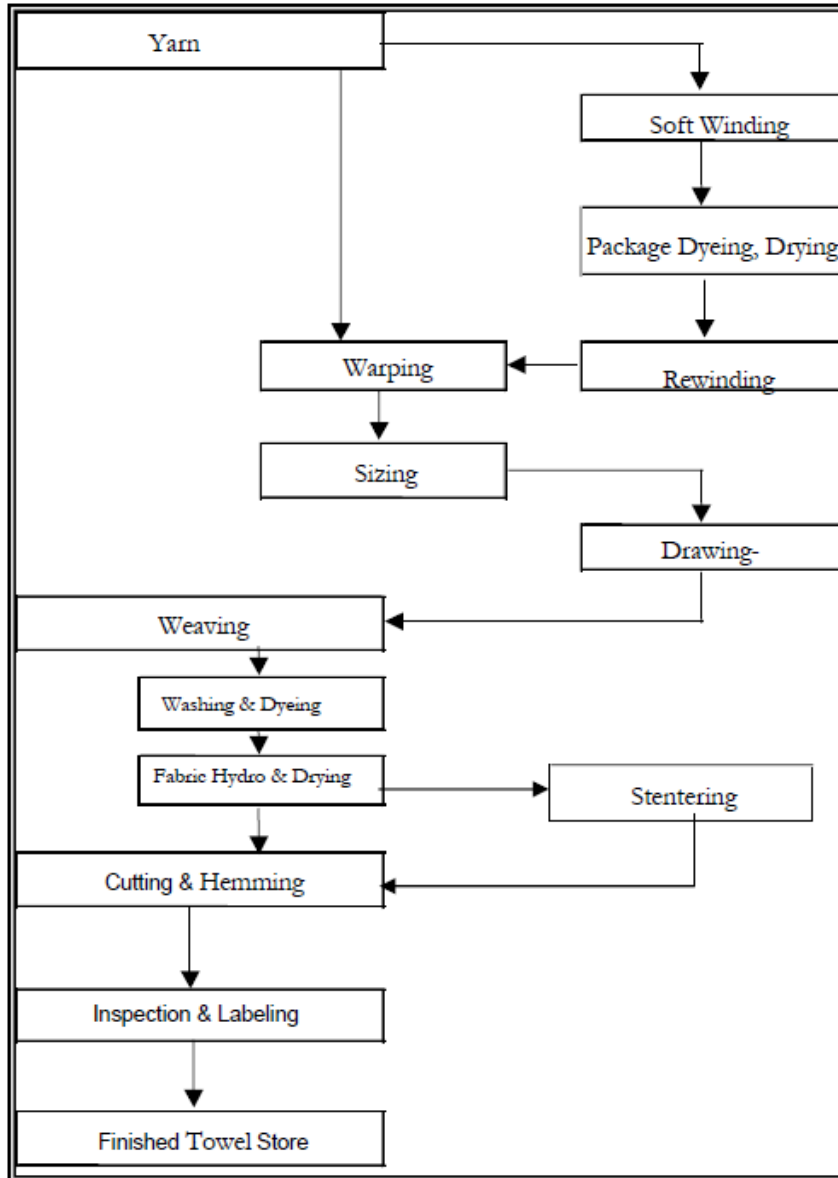
### **Auto Coner**

In this process a suitable package is made to either sell yarn in market or for further processing as multiple ply yarn.

### **Conditioning and Packaging**

After winding the yarns on cones, it is processed through yarn condition machine and conditioned materials are packed in required cartons.

## 2. Process for manufacturing of Terry Towel



### Yarn Store

The yarn is received on cones from spinning units in 50 Kg cartons, which is stored in the yarn store. The store also accommodates the remnants of yarn after warping process.

### Package Dyeing

For dyeing the yarns in cones/cheeses, the yarn cones received from spinning units are rewound on dye springs to prepare soft package so that dye can penetrate to the inner layers. The preparation of the soft package with equal density at each layer is important for uniform dyeing.

### Rewinding

The dyed yarn on springs is rewound on yarn cones for feeding to the warping machine or using as weft yarn.

**Warping**

In this process, a warp sheet is prepared and wound on a warper beam containing about 450 ends. The quality of the warping, and tension on each end in the sheet, largely influences the efficiency of the next sizing & weaving operations.

**Sizing**

In this process 10 or more back beams are combined and the sheet passes through sizing boxes of the sizing machine, followed by squeezing, end splitting, aeration and drying operations, and ultimately the warp sheet is wound on the weavers beams.

**Drawing-in**

All warp ends are knotted on the weaving machine, and this is done through drawing-in operation where each end is drawn through dents of the reeds and then these ends are knotted on to the leads of the warp ends on the loom.

**Weaving**

Most of the terry fabrics are produced on loom having either dobby or jacquard machines. The main requirement for looms producing terry fabrics is: -

- ❖ Two separate beams for ground warp and pile warp.
- ❖ Tension control system for pile warp beams in forming piles
- ❖ Two cylinder cross border dobby for terry pile designing and also controlling various devices of terry towel weaving
- ❖ Terry mechanism for loose and fast beat up of picks
- ❖ Heading motion
- ❖ Fringing motion
- ❖ 2 x 1 drop box motion for inserting colored picks of weft in the heading of towel

The looms selected for the project include all the above features.

**Fabric Dyeing**

The grey fabrics from the terry looms shall be dyed in the rope form in the soft flow dyeing machines in batches of 1000 kilos, 500 kilos etc. The dyeing machines selected for the process include micro-process control to regulate rise in temperature, stay of temperature at one level and drop in temperature etc. The dyes to the machine are fed through a dye kitchen where dye solution will be prepared.

The project also proposes to install one complete range of color matching, sample preparing and dispensing unit and computerized dye recipe making unit and a testing lab for checking the color fastness. All this will ensure quality production.

**Rope Opening, Hydro Squeezing and Drying**

This is achieved through a continuous line consisting of rope opening devices, squeezing rollers, turn table and spreader, and relax dryer. Here the piles of the terry get a bloom.

**Raising and Polishing**

This process imparts soft touch to the surface of the towels. The process is carried out on a special machine and in one sequence on the same machine.

**Cutting and Hemming**

The project includes lines for cutting the towels longitudinally as well crosswise. The towel width after finishing is about 3 meters. The width is cut in required sizes vertically as well as horizontally. The machine selected for the project simultaneously performs the hemming at the sides of the towel, while cutting it into pieces.

**COLLABORATIONS**



At present, we have not entered into any technical or other collaboration.

## **UTILITIES & INFRASTRUCTURE FACILITIES**

### ***RAW MATERIALS***

Cotton is the major raw materials required for our spinning production process.

#### **Unit I: Neemrana**

The major raw material required would be cotton varieties J-34 & Shaker-6. We are already procuring these varieties from Punjab and Gujarat and there would be no difficulty in procuring additional quantities. As the site is just about 120 Km from Delhi procurement of raw material would not be difficult.

#### **Unit II: Hansi**

The main raw material for the production is Cotton. Our Company proposes to buy the same from the open market from the nearby cotton growing areas. The production of cotton has increased significantly in the past few years so no problem is envisaged in procuring the required quantities of raw material.

#### **Unit III: Nawan Sheher**

The main raw material for producing Terry Towel is Ring Spun Cotton yarn in count ranges of 12s, 16s, 20s, 24s, 150 D and 20/2 GM.

Our Company, being a yarn manufacturer itself, may utilize its own produced cotton yarn. However as the production schedules/product mix of the yarn division may be driven by its commitments to external customers and as various varieties of Terry Towel may require different kinds of yarns, our Company may have to fulfil some of its yarn requirement from other producers.

As quality cotton yarn is available abundantly in the surrounding area from companies like Mahavir Spinning, Nahar Spinning, Winsome Textiles, etc., no difficulty is envisaged in procurement of yarn of desired specification from surrounding areas.

### ***POWER***

#### **Unit I: Neemrana**

Our Company has adequate power load connection of 3145 HP/KW from Rajasthan State Electricity Board (RSEB) to carry out our present manufacturing activities at Neemrana. We have also installed Two DG sets of 1500 KVA each to meet the power requirements in case of power failure.

#### **Unit II: Hansi**

The power requirement for our proposed expansion will be met by taking power load connection of 2380 KVA from Haryana State Electricity Board (HSEB).

#### **Unit III: Nawan Sheher**

The total requirement of power post completion of the project would be about 3000 KVA, which is

proposed to be met by supplies from PSEB. Our Company shall be approaching PSEB for sanction of power load at an appropriate stage of the project as implementation of the project progresses.

### ***Fuel***

Our Company does not require fuel in the manufacturing process except for running the Diesel generator sets. The requirement of fuel for DG sets is met from local suppliers.

### ***Water***

The total requirement of Water for is met from the local municipal supply. The total requirement of Water for our proposed Terry Towel project is will also be met from the local municipal supply.

### ***Humidification***

The purpose of humidification is to provide the humidity necessary for optimal performance in textile processes and maintain them regardless of indoor and outdoor influence, and allowing best possible working conditions inside these departments.

Since fibre fly and fine dust are set free in relatively high concentration during warping & weaving processes, the humidification system proposed to be installed by the project would have provision for rotary filters to filter the air from fly.

Humidification Plant is already installed at Unit I and Unit II and we will the installing the same at our Unit III as well.

### ***Effluent Treatment Plant (ETP) – For Unit III only***

ETP is used to remove harmful dyes and chemicals that are produced in the various processes such as dyeing, sizing etc. Our Company now proposes to set up Terry Towel project with 3600 TPA capacity. We propose to acquire the Effluent Treatment Plant for 4000 KL/Day and Water Softening Plant, for Capacity 3000 m3/Day from Wintech Engineering.

### ***Manpower***

The detailed break-up of our employees both currently employed and proposed to be employed is as under:

<b>Particulars</b>	<b>Management</b>	<b>Officers/Clerks</b>	<b>Workers</b>	<b>Total</b>
Registered Office	2	3	0	5
Neemrana Unit	13	35	572	620
Hansi Unit	6	23	141	170
Proposed - Hansi Unit	8	59	441	508
Proposed - Terry Towel	2	70	550	622
<b>Total</b>	<b>31</b>	<b>190</b>	<b>1704</b>	<b>1925</b>

Our Proposed Manpower Requirement for our expansion plans will be met through advertisements and personal contacts.

### **PAST PRODUCTION FIGURES FOR THE INDUSTRY**

The textile industry is highly fragmented and is dominated by large number of unorganised players. There is no published data available of the industry in regard to past production figures, existing installed capacities, past trends and future prospects regarding exports etc.

## **COMPETITION**

Our Company manufactures Cotton, combed and carded yarns. Further, we propose to enter into terry towel segment. Textile being a global industry, we face competition from various domestic and international manufacturers. However, due to economies of scale, and our group strength, we believe we have an edge over other small & medium size manufacturers in the country. Globally, we face stiff competition from large size manufacturers in Indonesia, Korea, Pakistan, Bangladesh, China, Taiwan and other low cost countries.

## **APPROACH TO MARKETING AND MARKETING SET-UP**

Our Company operates in the field of cotton yarn. The yarn industry typically sells its products through dealer network and agents. Our Company also propose to establish network of dealers and agents throughout major markets in India like Ludhiana, Delhi, Ahemdabad, Mumbai, Bhilwara, Amritsar etc for selling yarns.

Our Promoter Company's existing customer base and their increasing requirement of various products will result in optimum utilization of our Company's existing and new capacities.

Our Company proposes to use the existing marketing set up of our Promoter Company for sale of Terry Towels. We have appointed Mr. Amit Vasishta as the Vice President - Marketing of our Company. Our Company also proposes to recruit additional suitable personnel with the relevant experience for Terry Towel marketing at an appropriate stage of implementation of the project .

Our Promoter company i.e. SEL Manufacturing Co. Ltd. has already been manufacturing Cotton Yarn and Terry Towels for Indian and International markets. The main customers of the company include Cotton Club in Egypt, Ilshin in Korea, Antonio in Portugal, KCL, Shovon, Delta, Mondol in Bangladesh. During the last two years, the company has started exporting Terry Towel to various other countries through Dubai and has captured many other markets including some large retail chains.

### **Export Market**

The retail chains to which our Promoter company, SEL Manufacturing Company Limited has been supplying its products also require large quantities of Terry Towels and have been procuring the same from other manufacturers in India. We are hopeful of tapping these clients for supply of Terry Towels. As such, there is a huge demand for Terry made in India from these export markets owing to better quality and low cost.

### **Domestic Market**

We propose to export 90% of its Terry Towel production. However, the domestic market for terry towels is also growing exponentially due to demand for quality products and in view of organized retailing. Hence our Company has taken a decision to supply a small portion of the Terry Towel production in the Indian market to develop and maintain relationship with the Indian buyers, to capture the growing market.

## **FUTURE PROSPECTS**

The future plans of our Company are in line with the way the whole textile industry is thinking and planning ahead after removal of safeguard quota. Our Company is increasing its capacities in spinning along with planning a forward integration by entering into the terry towel segment. Very importantly our Company is moving from wholesale manufacturing to the life style segment. Our Company expects that with the retail sector increasing in India, domestic demand for Terry Towels will also grow substantially. Hence our Company has taken a decision to supply a small

portion of the Terry Towel production in the Indian market to develop and maintain relationship with the Indian buyers, to capture the growing market.

#### **LICENSED AND INSTALLED CAPACITY AND CAPACITY UTILIZATION**

##### **a) Spinning facility – Unit I – Neemrana**

<b>Particulars</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Licensed Capacity (Spindles no.)	24,960	24,960	24,960
Installed Capacity (Spindles no.)	24,960	24,960	24,960
Estimated Production at 100% capacity utilization (MTPA)	6048.72	6048.72	6048.72
No. of Months of Production	8	12	12
Total Estimated Production	3,427.61	5,443.85	5,746.28
Capacity Utilisation (%)	85%	90%	95%

##### **b) Spinning facility – Unit II - Hansi**

<b>Particulars</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
Licensed Capacity (Spindles no.)	25,200	25,200	25,200
Installed Capacity (Spindles no.)	25,200	25,200	25,200
Estimated Production at 100% capacity utilization (MTPA)	6150.6	6150.6	6150.6
No. of Months of Production	12	12	12
Total Estimated Production	5,228.01	5,535.54	5,843.07
Capacity Utilisation (%)	85%	90%	95%

##### **c) Terry Towel Project**

<b>Particulars</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Licensed Capacity (MTPA)	3,600	3,600	3,600
Installed Capacity (MTPA)	3,600	3,600	3,600
Estimated Production at 100% capacity utilization (MTPA)	3,588.09	3,588.09	3,588.09
No. of Months of Production	12	12	12
Total Estimated Production	2,870.48	3,049.88	3,229.28
Capacity Utilisation (%)	80%	85%	90%

#### **Export Obligations, if any**

As on the date on the Draft Red Herring Prospectus our Company does not have any Export Obligations. Our Company proposes to import certain plant & machinery, required for the proposed Terry Towel project, under the EPCG Scheme, in terms of which, capital goods may be imported at a concessional rate of custom duty.

#### **INTELLECTUAL PROPERTY RIGHTS**

Our Company does not own any intellectual property rights.

**PROPERTY**  
**Owned Property**

Sr. No.	Details of the Agreement	Description of the Property	Consideration paid	Usage
1.	Our Company has entered into a 'Sale Deed' ('Agreement') for purchase of land for industrial use (the 'Property') described herein below. Our Company has entered into a Sale Deed dated July 22, 2009 with VAST Textiles Limited. The said property had been allotted to the M/s Prerna Syntex (a Unit of VAST Textiles Limited) by the Rajasthan State Industrial Development & Investment Corporation Limited ("RIICO") on lease for a period of 99 years. RIICO vide their letter dated August 13, 2009 have transferred the leasehold rights to our Company.	Plot No. 15-B, 15-C, 15-D, 20-B, 20-C and 20-D.  Total area of the above plots 1,20,000/- sq. meters, with total sold area. Total constructed sold area 28,153.50 sq. meters.	Rs.24,00,00,000 (Rupees Twenty Four Crores Only)	Unit I, for the manufacturing of Cotton Yarn

**Leasehold Properties**

Sr. No.	Details of the Agreement	Description of the Property	Validity	Rent paid	Usage
3.	Lease Deed dated November 4, 2009 (Extension of Lease Agreement dated 15 <sup>th</sup> February, 2010) Lessor - SEL Manufacturing Company Limited	Ground Floor, 274, Dhandari Khurd, G.T. Road, Ludhiana (Punjab) 141 010	The lease is for a period of 12 (Twelve) years commencing from November 5, 2009 to November 4, 2021. The lease period may be extended with mutual discussion and consent after the expiry of the lease on November 4, 2021 for a further period of 12 years.	Security Deposit – Nil. Monthly Lease Rent – INR 10,000 (Rupees Ten Thousand).	Registered Office
4.	Lease Deed dated January 1, 2010. Lessor - SEL Manufacturing Company Limited	Land measuring 11 Acre 1 Kanal 5 ½ M at Village Shekhan Majra, Machiwara Rahon Road, Dist. Nawan Shehar	The lease is for a period of 11 (Eleven) years commencing from January 1, 2010 to December 31, 2020. The lease period may be extended with mutual discussion and consent after the expiry of the lease on December 31, 2020 for a further period of 11 years.	Security Deposit – Nil. Annual Lease Rent – INR 50,000 (Rupees Fifty Thousand).	For Proposed Unit III for the manufacturing of Terry Towel

SEL Manufacturing Company Limited is our Promoter Company.

## KEY INDUSTRY REGULATIONS AND POLICIES

*We are subject to a number of central and state legislations which regulate substantive and procedural aspects of our business. Additionally, our operations require sanctions from the concerned authorities, under the relevant Central and State legislations and local bye-laws. The following is an overview of some of the important laws, policies and regulations which are pertinent to our business as a player in the textile industry. The regulations set out below are not exhaustive and are only intended to provide general information to Bidders.*

*Taxation statutes such as the I.T. Act, Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Employees' Provident Fund and Miscellaneous Act, 1952 and other miscellaneous regulations and statutes such as the Trade Marks Act, 1999 apply to us as they do to any other Indian company.*

*For details of government approvals obtained by us in compliance with these regulations, please refer to the Chapter titled "Government and Other Statutory Approvals" beginning on page 163 of the Draft Red Herring Prospectus. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

### **Textile Sector**

#### **1. TUFS (Technology Upgradation Fund Scheme)**

TUFS is the "flagship" Scheme of the Ministry of Textiles, Government of India, which aims at making available funds to the domestic textile industry for technology upgradation of existing units as well as to set up new units with state-of-the-art technology to enhance their viability and competitiveness in the domestic as well as international markets. The Government of India launched the TUFS for textiles and jute industries with effect from April 01, 1999 for a period of five (5) years, which was subsequently extended up to March 31, 2007 and further continued the Scheme for a period of five (5) years for the textiles & jute industries making certain further provisions in the financial and operational parameters of the Scheme. The Scheme provides interest reimbursement on spinning machinery at the rate of 4 per cent (4%). However, all the remaining sub-sectors covered under the scheme would get interest reimbursement at the rate of 5 per cent (5%). The Powerloom units under TUFS have an additional option to avail of 20 per cent (20%) margin money subsidy in lieu of 5 per cent (5%) interest reimbursement on investment in TUFS compatible specified machinery subject to a capital ceiling of Rs. 200 Lac and ceiling on subsidy Rs. 20 Lac. The specified processing machinery, garmenting machinery and machinery required in manufacture of technical textiles will get a 5 per cent (5%) interest reimbursement plus 10 per cent (10%) capital subsidy. The Scheme further provides for 25 per cent (25%) capital subsidy on purchase of the new machinery and equipment for the pre-loom and post-loom operations, handlooms/ upgradation of handlooms and testing and quality control equipment, for handloom production units. The main feature of the scheme is a 5% interest reimbursement in respect of loans availed there under from the concerned financial institution on a project of technology upgradation in conformity with this scheme.

#### **2. National Textile Policy**

Additionally, subsequent to the announcement of Textile Policy, the woven segment of readymade garment sector and the knitting sector have been de-reserved from the list of items reserved for exclusive manufacture in the small scale sector. The Textile Policy also targets the development of a strong multi-fibre base to facilitate product upgradation and diversification. The Textile Policy provides for government financing and venture capital funding for setting up textile plants. Particular emphasis is laid on exports with the proposal of multi-disciplinary institutional mechanisms to formulate policy and action plans, including the restructuring of Export Promotion Councils and operating a brand equity fund exclusively for textile and apparel products. The

Textile Policy also contains sector specific agendas. For the cotton sector, it designates the Technology Mission of Cotton as the nodal body to bring about increase in productivity and stability in prices. For the spinning and weaving sectors, decentralised modernisation is the thrust of the government policy and for the garments sector, the government proposes a number of measures in light of the WTO rules and regulations, including strategic alliances with leading global manufacturers and the establishment of textile/apparel parks. The Ministry of Textiles announced the formulation of the National Textile Policy, 2000 ("Textile Policy") in November 2000 with the objective of enabling the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The Textile Policy envisages a multi-pronged strategy to achieve these long term goals. The strategy aims at modernising the equipment and technology that is used in the sector and simultaneously strengthening the traditional knowledge, skills and capabilities in this sector.

### **3. Cotton Control Order 1986**

The Cotton (Control) Order, 1986 ("Cotton Order") prescribes the maximum quantity of cotton that may be possessed by a manufacturer, a cotton ginning factory, a cotton pressing factory, a cotton ginning and pressing factory and a person (other than a member of a Hindu Undivided Family growing cotton). The Cotton Order establishes the office of the Textile Commissioner as the regulator thereunder. The Cotton Order further specifies the quality standards that have to be met while picking cotton for the purposes of export and domestic consumption as well as the markings that have to be made on the cotton bale before marketing of the same.

#### ***Trade related incentives***

##### **1. Export Promotion Capital Goods Scheme**

The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods without any restriction on age is also allowed under the Foreign Trade Policy, which came into effect on September 01, 2004. The Foreign Trade Policy also permits EPCG licence holders to opt for technological upgradation for their existing capital goods imported under the EPCG licence, subject to certain prescribed conditions.

##### **2. Advance licensing scheme**

With a view to facilitating exports and to access duty-free inputs under the scheme, standard input-output norms for about 300 textiles and clothing export products have been prescribed and this scheme remained under operation.

##### **3. Duty entitlement pass book ("DEPB") scheme**

DEPB credit rates have been prescribed for 83 textiles and clothing products. The scheme aims to neutralise the incidence of basic and special custom duty on the import content of the export product, by way of grant of duty credit against the export product at specified rates. However, these export incentives may be reviewed shortly to make them WTO-compatible.

##### **4. Duty drawback scheme**

Exporters are allowed refund of the excise and import duty suffered on inputs of the export products under this scheme. The Ministry of Finance, GoI announced the revised "All Industry Rates of Duty Drawback", which came into effect on May 05, 2005. The drawback rates have been determined on the basis of certain broad parameters including, inter alia, the prevailing prices of input, standard input/output norms published by the Directorate General of Foreign Trade, share of imports in the total consumption of inputs and the applied rates of duty.

## ***Regulations for Foreign Investment***

### **1. FEMA Regulations**

As laid down by the FEMA Regulations, no prior consents and approvals are required from the Reserve Bank of India, for Foreign Direct Investment under the 'automatic route' within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI. Presently, investments in companies engaged in the textile sector fall under the RBI's 'automatic route' for FDI/NRI investment of up to 100%. The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India.

### **2. Ministry of Industry, Department of Industrial Policy and Promotion, Press Note No. 17 (1998 series)**

With a view to encouraging investments towards setting up of integrated units and thus achieving value additions, as well as to address the current difficulties of the cotton yarn export oriented units, the Government of India issued Press Note No. 17 (1998 Series), which allows export oriented units the operational flexibility of exporting cotton yarn without being subject to domestic cotton sourcing restrictions to the extent provided for within the press note.

### ***Certain other laws and regulations that are relevant to the operation of our Company's business include the following:***

1. Factories Act, 1948;
2. Shops and Commercial Establishment Act
3. Payment of Wages Act, 1936;
4. Payment of Bonus Act, 1965;
5. Employees' State Insurance Act, 1948;
6. Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
7. Payment of Gratuity Act, 1972;
8. Minimum Wages Act 1948;
9. Workmen Compensation Act, 1923;
10. Provident Funds and Miscellaneous Provisions Act 1952;
11. Contract Labour (Regulation and Abolition) Act, 1970;
12. Water (Prevention and Control of Pollution) Act, 1974;
13. Air (Prevention and Control of Pollution) Act, 1981;
14. Environment (Protection) Act, 1986
15. Hazardous Wastes (Management and Handling) Rules 1989, etc.



## HISTORY AND OTHER CORPORATE MATTERS

Our Company was originally incorporated as Jupiter Drapes & Cuts Apparels Private Limited on July 1, 2008 under the Companies Act, 1956. The name of our Company was changed to SEL Textiles Private Limited vide fresh Certificate of Incorporation dated April 3, 2009. Subsequently, our Company was converted into a public limited company vide fresh Certificate of Incorporation dated October 15, 2009 and the name of our Company was changed to "SEL Textiles Limited". Our Company has been allocated Corporate Identification Number U17299PB2008PLC032050. The current Promoter of our Company is SEL Manufacturing Company Limited. As on date, our Company has seven members.

Our Company was initially promoted by Mr. Ram Saran Saluja, Mr. Dhiraj Saluja and Mrs. Sneha Lata Sauja in July 2008. Our Company acquired the spinning facility on going concern basis, Unit - Perna Syntex, (including Land & Buildings, Plant & Machinery, furniture and fixtures, vehicles and other movables) situated at 15/B, RIICO Industrial Area, Neemrana, Distt. Alwar, Rajasthan from Vast Textiles Limited vide purchase agreement dated June 29, 2009 at a consideration of Rs. 3251.00 Lacs. The facility is having the installed capacity of 24960 spindles.

On July 27, 2009, SEL Manufacturing Company Limited acquired 9,89,000 Equity Shares at the price of Rs. 110 per Equity Share making our Company its subsidiary.

Further, our Company has entered into an MoU dated August 21, 2009 for the acquisition of a existing spinning unit at Hansi, Haryana from Radhika Fibres India Limited, New Delhi (including structure, buildings, plant and machinery, electrical connections, weighing scale, furniture and fixtures) with an installed capacity of 25,200 Spindles to produce about 17.08 tonnes of cotton yarn per day at a consideration of 2689.20 Lacs. The unit built up on an industrial plot of 21 acres has a built up area of 14833 sq. metres.

We confirm that the our Promoter Company, directors of the Promoter Company and Directors of our Company are not related in any manner to the promoters, directors and the relatives of the promoters / directors of Vast Textiles Limited and Radhika Fibres Limited.

### Changes in Registered Office of our Company

There has been no change in the registered office of our Company since inception.

### Major Events:

YEAR	KEY EVENTS
2008	▪ Incorporated as a Private Limited Company
2009	▪ Acquired the spinning facility - Unit - Perna Syntex situated at 15/B, RIICO Industrial Area, Neemrana, Distt. Alwar, Rajasthan having an installed capacity of 24960 spindles ▪ Entered into an MoU dated August 21, 2009 for the acquisition of a existing spinning unit at Hansi, Haryana from Radhika Fibres India Limited, New Delhi with an installed capacity of 25,200 Spindles

### Main Objects of our Company:

The main objects of our Company, as contained in our Memorandum of Association, are as set forth below:

1. To carry on the business as manufacturers, buyers, sellers, exporters, importers, distributors, processors, agents, stockist, commission agents, dealers, representative of foreign companies in India or abroad and consultants of all kinds of fabrics/apparels and textiles

such as decoratives, hand and machine made readymade garments, yarns, carpets, durries, mats, rugs, namdas, blankets, shawls, tweeds, linen, flannels, beds, spreads, quilts, tapestry and other such articles of silk, cotton, woolen and worsted materials and all sorts of apparels, dressing materials, mixed blended products, nylon, polyester, cotton, fibre, yarns, hosiery and mixed fabrics, natural silk fabrics and garments.

#### **Changes in Memorandum of Association since Incorporation:**

<b>Date of shareholder's approval</b>	<b>Changes in the Memorandum of Association</b>
April 3, 2009	Alteration in Name Clause  Name of our Company changed from Jupiter Drapes & Cuts Apparels Private Limited to SEL Textiles Limited
July 23, 2009	Alteration in Capital Clause  The Authorised Share Capital of our Company was increased from 1,00,000 Equity Shares aggregating to Rs. 10 Lacs to 50,00,000 Equity Shares aggregating to Rs. 500 Lacs
October 8, 2009	Alteration in Capital Clause  The authorised share capital of our Company was increased from 50,00,000 Equity Shares aggregating to Rs. 500 Lacs to 5,00,00,000 Equity Shares aggregating to Rs. 5,000 Lacs
October 8, 2009	Alteration in Name Clause  Name of our Company changed from SEL Textiles Private Limited to SEL Textiles Limited

#### **Subsidiaries**

Our Company does not have any subsidiaries as on date of filing of the Draft Red Herring Prospectus.

#### **Holding Company**

Our Company is a subsidiary of SEL Manufacturing Company Limited, which makes it our holding company. For further details about our holding company and Promoter, SEL Manufacturing Company Limited, please refer to the chapter titled 'Our Promoter and its background' beginning on page 117 of the Draft Red Herring Prospectus

#### **SHAREHOLDERS AGREEMENTS**

Our Company does not have any subsisting shareholder's agreement as on the date of filing of this Draft Red Herring Prospectus.

#### **Other Agreements**

- I. Purchase of Property Agreement dated July 29, 2009 for property (i.e. Prerna Syntex Unit) between Vast Textiles Limited ("Vendor") and SEL Textiles Private Limited ("Purchaser") ("the said Agreement")***

Pursuant to the said Agreement our Company acquired the property (i.e. Prema Syntex Spinning Unit) being all that piece and parcel of land admeasuring approximately 1,20,000 sq. meters together with structure , buildings, plant, machinery, furniture and fixture, vehicles and other movables situated at 15/B, RIICO Industrial Area, Neemrana, Distt. Alwar, Rajasthan free from all encumbrances for the lumpsum consideration of Rs. 3,251.00 Lacs.

**Strategic Partners**

Our Company does not have any strategic partners as on date of the Draft Red Herring Prospectus.

**Financial Partners**

Our Company does not have any financial partners as on date of the Draft Red Herring Prospectus.

## OUR MANAGEMENT

Our Company is currently managed by Board of Directors comprising of 8 Directors. Mr. Ram Saran Saluja is our Chairman & Managing Director and in charge of overall management of our Company subject to the supervision and control of the Board.

## OUR DIRECTORS

Our Board consists of 8 Directors of which 4 are independent directors and our Chairman is an Executive and Non Independent Director. The following table sets forth the details regarding our Board of Directors as on the date of the Draft Red Herring Prospectus.

Sr. No.	Full Name, Age, Father's, Address, Designation, Status, Occupation, DIN and Nationality	Date of Appointment and Terms of Office	Other Directorships
1)	<b>Mr. Ram Saran Saluja</b> 67 Years S/o Mr. Surjan Dass  9 C, Sarabha Nagar, Ludhiana- 141 001.  <b>Designation:</b>  Executive & Non Independent  <b>Occupation:</b> Business <b>DIN:</b> 01145051 <b>Nationality:</b> Indian	First Director, Appointed as Chairman & Managing Director on October 8, 2009  Term of office: Three years from the date of appointment	<ul style="list-style-type: none"> <li>▪ SEL Manufacturing Company Limited</li> <li>▪ Shiv Narayan Investments Private Limited</li> </ul>
2)	<b>Mr. Neeraj Saluja</b> 42 Years S/o Mr. Ram Saran Saluja  9-C, Sarabha Nagar, Ludhiana- 141 001.  <b>Designation:</b>  Non Executive & Non Independent  <b>Occupation:</b> Business <b>DIN:</b> 00871939 <b>Nationality:</b> Indian	May 07, 2009 as additional director. Confirmed in the AGM dated September 30, 2009  Term of office: Liable to retire by rotation	<ul style="list-style-type: none"> <li>▪ SEL Manufacturing Company Limited</li> <li>▪ Shiv Narayan Investments Private Limited</li> <li>▪ SEL Developers Private Limited</li> <li>▪ SEL Aviation Private Limited</li> <li>▪ Rhythm Textile &amp; Apparels Park Limited</li> </ul>
3)	<b>Mr. Dhiraj Saluja</b> 37 Years S/o Mr. Ram Saran Saluja  9 C, Sarabha Nagar, Ludhiana- 141 001.  <b>Designation:</b> Director  Non Executive & Non	First Director, since incorporation  Term of office: Liable to retire by rotation	<ul style="list-style-type: none"> <li>▪ SEL Manufacturing Company Limited</li> <li>▪ Shiv Narayan Investments Private Limited</li> <li>▪ SEL Developers Private Limited</li> <li>▪ SEL Aviation Private Limited</li> <li>▪ Silverline Textile</li> </ul>

	Independent  <b>Occupation:</b> Business <b>DIN:</b> 00156960 <b>Nationality:</b> Indian		Park Limited
4)	<b>Mr. Navneet Gupta</b> 40 Years S/o Mr. Dharam Pal Gupta  193-D U/E PH-I, Focal Point, Ludhiana – 141010  <b>Designation:</b> Director  Non Executive & Non Independent  <b>Occupation:</b> Service <b>DIN:</b> 02122420 <b>Nationality:</b> Indian	May 07, 2009 as additional director. Confirmed in the AGM dated September 30, 2009  Term of office: Liable to retire by rotation.	<ul style="list-style-type: none"> <li>▪ SEL Manufacturing Company Limited</li> <li>▪ Silverline Textile Park Limited</li> <li>▪ Rythm Textile &amp; Apparels Park Limited</li> </ul>
5)	<b>Mr. Ashwani Kumar</b> 54 Years S/o Mr. Mohan Lal  19-A, Udham Singh Nagar, Civil Lines, Ludhiana – 141001  <b>Designation:</b> Director  Non Executive & Independent  <b>Occupation:</b> Professional <b>DIN:</b> 00030307 <b>Nationality:</b> Indian	November 25, 2009  Term of office: Liable to retire by rotation.	<ul style="list-style-type: none"> <li>▪ SEL Manufacturing Company Limited</li> <li>▪ Vardhman Industries Limited</li> <li>▪ Garg Furnace Limited</li> <li>▪ Globe Trotters Private Limited</li> <li>▪ D &amp; M Components Limited</li> <li>▪ Prime Industries Limited</li> <li>▪ Master Trust Limited</li> <li>▪ Unique Holdings (P) Limited</li> </ul>
6)	<b>Mr. Amar Gopal Das Narang</b> 50 Years S/o Mr. Gopal Das Narang  H No. 894, BV, Tilak Nagar PS 3, Ludhiana – 141008  <b>Designation:</b> Director  Non Executive & Independent  <b>Occupation:</b> Business <b>DIN:</b> 02075412 <b>Nationality:</b> Indian	October 9, 2009  Term of office: Liable to retire by rotation.	<ul style="list-style-type: none"> <li>▪ SEL Manufacturing Company Limited</li> </ul>
7)	<b>Mr. Gulshan Kumar</b> 46 Years S/o Mr. Harsukh Lal  H No. B-1/803/1, Brindaban Road, Civil Lines, Ludhiana – 141001	November 18, 2009  Term of office: Liable to retire by rotation.	<ul style="list-style-type: none"> <li>▪ Ganga Knit Private Limited</li> <li>▪ Medhavi Goods Private Limited</li> </ul>

	<b>Designation:</b> Director  Non Executive & Independent  <b>Occupation:</b> Business <b>DIN:</b> 01952150 <b>Nationality:</b> Indian		
8)	<b>Mr. Sandeep Gupta</b> 42 Years S/o Mr. Ramesh Kumar Gupta  H No. 590, Sector – B, Agar Nagar, Ludhiana – 141001  <b>Designation:</b> Director  Non Executive & Independent  <b>Occupation:</b> Business <b>DIN:</b> 00844408 <b>Nationality:</b> Indian	February 13, 2010  Term of office: Liable to retire by rotation.	<ul style="list-style-type: none"> <li>▪ Shree Nath Syncot (India) Private Limited</li> <li>▪ Syntax Polyfibres Private Limited</li> </ul>

Note: None of the above mentioned Directors are on the RBI List of wilful defaulters as on the date of the Draft Red Herring Prospectus.

Further, neither our Company nor our Promoter, persons forming part of our Promoter Group, Directors or persons in control of our Company are debarred from accessing the capital market by SEBI.

None of the Promoter, Directors or persons in control of our Company, has been or is involved as a promoter, director or person in control of any other company, which is debarred from accessing the capital market under any order or directions made by the SEBI.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the above mentioned Directors was selected as director or member of senior management.

#### **Brief Profile of our Directors**

##### **Mr. Ram Saran Saluja, Director**

Mr. Ram Saran Saluja, aged 67 years, is the Non-Executive Director of our Company. He holds a bachelors degree in arts from Punjab University. He is the founder promoter of our Company and has been the guiding force for us. He is the main person behind the establishment and growth of the R S Saluja Group (Group) and its growth & development. He has over 40 years of experience in the textile industry. He is also the Non-Executive Chairman of our listed promoter company, SEL Manufacturing Company Limited. He laid the foundation of the R S Saluja Group in 1969 with the establishment of M/s R. S. Saluja Hosiery, a sole proprietorship concern engaged in the business of trading of textile products. In the year 1980 and 1985, Mr. Ram Saran Saluja alongwith his son Mr. Neeraj Saluja formed two partnership firms namely M/s Saluja International and M/s Saluja Fabrics respectively.

**Mr. Neeraj Saluja, Director**

Mr. Neeraj Saluja, aged 42 years, is the Director of our Company. He has over 17 years of experience in the textile industry. He holds a bachelor degree in commerce and Diploma in Business Administration, from Punjab University. He provides strategic direction in selection of technology and machineries, in setting up new manufacturing facilities, production planning of yarn and fabrics, improvement of production processes, exploring, and diversifying into new ventures.

**Mr. Dhiraj Saluja, Director**

Mr. Dhiraj Saluja, aged 37 years, is the Director of our Company. He holds a degree in Mechanical Engineering from Moscow University, Russia. He has over 14 years experience in the textile industry. He is also in charge of overseeing marketing and looks after the complete function of marketing and delivery of our Company's products to the end customer.

**Mr. Navneet Gupta, Director**

Mr. Navneet Gupta, aged 40 years, is the Director of our Company. He is a commerce graduate and a Chartered Accountant. He is the Executive Director of our Promoter Company, SEL Manufacturing Company Limited and looks after the finance and related matters of entire Saluja Group. He has more than 9 years of experience in diversified fields of finance, accounts and taxation. He plays a vital role in the financial management for our Company, and has been instrumental in dealings with the Banks. He is overall responsible for the finalization of corporate accounts, taxation, finance and related work.

**Mr. Ashwani Kumar**

Mr. Ashwani Kumar aged 54 years is an independent director on our Board. He is a member of the Institute of Chartered Accountants of India and is a senior partner in Ashwani & Associates, Chartered Accountants, Ludhiana. He is on the Board of several other public and private limited companies. He is having an over all experience of over two decades in the field tax planning, management consultancy, and corporate laws. He has been the past President of Ludhiana Chartered Accountants Society, and has been the past member of Taxation Committee and Board of Studies of the Institute of Chartered Accountants of India.

**Mr. Amar Gopal Das Narang**

Mr. Amar Gopal Das Narang, aged 50 years is years is an independent director on our Board. He is a Graduate and has over 25 years of experience in textiles Industry. He is the proprietor of Rohit Exports, a proprietorship concern engaged in the business of manufacturing of woolen garments.

**Mr. Gulshan Kumar**

Mr. Gulshan Kumar aged 46 years is a graduate and an Independent Director on the Board of our Company. He has got 20 years experience in the Textile Industry. He is Director of Ganga Knit Private Limited which is engaged in the manufacturing of yarn. He is also a member of Knitwear Club and Yarn Dealer Association.

**Mr. Sandeep Gupta**

Mr. Sandeep Gupta aged 42 years is a Graduate in Commerce from Punjab University. He has also qualified the intermediate course of Chartered Accountancy. He is an Independent Director on the Board. Mr. Sandeep Gupta is an Industrialist having about 20 years of experience in

textile industry. His is on Board of Shree Nath Syncot (India) Private Limited and Syntax Polyfibres Private Limited.

#### **Family Relationship between Directors**

<b>Name</b>	<b>Designation</b>	<b>Relationship with other Directors</b>
<b>Mr. Ram Saran Saluja</b>	Chairman & Managing Director	Father of Mr. Neeraj Saluja and Mr. Dhiraj Saluja
<b>Mr. Neeraj Saluja</b>	Director	Both are Brothers and sons of Mr. Ram Saran Saluja
<b>Mr. Dhiraj Saluja</b>	Director	

#### **BORROWING POWERS OF BOARD OF DIRECTORS**

The Board of Directors of our Company has power to borrow up to Rs. 1000 Crores as per the members' resolution passed in the EGM of our Company held on October 16, 2009. The extract of the resolution of our Company authorizing the Board's borrowing powers is given herein below:

“RESOLVED THAT pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time, as they may think fit, any sum or sums of monies which together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business), may exceed at any time, 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), by a sum not exceeding Rs. 1000 Crores (Rs. One Thousand Crores Only) and that the Board of Directors of the Company be and is hereby authorized to arrange, accept, alter or fix the terms and conditions of all such monies to be borrowed from time to time, as to interest, repayment, creation of security(ies) or otherwise, as they may think fit.”

#### **COMPENSATION AND BENEFITS TO THE MANAGING DIRECTOR / WHOLE TIME DIRECTORS**

We have not entered into any service contract with our Managing Director/ Whole-time Directors. Our Company has not paid any remuneration to its Managing Director/ Whole-time Directors for the FY 2009.

#### **1.Terms of appointment and compensation of Mr. Ram Saran Saluja, Chairman & Managing as per the members' resolution passed in the EGM of our Company held on October 8, 2009 is as follows:**

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956, the rules framed there under, and subject to such other modification(s), amendment(s), alteration(s) as may be required by any letters etc., the consent of the Company be and is hereby accorded for the appointment of Sh. Ram Saran Saluja as the Chairman cum Managing Director of the Company for a period of three years w.e.f. 08.10.2009 on a consolidated amount of Salary of Rs. 40,000/- per month.

RESOLVED FURTHER THAT he will be entitled to free use of Company's car for business purpose and of free use of telephone, at office and at residence, for business purposes of the Company.”

#### **2.Sitting Fees Payable to Non-Executive Directors**

Till date we have not paid any sitting fees to our Non-Executive Directors.



## Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges.

Ms. Himani Dua, Company Secretary & Compliance Officer is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

## Shareholding of Directors

As per our Articles of Association of our Company, a Director is not required to hold any shares in our Company to qualify him for the office of Director of our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as on the date of the Draft Red Herring Prospectus:

Sr. No.	Name of the Directors	No of Equity Shares held	Percentage (%) of holding in our Company
1.	Mr. Ram Saran Saluja	28,000	0.10%
2.	Mr. Neeraj Saluja	700	0.002%
3.	Mr. Dhiraj Saluja	21,000	0.07%
	Total	49,700	0.17%

## Interest of Directors

All our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board, as well as to the extent of remuneration payable to our executive Directors for their services as executive directors of our Company and reimbursement of expenses payable to them under our Articles of Association. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives or firms, trusts or other entities/ bodies corporate in which they have interest, and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Our non-Promoter Directors may also be deemed to be interested in the Equity Shares, if any, out of the present Issue that may be subscribed by and Allotted/transferred to the companies, firms and trusts and other entities/bodies corporate in which they are interested as Directors, members, partners and/or trustees or otherwise as also any benefits, monetary or otherwise derived there from.

Further, save and except as stated otherwise in the Chapters titled *"Business Overview"*, *"Our Promoter and its Background"* and Section titled "Financial Information" beginning on pages 84, 117 and 127, respectively, of the Draft Red Herring Prospectus, our Directors do not have any other interests in our Company as on the date of the Draft Red Herring Prospectus.

## Interest as to Property

Except as stated/referred to in the paragraph titled "Property" beginning on page 97 *"Business Overview"* and paragraph titled *"Interest of Promoter"* beginning on page 124 of the Draft Red Herring Prospectus, our Directors do not have any interest:

- in the promotion of our Company; or
- in any property acquired by our Company within two years from the date of the Draft Red Herring Prospectus, or proposed to be acquired by our Company.

## CHANGES IN THE BOARD OF DIRECTORS DURING THE LAST THREE YEARS

The following changes have taken place in the Board of Directors of our Company during the last three years:

Name of the Director	Date of Appointment	Date of Resignation	Remarks
Mr. Neeraj Saluja	May 7, 2009	--	Appointment
Mr. Navneet Gupta	May 7, 2009	--	Appointment
Mr. Ashwani Kumar	November 25, 2009	--	Appointment
Mr. Amar Gopal Das Narang	October 9, 2009	--	Appointment
Mr. Gulshan Kumar	November 18, 2009	--	Appointment
Mr. Sandeep Gupta	February 13, 2009		Appointment

## CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with BSE and NSE with respect to corporate governance and the SEBI (ICDR) Regulations, 2009 in respect of corporate governance will be applicable to our Company at the time of seeking in principle approval for listing of our Company's Equity Shares with the Stock Exchanges. Our Company has complied with Listing Agreement in respect of Corporate Governance specially with respect to broad basing of Board, constituting the Committees such as Shareholders/Investors Grievance Committee, Audit Committee and Remuneration Committee.

## COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors of our Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 49 of the Listing Agreement. Our Board has 8 Directors out of which 4 are independent directors in accordance with the requirement of clause 49 of the listing agreement of the Stock Exchanges.

Sr. No.	Name of the Director	Designation	Category
9.	Mr. Ram Saran Saluja	Chairman & Managing Director	Executive & Non Independent
10.	Mr. Neeraj Saluja	Director	Non Executive & Non Independent
11.	Mr. Dheeraj Saluja	Director	Non Executive & Non Independent
12.	Mr. Navneet Gupta	Director	Non Executive & Non Independent
13.	Mr. Ashwani Kumar	Director	Non Executive & Independent
14.	Mr. Amar Gopal Das Narang	Director	Non Executive & Independent
15.	Mr. Gulshan Kumar	Director	Non Executive & Independent
16.	Mr. Sandeep Gupta	Director	Non Executive & Independent

In terms of the Clause 49 of the Listing Agreement, our Company has already appointed Independent Directors and constituted the following Committees of the Board:

1. Audit Committee
2. Remuneration Committee
3. Shareholders/Investors Grievance Committee

## Audit Committee

Our Board constituted an Audit Committee, pursuant to the provisions of Section 292A of the Companies Act. The Audit Committee was reconstituted at a meeting of the Board of Directors held on November 25, 2009

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the Listing Agreement, which will be entered into with the Stock Exchanges in due course. The committee consists of the following Directors:

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Amar Gopal Das Narang	Chairman	Independent Director
2.	Mr. Ashwani Kumar	Member	Independent Director
3.	Mr. Navneet Gupta	Member	Director

Our Company Secretary, Ms. Himani Dua will act as the secretary of the Committee.

The terms of reference of our Audit Committee are given below:

- i. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- ii. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- iii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- iv. Appointment, removal and terms of remuneration of internal auditors
- v. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act 1956;
  - Changes, if any, in accounting policies and practices and reasons for the same;
  - Major accounting entries involving estimates based on the exercise of judgment by management;
  - Significant adjustments made in the financial statements arising out of audit findings;
  - Compliance with listing and other legal requirements relating to the financial statements;
  - Disclosure of any related party transactions;
  - Qualifications in the draft audit report.
- vi. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- vii. To monitor the utilisation of proceeds of the proposed initial public offering of the Company and any other issue of shares of the Company, reviewing the report submitted by monitoring agency, if any, and to make appropriate recommendations to the Board in this regard
- viii. Monitoring the use of the proceeds of the proposed initial public offering of the Company.
- ix. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

- x. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- xi. Discussions with internal auditors on any significant findings and follow up thereon.
- xii. Reviewing internal audit reports and adequacy of the internal control systems.
- xiii. Reviewing management letters / letters of internal control weaknesses issued by the Statutory Auditors.
- xiv. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- xv. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- xvi. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- xvii. To review the functioning of the whistle blower mechanism, when the same is adopted by the Company and is existing.
- xviii. Carrying out any other function as may be statutorily required to be carried out by the Audit Committee.

## REMUNERATION COMMITTEE

The constitution of the Remuneration Committee was approved at a meeting of the Board of Directors held on November 25, 2009.

The terms of reference of Remuneration Committee comply with the requirements of Clause 49 of the Listing Agreement, which will be entered into with the Stock Exchanges in due course. The committee consists of three independent Directors.

The Remuneration Committee has been constituted with the following Directors:

Sr. No.	Name	Designation	Nature of Directorship
1.	Mr. Ashwani Kumar	Chairman	Independent Director
2.	Mr. Amar Gopal Das Narang	Member	Independent Director
3.	Mr. Navneet Gupta	Member	Non Executive and Non Independent Director

Our Company Secretary, Ms. Himani Dua will act as the secretary of the Committee.

The terms of reference of our Remuneration Committee are given below:

- To decide and approve the terms and conditions for appointment of executive directors and/ or whole time Directors and Remuneration payable to other Directors and matters related thereto.
- To recommend to the Board, the remuneration packages of the Company's Managing/Joint Managing/ Deputy Managing/Whole time / Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);
- To be authorised at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Company's Managing/Joint

Managing/ Deputy Managing/ Whole-time/ Executive Directors, including pension rights and any compensation payment;

4. To implement, supervise and administer any share or stock option scheme of the Company.

#### **SHAREHOLDERS' / INVESTORS' GRIEVANCES COMMITTEE**

The Shareholders' / Investors' Grievance Committee has been formed by the Board of Directors at the meeting held on November 25, 2009 in compliance with Clause 49 of the Listing Agreement. The Shareholders' / Investors' Grievance Committee has been constituted with the following Directors:

<b>Sr. No.</b>	<b>Name</b>	<b>Designation</b>	<b>Nature of Directorship</b>
1.	Mr. Gulshan Kumar	Chairman	Independent Director
2.	Mr. Ram Saran Saluja	Member	Non Independent & Executive Director
3.	Mr. Amar Gopal Das Narang	Member	Independent Director

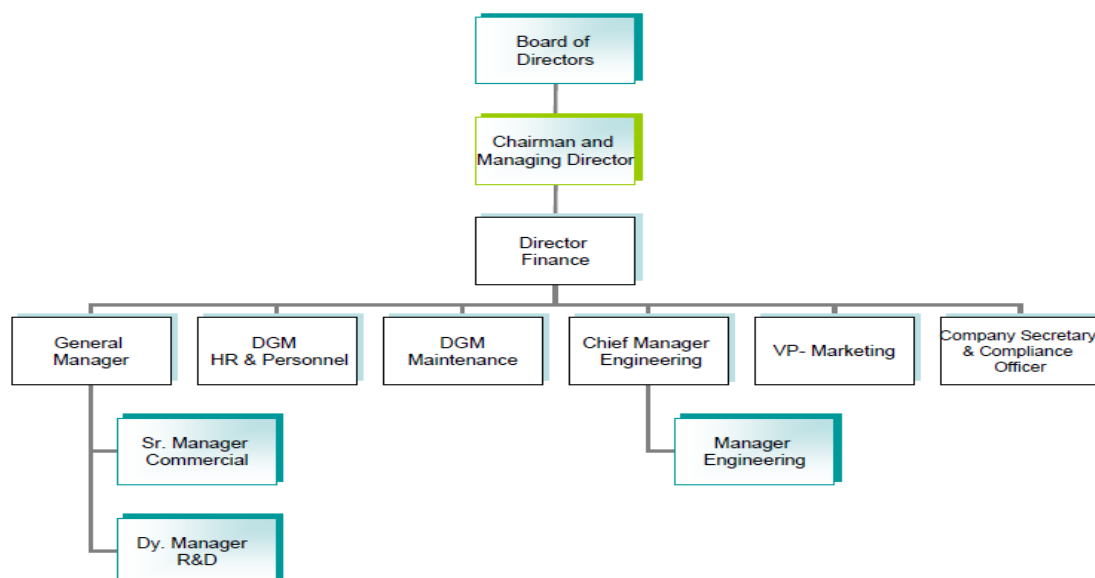
Our Company Secretary, Ms. Himani Dua will act as the secretary of the Committee.

The terms of reference of our Shareholders' / Investors Grievance Committee are given below:

"To allot the Equity Shares of the Company, and to supervise and ensure:

- i. Efficient transfer of shares; including review of cases for refusal of transfer transmission of shares and debentures;
- ii. Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
- iii. Issue of duplicate / split / consolidated share certificates;
- iv. Allotment and listing of shares;
- v. Review of cases for refusal of transfer / transmission of shares and debentures;
- vi. Reference to statutory and regulatory authorities regarding investor grievances; and to otherwise ensure proper and timely attendance and redressal of investor queries and grievances."

#### **ORGANISATIONAL CHART OF OUR COMPANY**



## KEY MANAGERIAL PERSONNEL

The key managerial personnel of our Company other than our Executive Directors are as follows:

**Mr. Hardeep Singh Gill** aged 44 years is the General Manager of our Company with an over all responsibility Of the unit' co-ordination and control like production, commercial, Engineering maintenance administration liaison and quality etc of our Neemrana Unit . He is a Arts graduate from Guru Nanak Dev University, Amritsar, Punjab and also holds a diploma in textile technology with specialization in spinning from Punjab State Board of Technical Education, Amritsar, Punjab. He is associated with our Company since May 13, 2009. He is having overall experience of 24 years in the textile industry. He has previously worked with Aarti international limited ludhiana as General manager from September 2002 to 12 may 2009. Gross remuneration paid to Mr. Hardeep Singh Gill for FY 2008-09 was Nil.

**Mr. Raghubir Singh** aged 43 years is the DGM – HR & Personnel of our Company. He has done his B.A. and M.A. from Kurukshetra University and has also completed his Master of Social work from Kurukshetra University with specialisation in Human Resource Management, Industrial relations, Labour Laws and labour welfare. He is associated with our Company since May 17, 2009. He is having overall experience of 19 years in the textile industry. He is looking after Personnel industrial relations, time office, liaisoning with government andn non government and local Authorities. He has previously worked with Innovative Textiles Private Limited, Utrakhand as AGM. Gross remuneration paid to him for FY 2008-09 was Nil.

**Mr. Gadiyaram Shasidhar** aged 38 years is the DGM – Maintenance (Neemrana Unit)of our Company. He has done his Diploma in Textile technology from State Board of Technical Education and Training, Andhra Pradesh, Hyderabad. He is associated with our Company since May 13, 2009. He is having overall experience of 19 years in the textile industry. He is looking after Spinning plant machinery maintenance &modifications & new installations and planning of maintenance. He has previously worked with GPI Textiles Limited, Himachal Pradesh as AGM – Maintenance. Gross remuneration paid to him for FY 2008-09 was Nil.

**Mr. Vikas Khandelwal** aged 30 years is the Dy. Manager – R&D of our Company. He has done his B.E. in Textile from University of Rajasthan. He is associated with our Company since July 15, 2009. He is having overall experience of 8 years in the textile industry. He is looking after R & D

and quality control. He has previously worked with GPI Textiles Limited, Himachal Pradesh as Assistant Manager – QA&QC. Gross remuneration paid to him for FY 2008-09 was Nil.

**Mr. Raj Kumar Jaidka** aged 46 years is the Senior Manager – Commercial of our Company. He has done his B.Com from Punjabi University, Punjab and has also completed his ICWA Inter. He is associated with our Company since July 7, 2009. He is having overall experience of 20 years in the field of accounts, cost audit, central excise matters and logistics co-ordination. He is looking after commercial activities including control of stores inventory and raw materials. He has previously worked with Nahar Industrial Enterprises Limited, Rajasthan. Gross remuneration paid to him for FY 2008-09 was Nil.

**Mr. Ajay Thakur** aged 41 years is the Manager – Engineering at Neemrana Unit of our Company. He has done his Diploma in Electronics and Communication from State Board of Technical Education, J&K. He is associated with our Company since June 22, 2009. He is having overall experience of 20 years in the repair and maintenance of textile machines, electronic equipments. He looks after machinery maintenance in our Company. He has previously worked with Shiva Specialty Yarn Limited, Punjab as Manager - Engineering. Gross remuneration paid to him for FY 2008-09 was Nil.

**Ms. Himani Dua**, aged 27 years is our Company Secretary and Compliance Officer of our Company. She is a qualified Company Secretary from Institute of Company Secretaries of India. She has also completed her B.Com and M.Com from Guru Nanak Dev University. She is associated with our Company since November 9, 2009 and has previously worked with M/s Khanna Ashwani & Associates, Practicing Company Secretaries. She is having an overall experience of 1 year in the field of secretarial compliances and RoC matters. She is overall incharge of secretarial matters and is also the Compliance Officer for our Company. Gross remuneration paid to Ms. Himani Dua for FY 2008-09 was nil.

**Mr. Amit Vasishta** aged 40 years is the Vice President - Marketing of our Company. He has done his MBA from MDS Unisversity, Ajmer. He is associated with our Company since February 1, 2010. He is having overall experience of 16 years in field of textile marketing including terry towel. He looks after marketing of our Company. He has previously worked with SEL Manufacturing Company Limited as Vice President – Marketing (Terry Towels) and Vanasthali Textile Industries Limited as Vice President – Marketing. Gross remuneration paid to him for FY 2008-09 was Nil.

**Mr. Vipin Chandra Rajput** aged 50 years is the Chief Manager - Engineering of our Company. He has done his Diploma in Electrical Engineering from U.P. Technical Board, Lucknow. He is associated with our Company since February 1, 2010. He is having overall experience of 28 years in field of electrical engineering in various textile companies. He is an overall incharge of electrical engineering. He has previously worked with SEL Manufacturing Company Limited as Chief Manager - Engineering and Paras Fab Internatinal, Rajasthan as AGM – Engineering. Gross remuneration paid to him for FY 2008-09 was Nil.

**Notes:**

- All the Key Managerial Personnel mentioned above are on the payrolls of our Company as the permanent employees.
- There is no arrangement or understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned key managerial personnel have been recruited.
- The Key Management Personnel mentioned above are not related parties as per the Accounting Standard 18.

**Shareholding of Key Managerial Personnel**

As on date of the Draft Red Herring Prospectus, none of our key managerial personnel are holding shares in our Company.

**Relation of the Key Managerial Personnel with our Promoter/Directors**

None of our key managerial personnel are “related” to the Promoter or Directors of our Company within the meaning of Section 6 of the Companies Act, 1956.

**Bonus or profit sharing plan for Key Managerial Personnel**

There is no specific bonus or profit sharing plan for the Key Managerial Personnel other than as may be decided by the Management.

**Change in our Key Managerial Personnel**

Since our Company was incorporated on July 1, 2008 all our Key Managerial Personnel have joined in last one year only.

**Employees**

*For details of the Employees/ Manpower of our Company, please refer to the paragraph titled “Manpower” beginning on page 94 under Chapter “Business Overview” beginning on page 84 of the Draft Red Herring Prospectus.*

**Employees Stock Option Scheme**

Our Company does not have any Employee Stock Option Scheme or other similar scheme giving options in our Equity Shares to our employees.

**Payment or Benefit to Officers of our Company**

Except for payment of monetary and non-monetary benefits in accordance with the terms of employment or engagement, we have not paid any amount or given any benefit to any Officer of our Company in a period of two years before the date of the Draft Red Herring Prospectus, nor is such amount or benefit intended to be paid or given to any officer as on the date of the Draft Red Herring Prospectus.



## OUR PROMOTER AND ITS BACKGROUND

SEL Manufacturing Company Limited is the promoter of our Company.

### SEL MANUFACTURING COMPANY LIMITED (“SMCL”)

SMCL was incorporated as Saluja Exim Limited on May 8, 2000 under the Companies Act, 1956 and obtained certificate of commencement of business on June 2, 2000. The name of the Company was changed to SEL Manufacturing Company Limited by a special resolution of the members passed at an extraordinary general meeting held on June 27, 2003. The name of the Company was again changed to Saluja Exim Limited by a special resolution of the members passed at an extraordinary general meeting held on November 10, 2003. The name of the Company was once again changed to SEL Manufacturing Company Limited by a special resolution of the members passed at an extraordinary general meeting held on January 31, 2004. The status of the Company was changed to a private limited company by a special resolution of the members passed at an extraordinary general meeting held on March 15, 2004. The status of SMCL was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on March 14, 2006. The registered office of SMCL is situated at 274, G.T.Road, Dhandari Khurd, Ludhiana-141 010, Punjab w.e.f. March 30, 2007. The Corporate Identification Number of the Company is L51909PB2000PLC023679.

With the abolition of quota system in the textile industry and further, to have synergies in our group operations and towards optimisation of resources, two of the group entities, namely Saluja Processors Private Limited (SPPL) and Saluja Fabrics Limited (SFL) both forming part of the R S Saluja Group were merged with our Company w.e.f April 1, 2004. The Hon'ble High Court of Punjab and Haryana, Chandigarh vide its order dated February 23, 2006 has approved the Scheme of SPPL, SFL and our Company to be effective from April 1, 2004 (“appointed date”).

SMCL made the initial public issue of 41,38,410 equity shares of Rs. 10 each for cash at price of Rs. 90 per equity share aggregating Rs. 3724.57 Lacs in July 2007 and the shares were allotted in August 2007. The issue was subscribed 3.62 times. Through this issue the equity shares of SMCL were listed on Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited. The company also issued 7,60,800 and 5,00,000 equity shares at a price of Rs. 65 and Rs. 75 per equity share respectively as pre-IPO placement. The issue was made to fund the expansion of the capacities of spinning, knitting and garment manufacturing with a total cost of approximately Rs. 18,457 lacs.

### Details of the IPO

Year of Issue	2007
Type of the Issue	Initial Public Issue of 41,38,410 equity shares of Rs. 10 each for cash at price of Rs. 90 per equity share
Amounts of the Issue	Rs. 3724.57 Lacs
Date of the Closure of the Issue	July 31, 2007
Date of Completion of the Delivery of the Share Certificates	August 14, 2007
Date of Completion of the Projects	Project were completed on schedule
Rate of Dividend	10% (i.e. Re. 1 per Equity Share) Dividend declared on January 28, 2008

### Performance vis-à-vis objects

The Expansion Project of SMCL included additional spinning capacity of 25,200 spindles, 1.5 million pieces per annum of garments and 3000 tons of knitted fabrics per annum. All the projects were completed on time as per the schedule of implementation given in the prospectus.

The amount raised as above was deployed during FY 2008 as under as per the objects of the issue:

<b>Particulars</b>	<b>Amount (Rs. in Lacs)</b>
Funds raised from IPO and Pre-IPO Placement	4,594.08
<b>Utilization</b>	
Spinning Expansion	3,559.08
Knitting Expansion	493.00
Garment Expansion	98.00
IPO Expenses and Preliminary Expenses	444.00
<b>Total Utilization</b>	<b>4,594.08</b>

SMCL made the Issue of 56,00,000 Global Depository Receipts ("GDRs"), representing 5,600,000 equity shares of par value of Rs. 10 each in December 2009 for cash at price of US\$ 1.52 per GDR aggregating US\$ 8.51 million. The GDRs of the company are listed on Luxembourg Stock Exchange

#### **Details of GDR Issue**

<b>Year of Issue</b>	<b>2009</b>
Type of the Issue	Global Depository Receipts
Amounts of the Issue	US\$ 8.51 million
Date of the Closure of the Issue	December 14, 2009
Date of Allotment	December 14, 2009

#### **Stock Market Data**

The Equity Shares of SEL Manufacturing Company Limited is listed on the BSE and the NSE.

The details of the highest and lowest price on the BSE during the preceding six months are as follows:

<b>Month</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>
February 2010 (till 18/02/2010)	98.00	85.00
January 2010	107.20	82.40
December 2009	86.25	69.85
November 2009	74.70	64.90
October 2009	82.40	66.25
September 2009	87.60	65.00
August 2009	78.90	61.75

The market capitalisation of SEL Manufacturing Company Limited on BSE based on the closing price of Rs. 88.10 per equity share on February 18, 2010 was Rs. 21811 Lacs.

The details of the highest and lowest price on the NSE during the preceding six months are as follows:

<b>Month</b>	<b>High (Rs.)</b>	<b>Low (Rs.)</b>
February 2010 (till 18/02/2010)	97.90	85.35

January 2010	107.00	82.20
December 2009	86.20	70.40
November 2009	74.90	65.20
October 2009	82.45	65.25
September 2009	87.70	68.25
August 2009	79.85	60.10

The market capitalisation of SEL Manufacturing Company Limited on NSE based on the closing price of Rs. 88.25 per equity share on February 18, 2010 was Rs. 21,848 Lacs.

### **Main Objects**

The main objects of as per Memorandum of Association are as under:

1. To carry on the business of buyers, sellers, importers, exporters, distributors, agents, C&F Agents, brokers, factors stockists, commission agents, marketing, trading and dealers and Electric and Electronic goods, Engineering goods, Cycle parts, Dhoop, Electric appliances, edible oils, non-edible oils, oil seeds, oils and cakes, vanaspati, Plastic and Plastic goods, plastic liners and sacks of high density polyethylene, polypropthelene, low density, polythene, pipes sheets, metals, alloys, ores and scraps, toys and wares and other types of plastic goods and products, photographic goods, sports goods, machine tools, hand tools, small tools, iron pipe fitting, nuts and bots and accessories, automobile parts, steel and stainless steel and iron products, metallurgical residues, hides, skins, leather goods, furs, bristles, tobacco (raw and manufactured) hemp, seeds, wheat product, cattle feed, poultry feed, textile fibre and waste coir and jute and products, thereof, wood and timber bones, crushed and uncrushed and uncrushed, industrial diamonds, resorts, coal and charcoal glue, gums and resins, ivory, lac, shella, manures, pulp or wood, rags, rubber, tanning substances, wax, quartz, crystal, chemicals and chemical preparations, pesticides, insecticides, plastic and linoleum articles, glass and glass ware, handicraft, handloom, toys, liquid gold, precious stones, ornaments, jewelleries, pearls, drugs and medicines, soaps, paints, instrument, apparatus and appliances, machinery and mill work and parts thereof, paper and stationery, sport goods, druggist in dressing materials cosmetics, wags, belting, cinematograph films exposed, gramophone records, rubber plastic goods, starch, umbrellas, crown corks, batteries, surgical and musical instruments, marble and hardware items traditional calendars, all kinds of books and manuscripts, electric and electronic products of all kinds, sanitary ware and fittings, woolen textiles, natural fibre products, cellulose and cellulosic, products mixed blended products, fish and fish products, fodder bran, fruits, nuts, cashewnuts, kernels, graing, pulses, flour, confectioner, provisions, alcohol beverages perfumed spirits spices and tea, coffee, sugar and molasses, thermoware, vegetables, and vegetable product processed foods and packed food products, glass or glass bottles, crowns different kinds of caps for bottles, plastic shells and any other material relating to aeriated soft drinks, medicines drugs and other medical goods/equipment, living plants and animals, their seeds, siblings & their offsprings, flowers, fruits and body parts of plants & animals, goods made from body parts of plant, animals, wireless and other communication goods and equipment and any other article or material which can lawfully be traded, imported and exported.
2. To act as an import & export house, agents, purchase and sale representatives to stockists, products, processing units and units engaged in village industries, home industries, cottage industries, small and medium industries.
3. To carry on the business of manufacturing and processing of and dealers in all kinds of yarns, hosiery goods, readymade garments, carpets, duries, mats, rugs, blankets and other similar articles.

4. To carry on in India or elsewhere the business to generate, receive, produce, improve, buy, sell resell, acquire, use, transmit, accumulate, employ, distribute develop, handle, protect, supply and act as agents, brokers, representatives, consultants, collaborators or otherwise to deal in electric power and steam in all its branches or such place or places as may be permitted by appropriate authorities by establishment of Fuel Oil, Naptha or Gas, Thermal power plants, hydro power plants atomic power plants, wind power plants, solar power plants and other power plants based on any source of energy, including a source as may be developed or invented in future. Further for such matter to acquire concessions, facilities, licences from electricity boards, Government, Semi-Government or local authorities for generation, distribution, production, transmission or use of electric power.
5. To enter into any contract, agreements, memorandum of understandings, joint ventures, arrangements, or such other mode of contracts with Govt. of India, State Govt. Foreign, Governments, Municipal, Local Authorities, body corporate, person sor such other authorities, whether in India or elsewhere as the company may deem fit on the basis of built-own-lease-transfer (BOLT), built-own-operate-transfer (BOOT), build-own-operate (BOO) or such methods for the purposes of carrying out the objects of the company.”

### **Current Nature of Activities**

The Company is vertically integrated multi-product textile company, manufacturing and exporting various kinds of Knitted Garments, Terry Towels, Knitted & Processed Fabric and various kind of Yarn with production facilities located at Ludhiana and Nawansheher in Punjab and Baddi in Himachal Pradesh.

The Company manufactures and export all types of Knitted Garments and the main products include t-shirts, polo shirts, sweat shirts, boxer shorts, thermals, girls top etc. The Terry Towel product range includes all types of bath towels, hand towels, beach towels, face towels, printed towels, embellished towels, terry beach bags, infants and kid hooded towels etc. The Company manufactures a variety of yarns including, cotton combed & carded, bamboo cotton, polyester cotton, organic cotton, millanges, slup fancy yarn etc. Similarly, the fabric range includes, auto stripes, jacquard, mercerized, cotton lycra, thermal fabrics etc. A part of yarn produced from the Company's spinning units are captively consumed by the Company's knitting & weaving operations and the balance is sold in both domestic as well as overseas market. Similarly, the fabric that the Company knits is also used for both knitted garment manufacturing and is also sold in local market as knitted fabric. The existing capacities are as follows:

<b>Product</b>	<b>Capacities</b>
Garments	8.50 Million Pcs./annum
Knitting	7050 TPA
Spinning	149856 Spindles
Terry Towel	3600 TPA
Captive Power Plant	10 MW

As a part of backward integration and to be self sufficient on the power side, the Company has set up a Captive Power Plant of 10 MW with a multi-fed boiler using bio-mass and pet coke.

SMCL has one subsidiary company (SEL Textiles Limited) and two subsidiary partnership firms namely M/s SE Exports and M/s Kudu Industries. For details of these partnerships please refer to the chapter “Financial Information of Group Companies” beginning on page 143 of the Draft Red Herring Prospectus.

### **Board of Directors**

Currently, the Board of Directors of SMCL consists of:

Sr. No.	Name	Designation
1.	Mr. Ram Saran Saluja	Non Executive Chairman
2.	Mr. Neeraj Saluja	Managing Director
3.	Mr. Dhiraj Saluja	Whole Time Director
4.	Mr. Ashwani Kumar	Independent Director
5.	Mr. Sanjiv Garg	Independent Director
6.	Mr. Amar Gopal Das Narang	Independent Director
7.	Mr. Ranjan Madan	Independent Director
8.	Mr. Navneet Gupta	Executive Director

### Shareholding Pattern

As on February 19, 2010, the shareholding pattern of SMCL is as follows

Category code	Category of Shareholder	No. of Share-holders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a %age of (A+B)	As a %age of (A+B+C)	No. of shares	As a % age
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)=(VIII)/(IV)*100
<b>(A)</b>	<b>Shareholding of Promoter and Promoter Group</b>							
<b>1</b>	<b>Indian</b>							
(a)	Individuals/ Hindu Undivided Family	6	11,739,044	7,148,044	47.42	38.67	0	0.00
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00	0	
(c)	Bodies Corporate	0	0	0	0.00	0.00	0	
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00	0	
(e)	Any Others(Specify)	0	0	0	0.00	0.00	0	
	<b>Sub Total(A)(1)</b>	<b>6</b>	<b>11,739,044</b>	<b>7,148,044</b>	<b>47.42</b>	<b>38.67</b>	<b>0</b>	<b>0.00</b>
<b>2</b>	<b>Foreign</b>							
a	Individuals (Non-Residents Individuals/ Foreign Individuals)				0.00	0.00	0	0.00
b	Bodies Corporate			0	0.00	0.00	0	0.00
c	Institutions	0	0	0	0.00	0.00	0	0.00
d	Any Others(Specify)			0	0.00	0.00	0	0.00
d-i		0	0	0	0.00	0.00	0	0.00
d-ii		0	0	0	0.00	0.00	0	0.00

	<b>Sub Total(A)(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)</b>	<b>6</b>	<b>11,739,044</b>	<b>7,148,044</b>	<b>47.42</b>	<b>38.67</b>	<b>0</b>	<b>0.00</b>
	<b>(B) Public shareholding</b>						<b>NA</b>	<b>NA</b>
	<b>1 Institutions</b>						<b>NA</b>	<b>NA</b>
(a)	Mutual Funds/ UTI	0	0	0	0.00	0.00		
(b)	Financial Institutions / Banks	2	200,000	200,000	0.81	0.66		
(c)	Central Government/ State Government(s)	0	0	0	0.00	0.00		
(d)	Venture Capital Funds	0	0	0	0.00	0.00		
(e)	Insurance Companies	0	0	0	0.00	0.00		
(f)	Foreign Institutional Investors	2	130,000	130,000	0.53	0.43		
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0.00		
(h)	Any Other (specify)	0	0	0	0.00	0.00		
(h-i)	NIL	0	0	0	0.00	0.00		
(h-ii)	NIL	0	0	0	0.00	0.00		
	<b>Sub-Total (B)(1)</b>	<b>4</b>	<b>330,000</b>	<b>330,000</b>	<b>1.33</b>	<b>1.09</b>		
	<b>B 2 Non-institutions</b>						<b>NA</b>	<b>NA</b>
(a)	Bodies Corporate #	770	6,727,721	3,727,721	27.18	22.16		
(b)	Individuals							
	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	23,552	4,362,630	4,359,719	17.62	14.37		
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	29	1,133,854	1,133,854	4.58	3.74		
(c)	Any Other					0.00		
(c-i)	Trust	1	300	300	0.00	0.00		
(c-ii)	Non-Resident Indians	143	114,928	114,928	0.46	0.38		
(c-)	Clearing Members	163	120,771	120,771	0.49	0.40		

iii)								
(c-iv)	Hindu Undivided Families	449	227,752	227,752	0.92	0.75		
	<b>Sub-Total (B)(2)</b>	<b>25,107</b>	<b>12,687,956</b>	<b>9,685,045</b>	<b>51.25</b>	<b>41.80</b>		
	<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>25,111</b>	<b>13,017,956</b>	<b>10,015,045</b>	<b>52.58</b>	<b>42.88</b>	<b>NA</b>	<b>NA</b>
	<b>TOTAL (A)+(B)</b>	<b>25,117</b>	<b>24,757,000</b>	<b>17,163,089</b>	<b>100.00</b>	<b>81.55</b>		
(C)	Shares held by Custodians and against which Depository Receipts have been issued	1	5,600,000	0		18.45	NA	NA
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>25,118</b>	<b>30,357,000</b>	<b>17,163,089</b>	<b>100.00</b>	<b>100.00</b>		<b>0.00</b>

**Statement showing Shareholding of persons belonging to the category “Promoter and Promoter Group”**

Sr. No.	Name of the shareholder	Total shares held		Shares Pledged or otherwise encumbered		
		Number	As a % of Grand Total (A)+(B)+(C)	Number	As a %age	As a % of grand total (A)+(B)+(C) of sub-clause (I)(a) (VII)
(I)	(II)	(III)	(IV)	(V)	(VI)=(V)/(I II)*100	(VII)
1	Mr. Ram Saran Saluja	3019335	9.95	0	0	0
2	Mr. Neeraj Saluja	149060	0.49	0	0	0
3	Mrs. Sneha Lata Saluja	1406065	4.63	0	0	0
4	Mrs. Ritu Saluja	2177776	7.17	0	0	0
5	Mr. Dhiraj Saluja	2505126	8.25	0	0	0
6	Mrs. Reema Saluja	2481682	8.17	0	0	0
	<b>TOTAL</b>	<b>11739044</b>	<b>38.67</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Promoters of SMCL**

The current promoters of SMCL are Mr. Ram Saran Saluja, Mr. Neeraj Saluja, Mr. Dhiraj Saluja, Mrs. Sneha Lata Saluja, Mrs. Ritu Saluja and Mrs. Reema Saluja.

**Audited Financial Information**

(Rs. In Lacs)

Particulars	2007	2008	2009
Authorised Capital	2,000.00	5,000.00	5,000.00
Equity Capital	981.68	1,521.60	1,716.60
Equity Warrants			1,054.50
Warrants Application Money		629.00	

Reserves and Surplus	12,270.83	20,207.82	29,848.75
Misc. Expenditure to the extent not written off	50.01	15.34	11.50
Sales	18,558.44	35,738.71	58,994.69
Profit / (Loss) after tax	2,360.03	4,485.42	5,478.33
Earnings per share (Rs.)	24.04	33.21	32.69
Diluted EPS (Rs.)	-	21.20	31.64
Net Asset Value Per Share (Rs.)	134.49	146.84	189.96
Face Value	10.00	10.00	10.00

*Other disclosures:*

The equity shares of SMCL are listed on BSE and NSE. No action has been taken against the company by any Stock Exchange or SEBI.

SMCL is not sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further SCML is not under winding up, neither does it have a negative net – worth.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against SMCL.

We hereby confirm that the Permanent Account Number, Bank Account Number, Company Registration Number and the addresses of the Registrar of Companies where SMCL is registered has been submitted to BSE and NSE at the time of filing the Draft Red Herring Prospectus with them.

#### **Interest of Promoter**

Our Promoter is interested in the promotion of our Company and is also interested to the extent of its shareholding, for which it is entitled to receive the dividend declared, if any, by our Company. It may also be deemed to be interested in the transactions entered into by our Company and the ventures where it is interested as a Promoter or otherwise. Further, except as stated under *paragraph titled “Property” beginning on page 97 under Chapter titled “Business Overview” beginning on page 84 of the Draft Red Herring Prospectus*, our Promoters do not have any interest in any property acquired by our Company within two years of the date of the Red Herring Prospectus or currently proposed to be acquired by our Company.

#### **Payment or Benefit to our Promoters**

No payment has been made or benefit given to our Promoter in the two years preceding the date of the Red Herring Prospectus or is intended to be given by us except as mentioned/referred to in Related Party Transactions, “Annexure 19” beginning on page 141 under Chapter titled “Auditors’ Report and Financial Information of our Company” of the Draft Red Herring Prospectus.

#### **Sales or Purchases between companies in the Promoter Group**

There have been no sales or purchases between companies in the Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company, except those transactions mentioned under *Related Party Transactions, “Annexure 19” beginning on page 141 under Chapter titled “Auditors’ Report And Financial Information of our Company” beginning on page no. 127 of the Draft Red Herring Prospectus*.



### **Related Party Transactions**

The details of related party transactions have been disclosed as a part of the Auditors Report. For details please refer to *Related Party Transactions, "Annexure 19" beginning on page 141 under Chapter titled "Auditors' Report And Financial Information of our Company" beginning on page no. 127 of the Draft Red Herring Prospectus.*

## **CURRENCY OF PRESENTATION**

In this Red Herring Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “million” means “Ten Lacs” and the word “Crore” means “ten million” and the word “billion” means “One thousand million and the word “trillion” means “One thousand billion”. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout the Red Herring Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in the Red Herring Prospectus are to the legal currency of India.

## **DIVIDEND POLICY**

Dividends, other than interim dividends, will be declared at the AGM of the shareholders based on the recommendation of the Board of Directors. The Board may, at its discretion, recommend dividends to be paid to the shareholders, considering a number of factors including, without limitation, our Company’s future expansion plans and capital requirements, profits earned during the Financial Year, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and general market conditions. The dividend payments in the past are not necessarily indicative of the dividend amounts, if any, or the dividend policy, of our Company in the future.

Our Company has not paid any Dividend till date.

## SECTION VII - FINANCIAL INFORMATION

### AUDITORS' REPORT AND FINANCIAL INFORMATION OF OUR COMPANY

#### AUDITOR'S REPORT

##### The Board of Directors

##### SEL Textiles Limited

Plot No. 274, G.T. Road,  
Dhandari Khurd,  
Ludhiana -141010  
Punjab

Dear Sirs,

A. a) We have examined the annexed financial information of SEL Textiles Limited ('the Company') for the period from April 1, 2009 to March 31, 2009 and 9 months ended December 31, 2009.

b) In accordance with the requirements of

- i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- ii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "SEBI (ICDR) Regulations, 2009") issued by Securities and Exchange Board of India ('SEBI') on August 26, 2009 and
- iii) Our terms of reference with the Company dated February 12, 2010 requesting us to carry out work in connection with the Offer Document as aforesaid.

We report that the restated assets and liabilities of the Company as at March 31, 2009 and December 31, 2009 are as set out in '**Annexure 1**' to this report after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in '**Annexure 3**' and Notes to the statements of Assets & Liabilities and Profit & Loss Account appearing in '**Annexure 4**' to this report.

We report that the restated profits of the Company for the period from July 1, 2008 to March 31, 2009 and 9 months ended December 31, 2009 are as set out in '**Annexure 2**' to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments/restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in '**Annexure 3**' and Notes to the Statements of Assets & Liabilities and Profit & Loss Account appearing in '**Annexure 4**' to this report.

B. 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. Notes to Adjustments in Restated Financial Statements '**Annexure 5**' to this report
- ii. Details of changes in Significant Accounting Policies as given in '**Annexure 6**' to this report.
- iii. Details of qualifications appearing in the audit report as given in '**Annexure 7**' to this report.
- iv. Statement of Cash Flow as appearing in '**Annexure 8**' to this report;
- v. Accounting Ratios as appearing in '**Annexure 9**' to this report;
- vi. Statement of Dividends as appearing in '**Annexure 10**' to this report;
- vii. Statement of Unsecured Loans taken including that from related parties enclosed as '**Annexure 11**' to this report.
- viii. Capitalisation Statement as appearing in '**Annexure 12**' to this report;

- ix. Statement of Tax Shelter as appearing in 'Annexure 13' to this report.
- x. Statement of Secured Loans as appearing in 'Annexure 14' to this report.
- xi. Statement of Investments as appearing in 'Annexure 15' to this report.
- xii. Statement of Debtors including the related party debtors enclosed as 'Annexure 16' to this report.
- xiii. Details of loans and advances as given in 'Annexure 17' to this report.
- xiv. Statement of Other Income as appearing in 'Annexure 18' to this report.
- xv. Details of transactions with the Related Parties as appearing in 'Annexure 19' to this report;
- xvi. Details of Contingent Liabilities as appearing in 'Annexure 20' to this report;

- C. a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies enclosed in Annexure 3 to this report, after making adjustments / restatements and regroupings as considered appropriate and subject to certain matters as stated in Notes to the Statements, has been prepared in accordance with Part II of Schedule II of the Act and we have complied with the Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009.

In terms of Schedule VIII, Clause IX (9) of the SEBI (ICDR) Regulations, 2009 and other provisions relating to accounts of the SEL Textiles Limited, We hereby confirm that Statements of Assets and Liabilities and Profit and Loss or any other financial information have been incorporated in the offer document after making the following adjustments, wherever quantification is possible:

- 1. Adjustments/ rectification for all incorrect accounting practices or failures to make provisions or other adjustments which resulted in audit qualifications except for those audit qualification whose financial impact not ascertainable or not quantifiable.
- 2. Material amounts relating to adjustments for previous years has been identified and adjusted in arriving at the profits of the years to which they relate irrespective of the year in which the event triggering the profit or loss occurred.
- 3. Where there has been a change in accounting policy, the profits or losses of the earlier years (required to be shown in the offer document) and of the year in which the change in the accounting policy has taken place has been recomputed to reflect what the profits or losses of those years would have been if an uniform accounting policy was followed in each of those years.
- 4. If an incorrect accounting policy is followed, the re-computation of the financial statements has been in accordance with correct accounting policies.
- 5. Statement of profit or loss discloses the profit or loss arrived at before considering extraordinary items and after considering the profit or loss from extraordinary items.
- 6. The statement of assets and liabilities has been prepared after deducting the balance outstanding on revaluation reserve account from both fixed assets and reserves and the net worth arrived at after such deductions.

- 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 Dinesh K Mehtani**  
**Chartered Accountants**

**Dinesh Kumar**  
**Prop.**  
**M. No. 091676**

**Date : 13.02.2010**  
**Place : Ludhiana**

## ANNEXURE 1

## SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Lacs)

	Particulars	As At	
		31.12.09	31.03.09
A.	<b>Fixed Assets</b>		
	Gross block	3651.90	0.00
	Less: Depreciation	60.45	0.00
	Net Block	3591.45	0.00
	Capital Work-in-Progress & Capital Advances	335.78	0.00
	<b>Total fixed assets (A)</b>	<b>3927.23</b>	<b>0.00</b>
B.	<b>INVESTMENTS</b>	<b>0.00</b>	<b>0.00</b>
C.	<b>Current assets, loans and advances</b>		
	Inventories	2378.54	0.00
	Receivables	180.76	0.00
	Cash and bank balances	485.04	0.64
	Loans and advances	1242.72	0.00
	<b>Total (C)</b>	<b>4287.06</b>	<b>0.00</b>
	<b>Total assets (A + B + C)</b>	<b>8214.29</b>	<b>0.00</b>
D.	<b>Liabilities and provisions</b>		
	Secured loans	2738.57	0.00
	Unsecured loans	0.00	0.00
	Deferred Tax Liability	23.05	0.00
	Current liabilities	848.64	0.02
	Provisions	42.79	0.00
	<b>Total Liabilities (D)</b>	<b>3653.05</b>	<b>0.62</b>
E.	<b>Net worth (A+B+C-D)</b>	<b>4561.24</b>	<b>0.62</b>
F.	<b>Represented by</b>		
	Share capital		
	-Equity Share Capital	2863.00	1.00
	Reserves and surplus	1698.24	-0.38
	<b>TOTAL</b>		
	Less Miscellaneous Expenditure (To the extent not written off)	0.00	0.00
	<b>Net Worth</b>	<b>4561.24</b>	<b>0.62</b>

**SUMMARY STATEMENT OF PROFIT AND LOSS, AS RESTATED**

**ANNEXURE 2**

(Rs. in Lacs)

Particulars		Period ended	
		31.12.09	31.03.09
<b>A</b>	<b>Income</b>		
	Sales of Products Manufactured by the Company	1792.92	0.00
	Sales of Products Traded by the Company	0.00	0.00
	Less Excise Duty	0.00	0.00
	Net Sales	1792.92	0.00
	Other Income	83.52	0.00
	<b>Total (A)</b>	<b>1876.44</b>	<b>0.00</b>
<b>B</b>	<b>Expenditure</b>		
	Materials consumed	1239.12	0.00
	Staff Costs	98.51	0.00
	Other manufacturing expenses	208.62	0.00
	Administrative, selling and distribution expenses	101.68	0.38
	<b>Total (B)</b>	<b>1647.93</b>	<b>0.38</b>
<b>C</b>	<b>Profit Before Interest, Depreciation and Tax</b>	<b>228.51</b>	<b>-0.38</b>
	Depreciation	60.45	0.00
	<b>Profit Before Interest and Tax</b>	<b>168.06</b>	<b>-0.38</b>
	Financial Charges	29.58	0.00
<b>D</b>	<b>Profit after Interest and Before Tax</b>	<b>138.48</b>	<b>-0.38</b>
	Preliminary Expenses W/o	0.00	0.00
<b>E</b>	<b>Profit before Taxation</b>	<b>138.48</b>	<b>-0.38</b>
	Provision for Taxation	42.79	0.00
	Provision for Deferred Tax	0.00	0.00
	Add/Less Tax adjustment	0.00	0.00
<b>F</b>	<b>Profit After Tax but Before Extra ordinary Items</b>	<b>95.69</b>	<b>-0.38</b>
	Extraordinary items	0.00	0.00
	Impact of material adjustments for restatement in corresponding years (net of tax) (B)	23.05	0.00
<b>G</b>	<b>Net Profit after adjustments</b>	<b>72.64</b>	<b>-0.38</b>

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Accounting Convention**

The accounts are prepared on historical cost convention in accordance with the generally accepted accounting principles, the applicable accounting standards referred to in section 211 (3C) and other relevant provisions of the Companies Act, 1956.

### **Revenue Recognition**

#### **i) Sales**

Revenue from sale of goods is recognized:

- (i) When all the significant risks and rewards of ownership are transferred to the buyer and the company retains no effective control of the goods transferred to a degree usually associated with ownership: and
- (ii) No significant uncertainty exists regarding the amount of the consideration that will be derived from the sale of goods.

#### **ii) Export Incentives**

Revenue in respect of the above benefits is recognized on post export basis.

#### **iii) Dividend**

Dividend income is recognized when the right to receive the payment is established.

#### **iv) Interest**

Interest Income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

### **Inventories**

Inventories are valued at cost or net realizable value, whichever is lower. The cost in respect of the various items of inventory is computed as under:

- i) In respect of Raw Materials & Consumable Stores on FIFO basis.
- ii) In respect of Work in process and Finished Goods, at weighted average cost of raw material plus conversion cost & packing cost incurred to bring the goods to their present condition & location.

### **Fixed Assets**

#### **(i) Fixed Assets**

Fixed Assets are stated at acquisition cost including inward freight, duties, taxes and incidental expenses relating to acquisition net of subsidy relating to specific fixed asset and accumulated depreciation.

#### **(ii) Capital work in progress**

Capital work in progress includes cost of assets at site, construction expenditure and advances made for acquisition of capital assets.

**Cenvat Credit**

Cenvat Credit on excise duty paid inputs, capital assets and inputs services is recognized in accordance with the Cenvat Credit Rules, 2004.

**Depreciation/Amortisation**

Depreciation has been provided under Straight Line Value Method at the rates specified in Schedule XIV of Companies Act, 1956. Depreciation on assets costing Rs. 5000/- or below is charged @ 100% per annum on proportionate basis.

**Expenditure incurred during construction period**

In respect of new/major expansion, the indirect expenditure incurred during construction period upto the date of commencement of commercial production, which is attributable to the construction of the project, is capitalized on various categories of fixed assets on proportionate basis.

**Accounting for Taxes on Income and Fringe Benefit Tax**

Current Tax is determined as the amount of tax payable in respect of taxable income for the period after considering tax allowances & exemptions. Deferred Tax is recognized, subject to consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and capable of reversal in one or more subsequent period.

**Provisions and Contingent Liabilities**

- i. Provisions are recognized for liabilities that can be determined by using a substantial degree of estimation, if:
  - 1. The company has a present obligation as a result of a past event;
  - 2. A probable outflow of resources embodying economic benefits is expected to settle the obligation; and
  - 3. The amount of the obligation can be reliably estimated
- ii. Contingent liability is disclosed in the case of:
  - 1. a present obligation arising from a past event when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or
  - 2. a possible obligation, unless the probability of outflow of resources embodying economic benefits is remote.

**Earning per share**

Basic earning per share is computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period.



## NOTES ON ACCOUNTS FOR THE PERIOD ENDING 31.12.2009

1. In the opinion of the board of director that the current assets, loans & advances in the ordinary course of business, value at least equal to the amount at which they have been stated in the balance sheet.
2. The balances of Loans and Advances under Current Assets and all other receivables are subject to confirmation.
3. a) The information pursuant to the provisions of the paragraph 3,4C and 4D of Part II of schedule VI of the Companies Act, 1956 are either Nil or Not Applicable.  

	31.12.2009	31.03.2009
b) Expenditure in Foreign Currency	Rs. 11.67 lacs	Nil
c) Earnings in Foreign Currency	Rs. 1139.65 lacs	Nil
4. As informed by the management and according to the information and explanations given by the management, Company has no contingent liability to be provided for.
5. Auditors Remuneration (Rs.)

	31.12.2009	31.03.2009
-As Auditor	1875.00	2500.00
-Others	NIL	NIL
6. The figures of the previous year has been rearranged and/or regrouped wherever considered necessary to facilitate comparison.

**ANNEXURE 5****NOTES TO ADJUSTMENTS IN RESTATED ACCOUNTS**

1.The results of the company as at 31.12.09 does not incorporate the adjustment of deferred tax liability, the same has been computed & incorporated in restated results. The calculation of the deferred tax liability as under:

<b>Particulars</b>	<b>As at 01.04.09</b>	<b>Current Year Charge/ (Credit)</b>	<b>As at 31.12.09</b>
	<b><u>(DTA)/DTL</u></b>		<b><u>(DTA)/DTL</u></b>
Timing Difference due to Depreciation	-	23.05	23.05
Total	-	23.05	23.05

2. The loan for vehicle has been shown under the head Secured Loans.

**ANNEXURE 6****DETAILS OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

Period Ended December 31, 2009	NIL
Period ended March 31, 2009	NIL

**ANNEXURE 7****STATEMENT OF QUALIFICATIONS/OBSERVATIONS IN AUDITOR'S REPORT**

Period Ended December 31, 2009	NIL
Period ended March 31, 2009	NIL

## ANNEXURE 8

## STATEMENT OF CASH FLOWS

(Rs. in Lacs)

PARTICULARS	As at	
	31.12.2009	31.03.2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax	138.47	-0.38
<b>Adjustment For: -</b>		
Depreciation	60.45	0.00
Interest Received	-0.08	0.00
Interest Expense	24.56	0.00
Provision For Tax	-42.79	0.00
<b>Operating Profit before working capital Changes</b>	<b>180.61</b>	<b>-0.38</b>
<b>Adjustment For</b>		
Trade & Other Receivables	-180.76	0.00
Loans and advances	-1242.72	0.00
Inventories	-2378.54	0.00
Sundry Creditors & Payables	891.41	0.02
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-2730.00</b>	<b>-0.36</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net Addition in Fixed Assets & CWIP	-3987.69	0.00
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-3987.69</b>	<b>0.00</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long term borrowing	942.53	0.00
Proceeds from Short term borrowing	1790.66	0.00
Interest Received	0.08	0.00
Interest Expense	-24.56	0.00
Proceeds from Unsecured Loans	5.38	0.00
Net Proceeds from Issue of Equity Shares	2862.00	1.00
Proceeds from Share Premium	1626.00	0.00
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>7202.09</b>	<b>1.00</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>	<b>484.39</b>	<b>0.64</b>
<b>Cash and Cash Equivalent at beginning of year</b>	<b>0.64</b>	<b>0.00</b>
<b>Cash and Cash Equivalent at the end of year</b>	<b>485.04</b>	<b>0.64</b>

**SUMMARY ACCOUNTING RATIOS****ANNEXURE 9****(Rs. in Lacs)**

Particulars		As at	
		30.12.09	31.03.09
Net Profit as restated	A	72.64	-0.38
Net Worth	B	4561.24	0.62
Return on Net Worth (%)	A/B*100	1.59	-
Equity Shares at the end of year (Face Value Rs. 10/-)	C	28630000	10000
Weighted No of Equity Shares	D	8238960	10000
Basic Earnings per share	A/D	0.88	-3.80
Net Asset Value/Book Value per share	B/C	15.93	6.20

**Notes:**

1. These ratios are computed on the basis of the restated financial statements of the issuer Company.
2. Earnings per share calculations are done in accordance with Accounting Standard 20 Earnings per Share issued by the Institute of Chartered Accountants of India.
3. Calculation of ratios post issue has not been considered.
4. Net worth referred above excludes share application money.

**ANNEXURE 10****STATEMENT SHOWING RATES AND AMOUNT OF DIVIDEND**

The Company has not declared any dividends in the periods covered in the restated financial statements.

**ANNEXURE 11**

**STATEMENT OF UNSECURED LOANS: NIL**

**ANNEXURE 12****CAPITALIZATION STATEMENT****(Rs. in Lacs)**

Particulars	Post Issue (Refer note below)	Pre Issue 31.12.09
<b>Borrowing</b>		
Short Term Debt	[•]	1790.66
Long Term Debt (A)	[•]	947.91
<b>Total Debts</b>	[•]	<b>2738.57</b>
<b>Equity (Share Holders' Funds)</b>		
Equity Share Capital	[•]	2863.00

Share Application money	[•]	0.00
Share Premium	[•]	1626.00
Reserves and Surplus (excluding share premium)	[•]	72.64
<b>Total Equity (B)</b>	[•]	<b>4561.64</b>
Less:-Miscellaneous Expenditure	[•]	0.00
<b>Net Worth</b>	[•]	<b>4561.64</b>
<b>Long term Debt / Equity Share Holders' Funds ((A) / (B))</b>	[•]	<b>0.21</b>

Notes:

Long term debt is debt with tenure of more than one year.

Working Capital Limits as on December 31, 2009 are considered as short- term debts.

Post Issue capitalization will be finalized after the issue.

## ANNEXURE 13

### STATEMENT OF TAX SHELTER

(Rs. in Lacs)

Particulars	Period ended	
	31.12.09	31.03.09
<b>Profit before tax as per books of accounts</b>	138.47	-0.38
Normal tax rates	33.99	0.00
Minimum alternative tax rates	16.995	0.00
<b>Notional tax at normal rates (A)</b>	42.79	0.00
<b>Permanent Differences</b>		
Other adjustments – Disallowances	0.00	0.00
<b>Total (B)</b>	0.00	0.00
<b>Timing Differences</b>		
Difference between tax depreciation and book depreciation	67.81	0.00
Other adjustments	0.00	0.00
<b>Total (C)</b>	67.81	0.00
<b>Net Adjustments (B+C)</b>	67.81	0.00
<b>Tax expense / (savings) thereon (D)</b>	23.05	0.00
<b>Total taxation (E=A+D)</b>	65.84	0.00
Brought forward losses set off (Depreciation)	0.00	0.00
Tax effect on the above (F)	0.00	0.00
<b>Net tax for the year / period (E+F)</b>	65.84	0.00
<b>Tax payable as per MAT</b>	23.53	0.00
<b>Tax expense recognised</b>	65.84	0.00
<b>Tax as per return of income</b>	0.00	0.00

# ANNEXURE 14

## SECURED LOANS

(Rs. in Lacs)

Particulars	As at	
	31.12.09	31.03.09
Term loan from banks	942.53	0.00
Working capital loan from banks		
Cash Credits	1790.66	0.00
Bill Discounting	0.00	0.00
Specify others if any (Car Loan)	5.38	0.00
<b>Total</b>	<b>2738.57</b>	<b>0.00</b>

## PRINCIPAL TERMS OF SECURED LOANS AND ASSETS CHARGED AS SECURITY

(Rs. in lacs)

Name of the lender	Facility	Sanctioned Amount	Balance as on 31.12.09	Rate of Interest	Repayment Schedule	Securities offered
<b>LOANS FOR THE UNIT</b>						
Allahabad Bank	Term Loan	1655.00	270.32	12%	36 Months	1st pari passu charge on entire fixed assets of the company, both present & future including mortgage charge on land & building of the company.
Central Bank	Term Loan	2460.00	672.21	12%	36 Months	1st pari passu charge on entire fixed assets of the company, both present & future including mortgage charge on land & building of the company.
<b>VEHICLE LOANS</b>						
HDFC Bank	Car Loan	6.00	5.38	12%	36 Months	Secured by hypothecation of vehicle financed.
<b>CASH CREDIT ACCOUNTS AND BILL DISCOUNTING</b>						
Allahabad Bank	Cash Credit	1040.00	723.48	13.50%	On Demand	1st pari passu

Central Bank	Cash Credit	1560.00	1067.17	12%	On Demand	charge by way of hypothecation on entire current assets of the company, both present & future.
State Bank of Bikaner & Jaipur	Bill Discounting	980.00	246.88	9.75%	On Demand	1st pari passu charge by way of hypothecation on entire current assets of the company, both present & future. Export Bills documents under Irrevocable Letter of Credit issued by approved banks.

#### ANNEXURE 15

#### INVESTMENTS, AS RESTATED

NIL

#### ANNEXURE 16

#### STATEMENT OF AGE WISE ANALYSIS OF RECEIVABLES

(Rs. in Lacs)

Particulars	31.12.09	31.03.09
<b>Sundry Debtors</b>		
a) Outstanding for more than six months (Considered good)	0.00	0.00
<b>Sub Total</b>	0.00	0.00
<b>b) Other Debts - Considered good</b>		
from related parties	0.00	0.00
from Others	427.64	0.00
<b>TOTAL</b>	<b>427.64</b>	<b>0.00</b>

**ANNEXURE 17****LOANS AND ADVANCES, AS RESTATED (Unsecured considered good)****(Rs. in Lacs)**

<b>Particulars</b>	<b>31.12.09</b>	<b>31.03.09</b>
Loans & Advances	1193.39	0.00
Security Deposits	49.33	0.00
<b>Total</b>	<b>1242.72</b>	<b>0.00</b>
<b>Above amount does not includes any balances with related parties</b>	0.00	0.00
<b>Total</b>	<b>1242.72</b>	<b>0.00</b>

**ANNEXURE 18****OTHER INCOME, AS RESTATED****(Rs. in Lacs)**

	<b>As at</b>	
<b>Particulars</b>	<b>31.12.2009</b>	<b>31.03.2009</b>
<b>Recurring</b>		
Export Incentives	87.41	0.00
Foreign Exchange Fluctuation	-3.97	0.00
Interest Income	0.08	0.00
<b>Total ( A )</b>	<b>83.52</b>	<b>0.00</b>
<b>Non Recurring</b>	0.00	0.00
<b>Total ( B )</b>	<b>0.00</b>	<b>0.00</b>
<b>Total ( A+B )</b>	<b>83.52</b>	<b>0.00</b>

**Notes:**

1. Other income considered above is as per the statement of the restated profit and loss.
2. The classification of other income by the management into recurring and non-recurring is based on the current operations and business activities of the Company.



**DETAILS OF RELATED PARTY TRANSACTION**

The company has entered into following related party transactions. As on December 31, 2009 such parties and transactions are identified as per accounting standard 18 issued by Institute of Chartered Accountants of India

**List of Related Parties**

<b>Sr. No.</b>	<b>Name of the Promoters</b>	<b>Relationship</b>
1	Mr. R.S Saluja	Chairman
2	Mr. Neeraj Saluja	Promoter Group
3	Mr. Dhiraj Saluja	Promoter Group
4	Mrs. Sneh Lata Saluja	Promoter Group
5	Mrs. Ritu Saluja	Promoter Group
6	Mrs. Reema Saluja	Promoter Group
7	SEL Manufacturing Co. Ltd.	Promoter

<b>Sr. No.</b>	<b>Name of the Key Managerial Personnel</b>	<b>Relationship</b>
8	Mr. R.S Saluja	Chairman
9	Mr. Neeraj Saluja	Director
10	Mr. Dhiraj Saluja	Director
11	Mr. Navneet Gupta	Director

<b>Sr. No.</b>	<b>Group Companies/Associate Companies</b>
1	SEL Manufacturing Co. Ltd.
2	SE Exports
3	Kudu Industries
4	Saluja International
5	Saluja Fabrics
6	Shiv Narayan Investments Pvt. Ltd.
7	SEL Aviation Pvt. Ltd.
8	SEL Developer Pvt. Ltd.
9	Rythm Textiles & Apparels Park Ltd.
10	Silverline Textiles Park Ltd.

<b>Sr. No.</b>	<b>Companies/Firms in which KMP/Promoters are interested</b>
1.	SEL Manufacturing Co. Ltd.
2.	SE Exports
3.	Kudu Industries
4.	Saluja International
5.	Saluja Fabrics
6.	Shiv Narayan Investments Pvt. Ltd.
7.	SEL Aviation Pvt. Ltd.
8.	SEL Developer Pvt. Ltd.
9.	Rythm Textiles & Apparels Park Ltd.
10.	Silverline Textiles Park Ltd.
11.	Vista Knitberry Fashions Pvt. Ltd.

<b>Sr. No.</b>	<b>Relatives of Key Managerial Personnel</b>
1.	Mrs. Sneh Lata Saluja
2.	Mrs. Ritu Saluja
3.	Mrs. Reema Saluja

(Rs. Lacs)				
Sr. no.	Name of the party	Nature of Transaction	31.12.09	31.03.09
1	SEL Manufacturing Co. Ltd.	Purchases	323.69	0.00
		Sales	147.89	0.00
		Rent	0.20	0.00

#### ANNEXURE 20

#### CONTIGENT LIABILITIES

(Rs. in Lacs)			
Sr. no.	Nature of Liability	31.12.09	31.03.09
1	Bills Discounted	246.88	0.00

## FINANCIAL INFORMATION OF GROUP COMPANIES

Following are our Group Companies/Concerns:

### GROUP COMPANY

1. Shiv Narayan Investments Private Limited
2. Rythm Textile & Apparels Park Limited
3. Silverline Textile Park Limited
4. SEL Developers Private Limited
5. SEL Aviation Private Limited
6. Vista Knitberry Fashions Private Limited

### PARTNERSHIP CONCERNS:

7. M/s S E Exports
8. M/s Kudu Industries
9. M/s Saluja International
10. M/s Saluja Fabrics

### PROPRIETORSHIP CONCERNS:

11. M/s Saluja Foundry & Allied Industries
12. M/s R S Saluja Hosiery

#### 1. Shiv Narayan Investments Private Limited

Shiv Narayan Investments Private Limited (SNIPL) was originally incorporated as Saluja Cotex Private Limited (Saluja Cotex) on June 28, 2002 under the Companies Act, 1956 and is registered with the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh. The name of the Company was changed to its present name vide fresh certificate of incorporation dated November 28, 2008. Accordingly the objects clause of SNIPL was amended to include investment activities as one of its main objects. The Corporate Identification Number of the Company is U17115PB2002PTC025227. The registered office of SNIPL is situated at Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana - 141010.

With effect from May 31, 2006, SEL Manufacturing Company Limited vide a Business Transfer Agreement (BTA) has acquired the textile business of SNIPL(then known as Saluja Cotex), comprising of a 100% export oriented spinning unit of Saluja Cotex, on slump sale basis for a total consideration of Rs. 190.91 lacs.

#### Current Nature of Activities

Currently the company is engaged in the business of investment activities.

#### Board of Directors

Currently, the Board of Directors of SNIPL are:

Sr. No.	Name	Designation
1.	Mr. Ram Saran Saluja	Director
2.	Mr. Neeraj Saluja	Director
3.	Mr. Dhiraj Saluja	Director
4.	Mrs. Reema Saluja	Director

## Shareholding Pattern

Currently, the shareholding pattern of SNIPL is as follows

Sr. No.	Name of Shareholders	Number of Shares	Percentage of share capital (%)
1	Mr. Ram Saran Saluja	6000	0.30%
2	Mr. Neeraj Saluja	2000	0.10%
3	Mr. Dhiraj Saluja	22200	1.11%
4	Mrs. Reema Saluja	4000	0.20%
5	Mrs. Sneha Lata Saluja	14667	0.73%
6	Ram Saran Saluja for M/s Saluja International (Partnership Firm)	973542	48.68%
7	Neeraj Saluja for M/s Saluja International (Partnership Firm)	977541	48.88%
	<b>Total</b>	<b>1999950</b>	<b>100.00%</b>

## Audited Financial Information

(Rs. In Lacs)

Particulars	For the period ended March 31,		
	2007	2008	2009
Authorised Capital	200.00	200.00	200.00
Equity Capital	4.89	199.99	199.99
Reserves and Surplus	61.07	312.68	271.40
Misc. Expenditure to the extent not written off	2.74	2.19	1.64
Total Income	2,947.28	0.87	536.80
Profit / (Loss) after tax	0.62	(2.04)	(41.28)
Earnings per share (Rs.)	1.27	(0.10)	(2.06)
Net Asset Value Per Share (Rs.)	129.28	25.53	23.49
Face Value	10.00	10.00	10.00

### Other disclosures:

The equity shares of SNIPL are not listed on any of the Stock Exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against the company by any Stock Exchange or SEBI.

SNIPL is not sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further SNIPL is not under winding up, neither does it have a negative net – worth.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against SNIPL.

## 2. Rythm Textile & Apparels Park Limited

Rythm Textile & Apparels Park Limited (RTAPL) was originally incorporated on April 16, 2008 under the Companies Act, 1956 and is registered with the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh. The Corporate Identification Number of the Company is U45208PB2008PLC031814. The company obtained Certificate for Commencement of Business on June 5, 2008. The registered office of SNIPL is situated at Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana - 141010. The company was incorporated with the object of setting up of integrated textile and apparels park.

### Current Nature of Activities

The Company has not yet commenced the Commercial operations.

### Board of Directors

Currently, the Board of Directors of RTAPL are:

Sr. No.	Name	Designation
1.	Mr. Neeraj Saluja	Director
2.	Mr. Navneet Gupta	Director
3.	Mr. Chetan Kumar	Director
4.	Mr. Ravishankar Raman	Director
5.	Ms. Mukta Nidhi Samnotra	Director

### Shareholding Pattern

Currently, the shareholding pattern of RTAPL is as follows

Sr. No.	Name of Shareholders	Number of Shares	Percentage of share capital (%)
1	SEL Manufacturing Company Limited	24000	40.85%
2	Mrs. Sneha Lata Saluja	8000	13.62%
3	Mrs. Ritu Saluja	8000	13.62%
4	Mrs. Reema Saluja	7000	11.91%
5	Mr. Navneet Gupta	1000	1.70%
6	Mr. Chotu Ali Khan	1000	1.70%
7	Mr. Chetan Kumar	1000	1.70%
8	Knitting Machineries Syndicate (India) Private Limited	1750	2.98%
9	R.N. Knitfab Private Limited	1750	2.98%
10	Mr. Naveen Jain	1750	2.98%
11	Mr. Sunil Kapoor	1750	2.98%
12	Mr. Rakesh Nagpal	1750	2.98%
	<b>Total</b>	<b>58750</b>	<b>100.00%</b>

### Audited Financial Information

(Rs. In Lacs)

Particulars	For the year ended March 31, 2009
Authorised Capital	180.00
Equity Capital	5.88
Share Application Money	616.00
Reserves and Surplus	26.34
Misc. Expenditure to the extent not written off	7.93
Total Income	0.30
Profit / (Loss) after tax	(5.87)
Earnings per share (Rs.)	-9.98
Net Asset Value Per Share (Rs.)	41.31

Face Value	10.00
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*Other disclosures:*

The equity shares of RTAPL are not listed on any of the Stock Exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against the company by any Stock Exchange or SEBI.

RTAPL is not sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further RTAPL is not under winding up, neither does it have a negative net – worth.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against RTAPL.

### 3. Silverline Textile Park Limited

Silverline Textile Park Limited (STPL) was originally incorporated on September 5, 2008 under the Companies Act, 1956 and is registered with the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh. The Corporate Identification Number of the Company is U45208PB2008PLC032259. The company obtained Certificate for Commencement of Business on October 8, 2009. The registered office of STPL is situated at Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana - 141010. The company was incorporated with the object of setting up of integrated textile park.

#### Current Nature of Activities

The Company has not yet commenced the Commercial operations.

#### Board of Directors

Currently, the Board of Directors of STPL are:

Sr. No.	Name	Designation
1.	Mr. Dhiraj Saluja	Director
2.	Mr. Navneet Gupta	Director
3.	Mr. Pardeep Sobti	Director

#### Shareholding Pattern

Currently, the shareholding pattern of STPL is as follows

Sr. No.	Name of Shareholders	Number of Shares	Percentage of share capital (%)
1	SEL Manufacturing Company Limited	48050	49.01%
2	Mr. Ram Saran Saluja	8300	8.47%
3	Mr. Neeraj Saluja	8300	8.47%
4	Mr. Dhiraj Saluja	8300	8.47%
5	Mrs. Sneha Lata Saluja	8300	8.47%
6	Mrs. Ritu Saluja	8300	8.47%
7	Mrs. Reema Saluja	8300	8.47%

8	Mr. Navneet Gupta	200	0.20%
	<b>Total</b>	<b>98050</b>	<b>100.00%</b>

#### Audited Financial Information

Particulars	(Rs. In Lacs)
	For the year ended March 31, 2009
Authorised Capital	10.00
Equity Capital	9.81
Reserves and Surplus	(0.10)
Misc. Expenditure to the extent not written off	0.29
Total Income	0.00
Profit / (Loss) after tax	(0.10)
Earnings per share (Rs.)	-0.10
Net Asset Value Per Share (Rs.)	9.60
Face Value	10.00

#### Other disclosures:

The equity shares of STPL are not listed on any of the Stock Exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against the company by any Stock Exchange or SEBI.

STPL is not sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further STPL is not under winding up, neither does it have a negative net – worth.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against STPL.

#### 4. SEL Developers Private Limited

SEL Developers Private Limited (SDPL) was originally incorporated on January 11, 2008 under the Companies Act, 1956 and is registered with the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh. The Corporate Identification Number of the Company is U45201PB2008PTC031579. The registered office of SNIPL is situated at Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana - 141010. The company was incorporated with the object of carrying on real estate and related business.

#### Current Nature of Activities

The Company has not yet commenced the Commercial operations.

#### Board of Directors

Currently, the Board of Directors of SDPL are:

Sr. No.	Name	Designation
1.	Mr. Neeraj Saluja	Director
2.	Mr. Dhiraj Saluja	Director

### Shareholding Pattern

Currently, the shareholding pattern of SDPL is as follows

Sr. No.	Name of Shareholders	Number of Shares	Percentage of share capital (%)
1	Mr. Neeraj Saluja	5000	50.00%
2	Mr. Dhiraj Saluja	5000	50.00%
	<b>Total</b>	<b>10000</b>	<b>100.00%</b>

### Audited Financial Information

(Rs. In Lacs)

Particulars	For the year ended March 31, 2009
Authorised Capital	10.00
Equity Capital	1.00
Reserves and Surplus	(0.12)
Misc. Expenditure to the extent not written off	0.25
Total Income	0.00
Profit / (Loss) after tax	(0.12)
Earnings per share (Rs.)	-1.20
Net Asset Value Per Share (Rs.)	6.30
Face Value	10.00

#### Other disclosures:

The equity shares of SDPL are not listed on any of the Stock Exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against the company by any Stock Exchange or SEBI.

SDPL is not sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further SDPL is not under winding up, neither does it have a negative net – worth.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against SDPL.

### 5. SEL Aviation Private Limited

SEL Aviation Private Limited (SAPL) was originally incorporated on January 11, 2008 under the Companies Act, 1956 and is registered with the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh. The Corporate Identification Number of the Company is U93000PB2008PTC031580. The registered office of SNIPL is situated at Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana - 141010. The company was incorporated with the object of carrying on aviation related business.

### Current Nature of Activities

The Company has not yet commenced the Commercial operations.



### Board of Directors

Currently, the Board of Directors of SDPL are:

Sr. No.	Name	Designation
1.	Mr. Neeraj Saluja	Director
2.	Mr. Dhiraj Saluja	Director

### Shareholding Pattern

Currently, the shareholding pattern of SDPL is as follows

Sr. No.	Name of Shareholders	Number of Shares	Percentage of share capital (%)
1	Mr. Neeraj Saluja	5000	50.00%
2	Mr. Dhiraj Saluja	5000	50.00%
	<b>Total</b>	<b>10000</b>	<b>100.00%</b>

### Audited Financial Information

(Rs. In Lacs)

Particulars	For the year ended March 31, 2009
Authorised Capital	10.00
Equity Capital	1.00
Reserves and Surplus	(0.12)
Misc. Expenditure to the extent not written off	0.25
Total Income	0.00
Profit / (Loss) after tax	(0.12)
Earnings per share (Rs.)	-1.20
Net Asset Value Per Share (Rs.)	6.30
Face Value	10.00

#### Other disclosures:

The equity shares of SAPL are not listed on any of the Stock Exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against the company by any Stock Exchange or SEBI.

SAPL is not sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further SAPL is not under winding up, neither does it have a negative net – worth.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against SAPL.

### 6. Vista Knitberry Fashions Private Limited

Vista Knitberry Fashions Private Limited (VKFPL) was originally incorporated on April 21, 2008 under the Companies Act, 1956 and is registered with the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh. The Corporate Identification Number of the Company is U18101PB2008PTC031848. The registered office of VKFPL is situated at Plot No. 274, G.T.

Road, Dhandari Khurd, Ludhiana - 141010. The company was incorporated with the object of carrying fashion textile related business.

### Current Nature of Activities

The Company has not yet commenced the Commercial operations.

### Board of Directors

Currently, the Board of Directors of VKFPL are:

Sr. No.	Name	Designation
1.	Mr. Chetan Kumar	Director
2.	Mr. Pardeep Sobti	Director

### Shareholding Pattern

Currently, the shareholding pattern of VKFPL is as follows

Sr. No.	Name of Shareholders	Number of Shares	Percentage of share capital (%)
1	Mr. Neeraj Saluja	4000	40.00%
2	Mrs. Ritu Saluja	3000	30.00%
3	Mrs. Reema Saluja	3000	30.00%
	<b>Total</b>	<b>10000</b>	<b>100.00%</b>

### Audited Financial Information

(Rs. In Lacs)

Particulars	For the year ended March 31, 2009
Authorised Capital	10.00
Equity Capital	1.00
Reserves and Surplus	(0.10)
Misc. Expenditure to the extent not written off	0.29
Total Income	0.00
Profit / (Loss) after tax	(0.10)
Earnings per share (Rs.)	-1.00
Net Asset Value Per Share (Rs.)	6.10
Face Value	10.00

#### Other disclosures:

The equity shares of VKFPL are not listed on any of the Stock Exchanges and it has not made any public/rights issue in last five years. Further, no action has been taken against the company by any Stock Exchange or SEBI.

VKFPL is not sick company within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and is not under the Board for Industrial and Financial Reconstruction. Further VKFPL is not under winding up, neither does it have a negative net – worth.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against VKFPL.

#### **PARTNERSHIP CONCERNS:**

##### **7. M/s S E Exports**

M/s S E Exports is a partnership firm constituted vide a partnership deed dated May 14, 2001 under the name and style of M/s Saluja Exim. The Firm has its office at 90 Industrial Area, Baddi, Himachal Pradesh. The name of the Firm was changed to M/s S E Exports on April 1, 2003. Since constitution, the Firm was reconstituted on various occasions. The Firm is engaged in the business of manufacture, sell and export of all types of hosiery goods etc. having production facilities located in the tax free zone in Baddi in Himachal Pradesh.

#### **Partners**

<b>Name of Partner</b>	<b>Profit / Loss Sharing %</b>
SEL Manufacturing Company Limited	99.00
Mr. Dhiraj Saluja	0.50
Mrs. Reema Saluja	0.50
<b>Total</b>	<b>100</b>

#### **Financial Performance**

(Rs. in Lacs)

<b>Particulars</b>	<b>As of 31 March</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Sales	4,273.13	4424.14	3,528.14
Net Profit	1,453.52	1841.05	1,644.32
Partners Capital	3,236.19	6,817.19	4,388.79

##### **8. M/s Kudu Industries**

M/s Kudu Industries is a partnership firm constituted vide a partnership deed dated May 17, 2006 by Mr. Ganga Bishan Mittal, Mr. Gaurav Mittal and Mr. Gautam Mittal to carry on textile related business activities. Vide a Partnership deed dated August 1, 2007 the firm was reconstituted and Mr. Neeraj Saluja and SEL Manufacturing Company Limited were inducted as additional partners. Further the firm was again reconstituted vide partnership deed dated November 24, 2007 whereby Mr. Ganga Bishan Mittal, Mr. Gaurav Mittal and Mr. Gautam Mittal retired from the partnership. The Firm has its office at Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana – 141010. The Firm is engaged in the business of manufacturing, process, sell and export of all types of Hosiery goods etc and ancillary activities thereto.

#### **Partners**

<b>Name of Partner</b>	<b>Profit / Loss Sharing %</b>
SEL Manufacturing Company Limited	99.00
Mr. Neeraj Saluja	1.00
<b>Total</b>	<b>100</b>

#### **Financial Performance**

(Rs. in Lacs)

<b>Particulars</b>	<b>As of 31 March</b>	
	<b>2008</b>	<b>2009</b>
Sales	2,287.52	4,833.34

Net Profit	7.09	8.14
Partners Capital	1,529.38	5,062.78

## 9. M/s Saluja International

M/s Saluja International is a partnership firm (the Firm) constituted vide partnership deed dated August 6, 1980. The office of the Firm is situated at 706, Industrial Area 'A', Ludhiana. The firm was reconstituted on various occasions, the latest being through Partnership Deed dated April 1, 2005. The Firm is engaged in the business of trading of textile products.

### Partners

Name of Partner	Profit / Loss Sharing %
Mr. Ram Saran Saluja	50
Mr. Neeraj Saluja	50
<b>Total</b>	<b>100</b>

### Financial Performance

(Rs. in Lacs)

Particulars	As of March 31,		
	2007	2008	2009
Sales	264.29	867.99	2,038.32
Net Profit	(4.95)	(48.42)	(0.29)
Partners Capital	173.79	256.38	22.59

## 10. M/s Saluja Fabrics

M/s Saluja Fabrics is a partnership firm (the Firm) constituted vide partnership deed dated April 8, 1985. The office of the firm is situated at 706, Industrial Area 'A', Ludhiana. The firm was reconstituted on various occasions, the latest being through Partnership Deed dated April 1, 2004. The Firm is engaged in the business of trading of textile products.

### Partners

Name of Partner	Profit / Loss Sharing %
Mr. Ram Saran Saluja	50
Mr. Neeraj Saluja	50
<b>Total</b>	<b>100</b>

### Financial Performance

(Rs. in Lacs)

Particulars	As of 31 March		
	2007	2008	2009
Sales	83.26	1278.68	199.99
Net Profit	(67.57)	(79.50)	(34.17)
Partners Capital	(66.97)	(154.85)	(102.02)

### Proprietorship Concerns:

## 11. M/s Saluja Foundry & Allied Industries

M/s Saluja Foundry & Allied Industry (Saluja Foundry) is a proprietorship concern of Mr. Ram Saran Saluja. M/s Saluja Foundry owns an immovable property admeasuring 998.25 Sq yards situated at Village Meharban, Rahon Road, Ludhiana. Saluja Foundry has not started any commercial operations hence no financial data is available.

## 12. M/s R S Saluja Hosiery

M/s R S Saluja Hosiery (Saluja Hosiery) is a proprietorship concern of our Chairman and Managing Director, Mr. Ram. Saran. Saluja, which was in the business of trading of textile products since 1969. However since, last 4 years there have been no commercial activities carried out in Saluja Hosiery and hence no financial data is available.

### DETAILS ABOUT COMPANIES/FIRMS FROM WHICH PROMOTERS HAVE DISASSOCIATED DURING THE LAST THREE YEARS

Our Promoter has not disassociated themselves from any of the companies/firms during preceding three years.

### Common Pursuits

Our Promoter Company, SEL Manufacturing Company Limited is engaged in the same line of business as ours. Further, one of our Promoter Group Company i.e. Vista Knitberry Fashions Private Limited have objects similar to that of our Company. Vista Knitberry Fashions Private Limited was incorporated with the object of carrying fashion textile related business however it has not started any business till date. Further, our two group partnership firms, i.e. M/s SE Exports and M/s Kudu Industries having business interests, which may be similar to that of our Company and which may be in conflict with our Company.

Other than our Promoter Company, none of our Group Companies are currently carrying any business competing with that of our Company, and we do not have any non-compete agreement/arrangement with any of the aforesaid companies. Further, our Promoter or Promoter Group Entities may incorporate more companies or partnership firms in future to undertake similar line of business, which may compete with our Company.

### Sales or Purchases between Companies in the Group

Our Company has entered into following transactions with our Promoter Company, SEL Manufacturing Company Limited:

Particulars	9 months period ended December 31, 2009	As Percentage to Total Sales and Purchases respectively
<b>SEL Manufacturing Company Limited</b>		
Purchases	323.69	9.10%
Sales	147.89	8.25%

Other than above, there have been no sales or purchases between companies in the Group exceeding in value in the aggregate 10% of the total sales or purchases of the Company.

### Business Interests amongst our Company and Group Companies /Associate Companies

Except as mentioned under *Related Party Transactions*, "Annexure 19" beginning on page 141 under Chapter titled "Auditors' Report and Financial Information of our Company" there is no business interest amongst Group Companies.

### Changes in Accounting Policies in the last three years

There have been no changes in the accounting policies in the last three years.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS**

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus. You should also read the *Section titled 'Risk Factors' beginning on page 11 of the Draft Red Herring Prospectus*, which enumerates number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company on a standalone basis, and unless otherwise stated, is based on our restated unconsolidated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards and other applicable provisions of the Companies Act, 1956, and the SEBI (ICDR) Regulations, 2009. Our Financial year ends on March 31 of each year.

### **Business Overview**

Our Company is engaged in the business of manufacturing combed and carded cotton yarns, which are appropriate for apparels, suitings & knitted fabrics. Our Company is a subsidiary of SEL Manufacturing Company Limited, the flagship company of the R.S. Saluja Group.

We acquired the existing spinning unit known by the name of 'Prerna Syntex at Neemrana, Rajasthan from Vast Textiles Limited in June 2009 with an installed capacity of 24,960 spindles to produce 16.80 tonnes cotton yarn per day. The unit is located about 120 kilometres from Delhi & 140 kilometres from Jaipur. The commercial operations of this unit have started from August 2009 after the completion of maintenance. The machinery has been balanced at an average count of 24s.

Further, our Company has entered into an MoU dated August 21, 2009 for the acquisition of a existing spinning unit at Hansi, Haryana from Radhika Fibres India Limited, New Delhi with an installed capacity of 25,200 Spindles to produce about 17.08 tonnes of cotton yarn per day. The unit built up on an industrial plot of 21 acres has a built up area of 14833 sq. metres.

We are proposing to set up a 3600 TPA (10 TPD) Terry Towel facility at village Shekhon Majra, Rahon Road, Distt. Nawan Sheher Punjab. Our Company proposes to become a vertically integrated textile company (including spinning and terry towel), which will give us a significant cost advantage due to savings in transportation, freight and material handling. Existing network for distribution of the promoter Company, SEL Manufacturing Company Limited shall make it helpful for our Company to sell the products.

### **Significant developments subsequent to the last financial year:**

After the date of last financial year i.e. March 31, 2009, our Company acquired the existing spinning unit known by the name of 'Prerna Syntex at Neemrana, Rajasthan from Vast Textiles Limited in June 2009 with an installed capacity of 24,960 spindles. The commercial operations of this unit have started from August 2009 after the completion of maintenance. Further, our Company has entered into an MoU dated August 21, 2009 for the acquisition of a existing spinning unit at Hansi, Haryana from Radhika Fibres India Limited, New Delhi with an installed capacity of 25,200 Spindles. The Directors of our Company confirm that other than as mentioned above, there have not been any significant material developments.

### **Key factors affecting the results of operation:**

Our Company's future results of operations could be affected potentially by the following factors:

**General economic and business conditions:** The demand for our products is dependent on general economic conditions in the country. Our manufacturing operations would be affected by

any adverse change in the Government Policies, Rules & Regulations.

**Demand:** Currently, the demand for our products is predominantly from textile companies. The prospects and earnings growth of the customers and industries will have an impact on our ability to generate sales.

**Competition:** Selling prices of our products may be affected if competition intensifies. Further, as a result of increased capacity of production, adoption of aggressive pricing strategies by our competitors in order to gain market share or new competitors entering the markets, may adversely affect our operations and financial results.

**Capacity:** We are currently expanding our capacity for production. Our ability to fulfil larger orders will depend upon our ability to complete our expansion plans as scheduled. We believe that the scale of our production, and lower per unit operating costs due to economies of scale, will give us an edge over our competitors.

**Raw Materials Prices:** Raw materials constitute a major portion of our total expenses. Our key raw material is cotton. Changes in Aluminium Metal price at LME have effect on our pricing with our Customers.

**Interest Rate Risk:**

Increase in operations would require additional working capital. A close monitoring of receivables and timely and orderly liquidation of inventory helps in reducing the working capital requirements. If we are required to finance our operations by raising working capital borrowings, at fixed /floating rates of interest our cost of servicing such debt will increase, thereby adversely impacting our results of operations, planned capital expenditures and cash flows. Our profits will also be impacted by interest rate variation.

**Level of Inventories:**

In any Fiscal, if the Inventory exceeds our raw-material consumption cycle, our results of operation are likely to be affected. The inventory levels depend upon orders in hand, anticipated order, expected price of raw-material etc. Any delay in liquidation of inventories, will directly affect our liquidity position. We may then have to resort to increased borrowings for our working capital requirements, which may exert further pressure on outgo towards interest thereby reducing our profits.

**Sundry Debtors /Recovery of receivables:**

Our sales are either secured by letter of credit or we extend credit lines that range from 50 days to 70 days to our customers. Any delay in the recovery of such outstanding receivables, may affect our results of operation, as we may then have to resort to increased borrowings for our working capital requirements, which may further exert pressure on outgo towards interest thereby reducing our profits.

**Other factors include:**

- Non-receipt of pending approvals.
- Prevailing trends in the industry in which we operate.
- Company's ability to successfully implement their marketing, business and growth strategies.
- Changes, if any, in the regulations / regulatory framework / economic policies in India and / or in foreign countries, which affect international trade.

**Discussion on Results of Operation:**

The following discussion on results of operations should be read in conjunction with the audited financial results of our Company for the 9 months period ended December 31, 2009.

## OUR SIGNIFICANT ACCOUNTING POLICIES

For Significant accounting policies please refer *Significant Accounting Policies, "Annexure 3" beginning on page 131 under Chapter titled "Auditors' Report and Financial Information of our Company" beginning on page 127 of the Draft Red Herring Prospectus.*

## RESULTS OF OUR OPERATION

**For the 9 Months ended December 31, 2009**

(Rs. in Lacs)

Particulars	For the period ended 31.12.09	% to Turnover
<b>Income</b>		
Turnover	1792.92	
Other Income	83.52	
<b>Total (A)</b>	<b>1876.44</b>	
<b>Expenditure</b>		
Materials consumed	1239.12	69.11%
Staff Costs	98.51	5.49%
Other manufacturing expenses	208.62	11.64%
Administrative, selling and distribution expenses	101.68	5.67%
<b>Total Expenditure</b>	<b>1647.93</b>	<b>91.91%</b>
<b>Profit Before Interest, Depreciation and Tax</b>	<b>228.51</b>	<b>12.75%</b>
Depreciation	60.45	3.37%
<b>Profit Before Interest and Tax</b>	<b>168.06</b>	<b>9.37%</b>
Financial Charges	29.58	1.65%
<b>Profit before Taxation</b>	<b>138.48</b>	<b>7.72%</b>
Tax Expenses	65.84	3.67%
<b>Profit After Tax as Restated</b>	<b>72.64</b>	<b>4.05%</b>

Our Company was incorporate on July 1, 2008 and we started commercial operation from August 2009 by acquisition of the existing spinning unit known by the name of 'Prerna Syntex at Neemrana, Rajasthan from Vast Textiles Limited in June 2009 with an installed capacity of 24,960 spindles to produce 16.80 tonnes cotton yarn per day. Currently we are producing cotton yarn only.

We recorded Turnover of Rs. 1792.92 Lacs by sale of cotton yarn and Total Expenditure of Rs. 1647.93 Lacs for the 9 months period ended December 31, 2009. Cost of Material consumed constituted 69.11% of the Turnover and other manufacturing expenses constituted 11.64% of the Turnover. The Administrative and selling expenses constituted 5.67% of the Turnover for the 9 months period ended December 31, 2009.

### Turnover

The Gross turnover for the 9 months period ended December 31, 2009 was Rs. 1792.92 Lacs. We had other income of 83.52 Lacs which mainly consists of export incentives. The total income stood at 1876.55 Lacs. Our top 3 customers contributed 66.94% of our total turnover. Our top 5 customers contributed 75.49% of our total turnover. Our top 10 customers contributed 87.14% of our total turnover. The turnover consists of export sales of Rs. 1268.14 Lacs and domestic sales of Rs. 524.47 Lacs.

### Operating Expenses



Particulars	For the period ended 31.12.09	% to Total Operating Expenses	% to Turnover
Materials consumed	1239.12	75.19%	69.11%
Staff Costs	98.51	5.98%	5.49%
Other manufacturing expenses	208.62	12.66%	11.64%
Administrative, selling and distribution expenses	101.68	6.17%	5.67%
<b>Total</b>	<b>1647.93</b>	<b>100.00%</b>	<b>91.91%</b>

The total operating expenditure aggregated to Rs. 1647.93 Lacs which was 91.91% of the turnover.

Material consumed stood at Rs. 1239.12 Lacs which was 75.19% of the total operating expenses and 69.11% of the total turnover.

Staff costs stood at Rs. 98.51 Lacs which was 5.98% of the total operating expenses and 5.49% of the total turnover.

Other manufacturing expenses stood at Rs. 208.62 Lacs which was 12.66% of the total operating expenses and 11.64% of the total turnover.

Administrative, selling and distribution expenses stood at Rs. 101.68 Lacs which was 6.17% of the total operating expenses and 5.67% of the total turnover.

#### **Interest and Financial Charges**

Our financial charges for the 9 months period ended December 31, 2009 stood at Rs. 29.58 Lacs, which is 1.65% of our turnover.

#### **Depreciation**

We incurred Depreciation cost of Rs. 60.45 Lacs, which is 3.37% of our turnover.

#### **Tax Expenses**

Tax Expenses for the 9 months period ended December 31, 2009 are Rs. 65.84 Lacs.

#### **Profits**

Our PBDIT stood at 228.51 Lacs for the 9 months period ended December 31, 2009 with the PBDIT margin of 12.75%. We recorded PBT of Rs. 138.48 Lacs and PBT margin stood at 7.72%. We recorded Net Profit of Rs. 72.64 Lacs. Our Net Profit Margin stood at 4.05%.

#### **CASH FLOW**

##### **OPERATING ACTIVITIES**

Net cash used in operating activities for the period ended December 31, 2009 was Rs. (2730.00) Lacs, although our profit before depreciation, interest and taxation for the period was Rs.228.51 Lacs. The difference is primarily on account of the increase in inventory by 2378.54, trade and other receivables by Rs. 180.76 Lacs and loans and advances by Rs. 1242.72 Lacs respectively. The increase was partially offset by increase in creditors and payables of Rs. 891.41 Lacs.

## **INVESTING ACTIVITIES**

Our expenditure for investing activities primarily relates to the purchase of the Neemrana spinning unit comprising property, machines and equipments. Net cash used in investing activities amounted to Rs. (3987.69) Lacs for the period ended December 31, 2009 primarily on account of increase in fixed asset base. Our Company has made investment for acquisition of Neemrana Unit.

## **FINANCING ACTIVITIES**

Net cash provided by financing activities amounted to Rs. 7202.09 Lacs for 9 months period ended December 31, 2009, comprising of Rs. 942.53 Lacs of long term borrowings, Rs. 1790.66 Lacs from short term borrowings, Rs. 2862 Lacs from issue of share capital and 1626 Lacs on account of share premium.

### **Related Party Transactions**

*For further information please refer "Annexure 19" beginning on page 141 under Chapter titled "Auditors' Report and Financial Information of our Company" beginning on page 127 of the Draft Red Herring Prospectus.*

### **Financial Market Risks**

We are exposed to financial market risks from changes in borrowing costs, interest rates and inflation.

#### **Interest Rate Risk**

Our interest rate risk results from changes in interest rates, which may affect our finance expenses. We bear interest rate risk with respect to the debts, which we have for the period ended December 31, 2009, since the interest rates could fluctuate in the near future. Any rise in interest rates would result in higher interest bearing debts.

#### **Effect of Inflation**

We are affected by inflation as it has an impact on the operating cost, staff costs, fuel cost, etc. In line with changing inflation rates, we rework our margins so as to absorb the inflationary impact.

## **FACTORS THAT MAY AFFECT THE RESULTS OF THE OPERATIONS:**

- 1. Unusual or infrequent events or transactions including unusual trends on account of business activity, unusual items of income, change of accounting policies and discretionary reduction of expenses etc.**

There have been no unusual or infrequent events or transactions that have taken place.

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

There are no significant economic changes that may materially affect or likely to affect income from continuing operations.

- 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.**

Apart from the risks as disclosed under Section titled "Risk Factors" beginning on page 11 in the Draft Red Herring Prospectus, in our opinion there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on 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.**

Our Company's future costs and revenues will be determined by demand/supply situation, government policies and prices quoted by service providers.

**5. Extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.**

Increases in revenues are by and large linked to increases in volume of business.

**6. Total turnover of each major industry segment in which the issuer company operated.**

For details on the total turnover of the textile industry *please refer to Chapter titled "Industry Overview" beginning on page 72 of the Draft Red Herring Prospectus.*

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

Our Company has not announced any new product and segment, other than through the Draft Red Herring Prospectus.

**8. The extent to which business is seasonal.**

Our Company's business is not seasonal in nature.

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

The % of contribution of our Company's customers and suppliers' vis-à-vis the total income and total purchases respectively, for the 9 months period ended December 31, 2009 is as follows:

Particulars	FY 2009	
	Customers	Suppliers
Top 5 (%)	75.49	77.79
Top 10 (%)	87.14	91.10

**10. Competitive conditions.**

Competitive conditions are as described under the *Chapters titled "Industry Overview" and "Business Overview" beginning on pages 72 and 84, respectively of the Draft Red Herring Prospectus.*

## SECTION VIII - LEGAL AND OTHER REGULATORY INFORMATION

### OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

*Except as described below, there are no outstanding litigations, suits, civil or criminal prosecutions or proceedings against our Company, our Directors, our Promoter and Entities Promoted by our Promoter and Promoter Group before any judicial, quasi-judicial, arbitral or administrative tribunals or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/civil/ any other offences (including past cases where penalties may or may not have been imposed and irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act) against our Company, our Directors, our Promoter and the Entities Promoted by our Promoter and Promoter Group except the following:*

*Further, except as stated herein, there are no past cases in which penalties have been imposed on our Company, the Promoter, directors, Promoter Group companies and there is no outstanding litigation against any other company whose outcome could have a material adverse effect on the position of our Company. Neither our Company nor its Promoter, members of the Promoter Group, Subsidiaries, associates and Directors have been declared as willful defaulters by the RBI or any other Governmental authority and, except as disclosed in this section in relation to litigation, there are no violations of securities laws committed by them in the past or pending against them.*

This chapter has been divided into five parts:

- I. Litigation involving our Company
- II. Litigation involving our Directors, Promoter and Directors of our Promoter
- III. Litigation involving our Promoter Group Entities
- IV. Penalties imposed in past cases for the last five years
- V. Amounts owed to small scale undertakings

#### **A. Litigation involving our Company**

Our Company is not involved in any litigation.

##### **I. Cases filed against our Company : Nil**

##### **II. Cases filed by our Company: Nil**

#### **B. Litigation involving our Directors, Promoter and Directors of our Promoter**

**Pending Income Tax litigations against SEL Manufacturing Co. Ltd.**

##### **a) Appeal No. 40 – IT – CIT(A) – I/Ldh/ 08-09 relating to assessment year 2006-07**

SEL Manufacturing Co. Ltd. ("the Assessee") has filed an appeal before Income Tax Appellate Tribunal, Chandigarh Bench, Chandigarh in relation to the assessment year 2006-07 against an order of Commissioner of Income Tax (Appeals)-I, Ludhiana with regard to disallowing the deduction claimed by the Assessee under section 80IB of the Income Tax Act, 1961, and thereby raising a demand of Rs. 179.7 Lacs. The Assessee has deposited a sum of Rs. 170.8 Lacs under protest.

##### **b) Appeal No. 253 – IT/ CIT(A)/ -I/ 07-08 relating to the assessment years 2005-06**

SEL Manufacturing Co. Ltd. ("the Assessee") has filed an appeal before Income Tax Appellate Tribunal, Chandigarh Bench, Chandigarh in relation to the assessment year 2005-06 against an order of Commissioner of Income Tax (Appeals)-I, Ludhiana with regard to disallowing the deduction claimed by the Assessee under section 80IB of the Income Tax Act, 1961, and thereby raising a demand of Rs. 25.4 Lacs. The Assessee has deposited a sum of Rs. 20.0 Lacs under protest.

**c) Appeal No. 323 – IT/ CIT(A) – I/06-07 relating to the Assessment Year 2004-06**

SEL Manufacturing Co. Ltd. ("the Assessee") has filed an appeal before Income Tax Appellate Tribunal, Chandigarh Bench, Chandigarh in relation to the assessment year 2004-05 against an order of Deputy Commissioner of Income Tax, Central Circle-III, Ludhiana with regard to disallowing the deduction claimed by the Assessee under section 80HHC and 80IB of the Income Tax Act, 1961, and thereby raising a demand of Rs. 154.3 Lacs. The Assessee has deposited a sum of Rs. 171 Lacs under protest.

**Pending litigations under the Customs Act, 1962 against SEL Manufacturing Co. Ltd.**

**d) Appeal no. C501-504/06 relating to the assessment year 2003**

SEL Manufacturing Co. Ltd. ("the Assessee") has filed an appeal no. C501-504/06 dated August 3, 2006 before the Customs Tribunal in relation to the assessment year 2003-04 against an order dated May 1, 2006 passed by the Additional Joint Commissioner of Customs with regard to duty payable on classification of goods exported by the Assessee under which an amount of Rs. 150 Lacs is to be paid. The Assessee has deposited a sum of Rs. 150 Lacs under protest. The appeal is pending before the said authority and no date of hearing has been communicated to the Assessee as yet.

**Litigation involving Directors of our Company**

There are no litigations pending against the Directors of our Company.

**Litigation involving Directors of our Promoter Company**

There are no litigations pending against the Directors of our Promoter Company.

**C. Litigation involving Promoter Group Entities**

**Pending Income Tax litigations against M/s. S.E. Exports**

**a) Appeal No. 39-IT-CIT(A)-I/Ldh/08-09 relating to the assessment year 2006-07**

SE Exports ("the Assessee") has filed an appeal before Income Tax Appellate Tribunal, Chandigarh Bench, Chandigarh in relation to the assessment year 2006-07 against an order of Deputy Commissioner of Income Tax, Central Circle-III, Ludhiana with regard to disallowing the deduction claimed by the Assessee under section 80IB of the Income Tax Act, 1961, and thereby raising a demand of Rs. 26.5 Lacs. The Assessee has deposited a sum of Rs. 25 Lacs under protest.

**b) Appeal No. 363-IT/CIT(A)-I/07-08 relating to assessment year 2005-06**

SE Exports ("the Assessee") has filed an appeal before Income Tax Appellate Tribunal, Chandigarh Bench, Chandigarh in relation to the assessment year 2005-06 against an

order of Commissioner of Income Tax (Appeals)-I, Ludhiana with regard to disallowing the deduction claimed by the Assessee under section 80IB of the Income Tax Act, 1961, and thereby raising a demand of Rs. 132.3 Lacs. The Assessee has deposited a sum of Rs. 13.12 Lacs under protest.

**c) Appeal No. 372-IT/CIT(A)-I/06-07 relating to the assessment year 2004-05**

SE Exports (the "Assessee") has filed an appeal before Income Tax Appellate Tribunal, Chandigarh Bench, Chandigarh in relation to the assessment year 2004-05 against an order of Deputy Commissioner of Income Tax, Central Circle-III, Ludhiana with regard to disallowing the deduction claimed by the Assessee under section 80HHC and 80IB of the Income Tax Act, 1961, and thereby raising a demand of Rs. 78.5 Lacs. The Assessee has deposited a sum of Rs. 83.0 Lacs under protest.

**D. Penalties imposed in past cases in the last five years**

There are no penalties which have been levied on our Company, Promoter, Directors or Promoter Group in last five years.

**E. Amounts Owed to Small Scale Undertakings**

The name of Small Scale Undertakings and Other Creditors to whom our Company owes a sum exceeding Rs. 1 Lac which is outstanding more than 30 days, as on March 31, 2009 is Nil.

**Material developments occurring after the last Balance Sheet Date**

There have been no material developments as regards litigation after the date of the last balance sheet, i.e. December 31, 2009.

**Adverse Events**

There has been no adverse event affecting the operations of our Company, occurring within one year prior to the date of filing of the Draft Red Herring Prospectus with SEBI.

## GOVERNMENT AND OTHER STATUTORY APPROVALS

Except for pending approvals mentioned under this heading, our Company has received the necessary material consents, licenses, permissions and approvals from the Government and various Government agencies required for our present business and carrying on our business activities. Further, except as mentioned herein below, our Company has not yet applied for any licenses, consents, permissions and approvals for the proposed activities as contained in the *Section titled "Objects of the Issue" beginning on page 50 of the Draft Red Herring Prospectus*. It must be distinctly understood that, in granting these approvals, the Government of India does not take any responsibility for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

### I. GENERAL

1. Fresh Certificate of Incorporation consequent upon change of name on conversion to public limited company, issued to our Company, bearing the name "SEL Textiles Limited" dated October 15, 2009 and bearing Corporate Identity Number U17299PB2008PLC032050 issued by Deputy Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh.
2. Our Company's TAN (Tax Deduction Account Number) under the IT Act is JLDS07468G.
3. Our Company's PAN (Permanent Account Number) under the IT Act is AANCS0401M.
4. Our Company has obtained TIN no. 08240703040 w.e.f., July 1, 2009 from the office of the Assistant Commercial Tax Officer under the Rajasthan VAT Act, 2003.
5. Certificate of Registration issued our Company at 15-B, RIICO Ind. Area, Neemrana, Behror, Alwar – 301 705, as Dealer under section 7(1)/ 7(2) of the Central Sales Tax Act, 1956 bearing no. CST 08240703040 (centralised) dated July 7, 2009. The said Registration has been granted under the authority of Assistant Commercial Tax Officer, Behror, Alwar (Rajasthan). Registration under the CST Act is in the name of "SEL Textiles Private Limited". Requisite modifications are required to be made to the registration certificate in light of the change in our Company's name to "SEL Textiles Limited".
6. Certificate of Registration issued to SEL Textiles Private Limited at 15-B, RIICO Ind. Area, Neemrana, Behror, Alwar – 301 705 granted under the authority of Assistant Commercial Tax Officer, Behror, Alwar (Rajasthan) bearing No. TIN 08240703040 dated July 10, 2009. Registration under the Rajasthan VAT Act is in the name of "SEL Textiles Private Limited". Requisite modifications are required to be made to the registration certificate in light of the change in our Company's name to "SEL Textiles Limited".
7. Certificate of Registration under section 69 of Finance Act, 1994 for payment of service tax on Goods Transport Agency (GTA) at SEL Textiles Private Limited, Plot No.15-B, RIICO Industrial Area, Neemrana, Alwar, Rajasthan – 301705 bearing no. AANCS0401MST001 issued on September 8, 2009. Requisite modifications are required to be made to the registration certificate in light of the change in our Company's name to "SEL Textiles Limited".
8. Certificate of Importer-Exporter Code ('IEC') no. 3009005661 July 15, 2009 at Ludhiana issued by Foreign Trade Development Officer.
9. Our Company has a valid registration no. RJ/ 20831 under The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
10. Our Company has a valid registration no. 15/ 17226/ 16 under The Employers State Insurance Act, 1948

11. The factory premise of our Company at Neemrana falls within the scope of the Factories Act. Accordingly, our Company has been issued factory license no. RJ21656 under Rule 5 of Rajasthan Factories Rules, 1951 ('the RFR') from the Chief Inspector of Factory dated November 11, 2009 the licence is valid till March 31, 2010.
12. The Secretariat of Industrial Approvals, Ministry of Commerce and Industry, Government of India has granted a license on January 25, 2005 bearing acknowledgement no. 50/SIA/IMO/2010 dated January 7, 2010 for manufacture of cotton yarn for the manufacturing situated at 15-B, Industrial Area, Neemrana, Behror, Alwar, Rajasthan.
13. Our Company is required to have the weights and measures being used by it at the factory premises situated at 15-B, Industrial Area, Neemrana, Behror, Alwar, Rajasthan verified in terms of Section 24 the Standards Weights and Measurements (Enforcement) Act, 1985 ("SWME Act").

Our Company has had its weights and measures inspected in terms of the SWME Act. Details of the aforesaid inspection are as under:

<b>Particulars of the weights and measures inspected</b>	<b>Validity period</b>
a) 600 kg/ 02 - Ele. Weight Scale Class II – FG AP/30/60W, FG AP/ 30/ 120W	From September 11, 2009 to September 2010.
b) 300 kg/ 02 - Ele. Weight Scale Class II – F6 AP/ 300-W – F6 AP/ 300W	
c) 150 kg/ 03 - Ele. Weight Scale F3 AP 60/ 190W, F3AP 60/ 190W, AF 3AP60/300W	
d) 10 kg/ 1 - Ele. Weight Scale LL5MM 10W	
e) 1.2 kg/ 1 - Ele. Weight Scale L12M 500 690/2-10, RP/BB	

However, the aforesaid certificate has been issued in the name of "SEL Textiles Private Limited". Our Company is required to have the said certificate modified in view of the change in its name to "SEL Textiles Limited".

14. Our Company has the necessary approvals/ clearances from the Rajasthan State Pollution Control Board, granted vide Order No. 2009-2010/ Alwar/ 155 dated September 16, 2009 in respect of its factory situated at 15-B, RICCO Industrial Area, Neemrana Tehsil Behror, District Alwar, Rajasthan. The aforesaid consent to operate issued by the Rajasthan State Pollution Control Board is valid upto July 31, 2010. Our Company is required to have the said document modified in view of the change in its name to "SEL Textiles Limited".
15. Transfer of Leasehold rights of M/s Prerna Syntex to our Company

Our Company has purchased the lease hold rights relating to the plot of land situated at SP – 15BCD & 20BCD Industrial Area, Neemrana, Behror, Alwar, Rajasthan ("the Premises") from M/s Prerna Syntex ("Prerna Syntex") vide (registered) Sale Deed dated July 24, 2009 ("the Sale Deed") entered into amongst our Company and Prerna Syntex. The said lease had been



granted to Prerna Syntex by Rajasthan State Industrial Development & Investment Corporation Ltd. ("RIICO").

Our Company had subsequent to execution of the said Sale Deed applied to RIICO requesting it to allow transfer of the leasehold rights relating to the premises from Prerna Syntex to our Company. RIICO vide letter no. Sr. RM/ SJPR/ 2382 dated August 13, 2009 allowed our Company's application for transfer of leasehold rights.

## **II. APPLICATIONS PENDING APPROVAL/RENEWAL**

1. Our Company has its registered office at 274 G.T. Road Dhandari Khurd, New Ludhiana-110015. The Punjab Shops and Commercial Establishments Act, 1958 ("PSE Act") is applicable to the registered office of our Company at Ludhiana. Our Company has applied for the same on February 22, 2010.
2. As per the records made available to us, our Company has on August 21, 2009 applied for registration under Central Excise Act for its manufacturing facility situated at 15 B, RIICO Industrial Area, Neemrana, Dist.-Alwar, Rajasthan – 301705. The aforesaid application under the Central Excise Act had been made in the name of "SEL Textiles Private Limited. Our Company is required to have the said application modified in light of the change in our Company's name to "SEL Textiles Limited" with effect from October 15, 2009.
3. Our Company holds a license for storage of 80 KL class B Petroleum (HSD) No. P/NC/RJ/15/404 (P52804) in the name of M/s Prerna Syntex i.e., the company from which the extant assets, premises and all installations situated at its factory premises at 15 B, RICCO Industrial Area, Neemrana, Alwar, Rajasthan had been purchased by us. The said license was valid upto December 31, 2009. The said license has however been lost and our Company has vide application dated September 8, 2009, requested the Joint Chief Controller, Petroleum and Explosives Safety Organization to:
  - a) Issue a duplicate license in lieu of the lost document. A FIR has also been lodged by our Company in this regard with the local Police Station (Police Station, Bahrod);
  - b) Transfer the said license in the name of our Company; and
  - c) Renew the said license for a further period of 3 years.

The application is pending disposal with the aforesaid authority. However, the aforesaid application has been made in the name of "SEL Textiles Private Limited". Our Company needs to modify the said application in view of the change in its name to "SEL Textiles Limited".

## **III. MATERIAL LICENSES/APPROVALS FOR WHICH WE ARE YET TO APPLY**

As on date, except as mentioned below, there are no licenses/ approvals, which our Company is to apply for, in order to run its business:

### **Unit 1, Neemrana**

1. Environment Engineer, Rajasthan State Pollution Control Board vide certificate no. letter no. RPCB/ HWMR/ 2007-2008/ 197 dated January 21, 2008 granted authorization to M/s Prerna Syntex under rule 5 of the Hazardous Wastes Rules for collection, storage and transport of hazardous waster in the premises situated at RIICO Industrial Area, Neemrana, Dist. Alwar, Rajasthan. The authorization has been granted for collection, storage and transport of 5.1 Spent Oil for a maximum quantity of 4132 litres/ month. The authorization has been issued subject to the terms and conditions stated in the authorization certificate as well as the

conditions specified in the Hazardous Wastes Management Rules. The said approval is in the name of M/s Prerna Syntex. However, as the leasehold rights relating to the said premises have been purchased from M/s Prerna Syntex by our Company, our Company is required to have the authorization changed accordingly.

**Statutory Approvals/Licenses required for the proposed Hansi Unit (Unit II) and Terry Towel Unit (Unit III)**

- Acknowledgement of Industrial Entrepreneurs Memorandum for Industrial Approvals Entrepreneurial Assistance Unit for the units of the Subsidiaries for manufacturing of the products proposed to be manufactured by them.
- License from the Inspector of Factories under Factories Act, 1948.
- VAT Registration
- Central Excise Registration
- Service Tax Registration
- Registration with Provident Fund and E.S.I. authorities
- Pollution Control Board clearance under section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and consent issued under section 21 of the Air (Prevention and Control of Pollution) Act, 1981.
- Importer Exporter Codes from The Assistant Director General of Foreign Trade

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The shareholders of our Company have approved this Issue under section 81 (1A) of the Companies Act, 1956 *vide* a Special Resolution passed at our Company's Extra Ordinary General Meeting held on October 16, 2009.

### Prohibition by SEBI

There is no prohibition on our Company, our Promoter, Promoter Group, Directors, Group Companies or on the natural persons behind our Promoter Company, or persons in control of our Company from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Our Promoter, Directors or persons in control of our Company, have not been or are not involved as a promoter, director or person in control of any other company, which is debarred from accessing the capital market under any order or directions made by the SEBI.

None of the Directors of our Company are associated with any entities which are engaged in securities market related business and are registered with SEBI.

### Prohibition by RBI

Our Company, our Directors, our Promoter and our group companies have not been declared as wilful defaulter by RBI or any other government authority and there have been no violation of securities laws committed by them in the past or no such proceeding are pending against the Company or them.

### Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26(2) of the SEBI (ICDR) Regulations, 2009 as explained under:

(2) An issuer not satisfying any of the conditions stipulated in sub-regulation (1) may make an initial public offer if:

(a) (i) the issue is made through the book building process and the issuer undertakes to allot at least fifty per cent. of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make allotment to the qualified institutional buyers;

or

(ii) at least fifteen per cent. of the cost of the project is contributed by scheduled commercial banks or public financial institutions, of which not less than ten per cent shall come from the appraisers and the issuer undertakes to allot at least ten per cent of the net offer to public to qualified institutional buyers and to refund full subscription monies if it fails to make the allotment to the qualified institutional buyers;

(b) (i) the minimum post-issue face value capital of the issuer is ten crore rupees;

or

(ii) the issuer undertakes to provide market-making for at least two years from the date of listing of the specified securities, subject to the following:

- (A) the market makers offer buy and sell quotes for a minimum depth of three hundred specified securities and ensure that the bid-ask spread for their quotes does not, at any time, exceed ten per cent;
- (B) the inventory of the market makers, as on the date of allotment of the specified securities, shall be at least five per cent of the proposed issue.

We are an unlisted company not complying with the conditions specified in the Regulations 26(1) SEBI (ICDR) Regulations, 2009 and are therefore required to meet both the conditions detailed in Clause (a) and Clause (b) of Regulation 26(2) of the SEBI (ICDR) Regulations, 2009.

We are complying with Regulation 26(a)(i) of the SEBI Regulations and at least 50% of the Net Issue are proposed to be allocated to QIBs and in the event we fail to do so, the full subscription monies shall be refunded to the Bidders.

We are also complying with Regulation 26(b)(i) of the SEBI Regulations and the post-issue face value capital of the Company shall be Rs. 3963.00 lacs, which is more than the minimum requirement of Rs. 10 Crore (Rs. 1000 lacs).

Hence, we are eligible for the Issue under Regulation 26(2) of the SEBI Regulations.

Further, in accordance with Regulation 26(4) of the SEBI Regulations, we shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted will be not less than 1,000.

#### **Disclaimer Clauses**

##### **SEBI DISCLAIMER CLAUSE**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS 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, SAFFRON CAPITAL ADVISORS PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SAFFRON CAPITAL ADVISORS PRIVATE LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 24, 2010 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

**WE THE LEAD MERCHANT BANKER TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS**

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, IT'S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
  - a) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS ISSUE;
  - b) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - c) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE (AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE SHALL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.
7. WE CERTIFY THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND

**(D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 ARE NOT APPLICABLE TO THE ISSUER.**

- 8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
- 9. WE CONFIRM THAT NECESSARY ARRANGEMENTS SHALL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE DRAFT RED HERRING PROSPECTUS. WE SHALL ENSURE THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION.**
- 10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE ALLOTTED SHARES IN THE DEMAT MODE ONLY.**
- 11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**
- 12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:**
  - a. AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND**
  - b. AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**
- 13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**
- 14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER EXPERIENCE, ETC.**
- 15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS**

**OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS/ DRAFT PROSPECTUS/ DRAFT LETTER OF OFFER WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE ISSUER FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BRLM, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.**

**Disclaimer from the Issuer and the Book Running Lead Manager**

Investors may note that SEL Textiles Limited and Saffron Capital Advisors Private Limited accept no responsibility for statements made otherwise than in the Draft Red Herring Prospectus or in the advertisement or any other material issued by or at the instance of the Issuer and that any one, placing reliance on any other source of information would be doing so at his own risk.

All information will be made available by the Book Running Lead Manager, Underwriters, Syndicate members and our Company to the public and investors at large and no selective or additional information would be available for any section of the investors in any manner whatsoever including at road shows, presentations, in research or sales reports etc. We shall not be liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

**Caution**

The BRLM accepts no responsibility; save to the limited extent as provided in the Memorandum of Understanding dated February 12, 2010 entered into between the BRLM and our Company and the Underwriting Agreement to be entered into between the Underwriters and our Company.

Neither our Company nor the Book Running Lead Manager or any other member of the Syndicate is liable to the Bidders for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

The BRLM and its associates and affiliates may engage in transactions with, and perform services for, our Company and Promoter Group Entities, affiliates or associates of our Company in the ordinary course of business and have engaged, and may in future engage, in the provision of financial services for which they have received, and may in future receive, compensation.

The BRLM and its respective associates and affiliates may engage in transactions with, and perform services for, the Company and their respective group companies, affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in investment banking transactions and other investment transactions with the Company, for which they have received, and may in future receive, compensation.

**Disclaimer in respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution

to hold and invest in shares) and to NRIs, FII's and Foreign Venture Capital Funds Registered with SEBI. The Draft Red Herring Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession the Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Ludhiana only.

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

#### **Disclaimer Clause of the Bombay Stock Exchange Limited**

Bombay Stock Exchange Limited ("the Exchange") has *vide* its letter dated [●], given permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this offer document 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 for any other reason whatsoever.

#### **Disclaimer Clause of National Stock Exchange of India Limited**

As required, a copy of this offer document has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given *vide* its letter dated [●] permission to the Issuer to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The NSE has scrutinized the Draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of the Issuer.



Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

### **Filing**

A copy of the Draft Red Herring Prospectus has been filed with the Corporation Finance Department, Division of Issues & Listing of SEBI at SEBI Bhavan, Bandra Kurla Complex, Bandra East, Mumbai – 400 051. A copy of the Red Herring Prospectus along with the documents required to be filed under section 60B of the Companies Act would be delivered for registration to the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh at Chandigarh. The final Prospectus would be filed with the Corporate Finance Department of SEBI and the ROC at the respective aforesaid addresses upon closure of the issue and on finalization of the issue price.

### **Listing**

Applications have been made to the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares. Our existing Equity Shares are not listed on any Stock Exchanges in India.

BSE shall be the Designated Stock Exchange with which the basis of allotment will be finalized for the QIB, Non Institutional and Retail portion.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Draft Red Herring Prospectus. If such money is not repaid within eight days after we become liable to repay it, i.e., from the date of refusal or within 70 days from the date of Bid/ Issue Closing Date, whichever is earlier, then we and all our directors jointly and severally shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE and NSE are taken within seven working days of finalization of Basis of Allotment for the Issue.

### **Consents**

Necessary Consents for the issue have been obtained from the following:

1. Directors of our Company
2. Bankers to our Company
3. Auditors to our Company
4. Book Running Lead Manager to the Issue
5. Legal Advisor to the Issue
6. Registrar to the Issue
7. IPO Grading Agency
8. Company Secretary and Compliance Officer
9. Syndicate Member(s)
10. Underwriter(s)
11. Escrow Collection Banker(s) to the Issue

The said consents would be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh situated at Corporate Bhawan, Plot No. 4B, Sector 27 B, Madhya Marg, Chandigarh- 160019, as required under Sections 60 and 60B of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus, for registration with the Registrar of Companies, Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh situated at Corporate Bhawan, Plot No. 4B, Sector 27 B, Madhya Marg, Chandigarh- 160019.

### Expert Opinion

Except as stated otherwise in the Draft Red Herring Prospectus, we have not obtained any expert opinion.

### Expenses of the Issue

The expenses for this Issue include Issue management fees, IPO Grading Expenses, selling commissions, underwriting commission, printing and distribution expenses, fee payable to other intermediaries, statutory advertisement expenses and listing fees payable to the Stock Exchanges, amongst others. The estimated Issue expenses are as under:

Activity	Expenses (Rs. in Lacs)	% of Issue Size	% of Issue expenses
Lead management, Syndicate Fees, Underwriting and selling commission	[•]	[•]	[•]
Advertisement and marketing expenses	[•]	[•]	[•]
Printing and stationery (including expenses on transportation of the material)	[•]	[•]	[•]
Others (Filing Fees with SEBI, BSE and NSE, Registrar's fees, legal fees, IPO Grading, listing fees, travelling and other miscellaneous expenses etc.)	[•]	[•]	[•]
<b>Total</b>	[•]	[•]	[•]

### Previous Public or Rights Issues in the last 5 years

Our Company has not made any public or rights issue of Equity Shares/Debentures in the last 5 years.

### Previous Issue of Equity Shares otherwise than for Cash

Our Company has not issued any Equity Shares for consideration other than cash except as mentioned in the *Chapter titled "Capital Structure" beginning on page 42 of the Draft Red Herring Prospectus.*

### Commission or Brokerage on Previous Issues

Since this is the initial public offering of the Equity Shares, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of our Company since its inception.

### Previous capital issue during the previous three years by listed Group Companies, Subsidiaries and associates of our Company

Other than our Promoter Company, SEL Manufacturing Company Limited, none of the group companies, subsidiaries and associates of the Company has made any capital issue in the last

three years. For details of the same please refer to the chapter titled “Our Promoter and its Background” beginning on page 117 of the Draft Red Herring Prospectus.

### **Promise vis-à-vis Performance – Last 3 issues**

Our Company has not made any Public Issue in the past.

### **Listed ventures of Promoter**

Our Promoting Company, SEL Manufacturing Company Limited is a company listed on BSE and NSE. The GDRs of the company are listed on Luxembourg Stock Exchange. There are no other listed ventures of our Promoter.

### **Performance vis-à-vis Objects - Public/ Rights Issue of the Company and/ or listed group companies, subsidiaries and associates of the Company**

There are no listed ventures of our Promoter Company. However our Promoter, SEL Manufacturing Company Limited is a company listed on BSE and NSE. The GDRs of the company are listed on Luxembourg Stock Exchange

SMCL made the initial public issue of 41,38,410 equity shares of Rs. 10 each for cash at price of Rs. 90 per equity share aggregating Rs. 3724.57 Lacs in July 2007 and the shares were allotted in August 2007. The issue was subscribed 3.62 times. Through this issue the equity shares of SMCL were listed on Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited. The company also issued 7,60,800 and 5,00,000 equity shares at a price of Rs. 65 and Rs. 75 per equity share respectively as pre-IPO placement. The issue was made to fund the expansion of the capacities of spinning, knitting and garment manufacturing with a total cost of approximately Rs. 18,457 lacs.

### **Details of the IPO**

<b>Year of Issue</b>	<b>2007</b>
Type of the Issue	Initial Public Issue of 41,38,410 equity shares of Rs. 10 each for cash at price of Rs. 90 per equity share
Amounts of the Issue	Rs. 3724.57 Lacs
Date of the Closure of the Issue	July 31, 2007
Date of Completion of the Delivery of the Share Certificates	August 14, 2007
Date of Completion of the Projects	Project were completed on schedule
Rate of Dividend	10% (i.e. Re. 1 per Equity Share) Dividend declared on January 28, 2008

### **Outstanding debentures or bonds and redeemable preference shares and other instruments issued and outstanding as on the date of the Draft Red Herring Prospectus and terms of Issue**

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding as on the date of filing of the Draft Red Herring Prospectus.

### **Stock Market Data**

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchange.

### **Mechanism for redressal of Investors' grievance**

Our Company has constituted a Shareholders Grievance Committee to look into the redressal of shareholder/ investor complaints such as Issue of duplicate/split/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/transmission of shares and debentures, complaints for non receipt of dividends etc. *For further details on this committee, please refer paragraph titled "Shareholders' / Investors' Grievance Committee" beginning on page 113 under the Chapter titled "Our Management" beginning on page 104 of the Draft Red Herring Prospectus.* To expedite the process of share transfer, our Company has appointed Link Intime India Private Limited as the Registrar and Share Transfer Agents of our Company.

We have appointed Link Intime India Private Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with our Compliance officer. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and bank and Branch. We will monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Memorandum of Understanding between the Registrar to the Issue and the Company will provide for retention of records with the Registrar to the Issue for a period of at least six months from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar with a copy to the relevant SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch of the SCSB where the ASBA Form was submitted by the ASBA Bidders.

#### **Disposal of Investors' Grievances and Redressal Mechanism**

A fortnightly status report of the complaints received and redressed by the Registrar to the Issue would be forwarded to us. We would also coordinate with the Registrar to the Issue in attending to the investors' grievances.

We assure that any complaints received, shall be disposed off as per the following schedule:

<b>Sr. No</b>	<b>Nature of the Complaint</b>	<b>Time Taken</b>
1.	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address	Within 7 days of receipt of information.
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

We have appointed Ms. Himani Dua as the Compliance Officer who would directly liaise with SEBI with respect to implementation/compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the compliance officer in case of any pre issue/post issue related problems at the following address:

**Ms. Himani Dua**  
**Company Secretary & Compliance Officer**  
**SEL Textiles Limited**

Plot No. 274, G.T. Road,  
Dhandari Khurd,  
Ludhiana -141010  
Punjab

**Tel. No. :** + 91 161 6611111

**Fax No. :** + 91 161 6611112

**Contact Person:** Ms. Himani Dua, Company Secretary & Compliance Officer

**E-mail:** ipo@rssalujagroup.co.in

**Website:** www.rssalujagroup.co.in

Our Company has not received any investor complaints during the three years preceding the filing of the Draft Red Herring Prospectus with SEBI. Further, no investor complaints are pending as on the date of filing the Draft Red Herring Prospectus with SEBI.

**Mechanism for Redressal of Investor Grievances by Listed Companies under the same management within meaning of Section 370(1B) of the Companies Act, 1956**

There are no listed Companies under the same management within meaning of Section 370(1B) of the Companies Act, 1956.

**Changes in Auditors during the last three years and reasons thereof**

M/s Baljeet & Associates, Chartered Accountants, Ludhiana were the first auditors of the Company. M/s Dinesh Mehtani was subsequently appointed in the AGM held on September 30, 2009, since the earlier auditors expressed the inability to continue due to their preoccupations.

**Capitalization of Reserves or Profits during last five years**

Except as stated in the Chapter titled "Capital Structure" beginning on page 42 of the Draft Red Herring Prospectus, our Company has not capitalised its reserves or profits at any time since inception.

**Revaluation of Assets during the last five years**

There has not been any revaluation of Assets during the last five years.

## SECTION IX – ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, SEBI (ICDR) Regulations, 2009, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari-passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by us after the date of Allotment. *For further details, please refer to Chapter titled “Main Provisions of Articles of Association” on page 230 of the Draft Red Herring Prospectus.*

#### Mode of Payment of Dividend

We shall pay dividend to our Shareholders as per the provisions of the Companies Act and our Articles of Association. The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition.

#### Face Value and Issue Price per Share

The face value of the Equity Shares is Rs. 10 each. The price band is Rs. [●] to Rs. [●] and the Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value. The Issue Price of Rs. [●] is [●] times the face value. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

#### Compliance with SEBI (ICDR) Regulations, 2009

Our Company shall comply with all requirements of the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009, notified on August 26, 2009 as amended from time to time. Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer 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 Limited Company under the Companies Act, the terms of the listing agreements with the Stock Exchange(s) and the Memorandum and Articles of Association of our Company.

For a detailed description of the main provisions of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, *please refer to Chapter titled "Main Provisions of Articles of Association" on page 230 of the Draft Red Herring Prospectus.*

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the existing SEBI (ICDR) Regulations, 2009, the trading in the Equity Shares shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allocation and Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful Bidders subject to a minimum Allotment of [●] Equity Shares. For *For details of Allocation and Allotment, please refer to the paragraph titled "Basis of Allotment" beginning on page 207 under Chapter titled "Issue Procedure" beginning on page 184 of the Draft Red Herring Prospectus.*

### **Nomination Facility to Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, 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 of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the registrar and transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a) to register himself or herself as the holder of the Equity Shares; or
- b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.

**Bid/Issue Program**

The period of operation of subscription list of public issue:

Bid/Issue opens on: [●]	Bid/Issue closes on: [●]
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**Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the offer through the offer document including devolvement of Underwriters, if any, within sixty (60) days from the date of closure of the issue, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days, after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act, 1956.

If at least 50% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

If the number of allottees in the proposed Issue is less than 1,000 allottees, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after we become liable to pay the amount, we shall pay interest at the rate of 15% per annum for the delayed period.

**Arrangements for Disposal of Odd Lots**

Since, our Equity Shares will be traded in dematerialized form only; the marketable lot is one (1) Equity Share. Therefore, there is no possibility of any odd lots.

**Restrictions, if any on Transfer and Transmission of Equity Shares**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/splitting, *please refer to the Chapter titled "Main Provisions of Articles of Association" on page 230 of the Draft Red Herring Prospectus.*

**Option to Receive Securities in Dematerialized Form**

Equity Shares being offered through the Draft Red Herring Prospectus can be applied for and will be allotted in dematerialized form only.



## ISSUE STRUCTURE

The present Issue comprising of 1,10,00,000 Equity Shares of Rs. 10 each aggregating Rs. [●] Lacs is being made through the 100% Book Building process.

The Company is considering a Pre-IPO Placement of Equity Shares with various investors. The Pre-IPO placement is at the discretion of the Company and at a price to be decided by the Company. The Company will complete the issuance and allotment of such Equity Shares prior to filing the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the Issue size offered to the public would be reduced to the extent of such Pre-IPO Placement, subject to a minimum Issue size of 25% of the post Issue paid up capital being offered to the public.

<u>Particulars</u>	<u>Eligible Employees</u>	<u>QIBs#</u>	<u>Non Institutional Bidders</u>	<u>Retail Individual Bidders</u>
<b>Number of Equity Shares#</b>	Not more than 2,00,000 Equity Shares	At least 54,00,000 Equity Shares	Not less than 16,20,000 Equity Shares	Not less than 37,80,000 Equity Shares
<b>Percentage of Issue Size available for allocation</b>	Up to 1.82% of the Issue Size	<p>At least 50% of the Net Issue to the public (of which 5% shall be reserved for Mutual Funds) or Net Issue to the public less allocation to Non-Institutional Bidders and Retail Individual Bidders. *</p> <p>Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The Unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.</p>		
<b>Basis of Allocation respective category is oversubscribed</b>	Proportionate if	Proportionate	Proportionate	Proportionate
<b>Minimum Bid</b>	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds 1,00,000 and in multiples of [●] Equity Shares.	Such number of Equity Shares that Bid Amount exceeds 1,00,000 and in multiples of [●] Equity Shares.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.
<b>Maximum Bid</b>	Not exceeding the size of the Issue subject to regulations	Not exceeding the size of the issue, subject to regulations as applicable to the Bidder	Not exceeding the size of the issue, subject to regulations	Such number of Equity Shares per retail individual

	as applicable to the Bidder.		applicable to the Bidder	the investor so as to ensure that the Bid amount does not exceed Rs. 1,00,000 which has to be in multiples of [●] Equity Shares.
<b>Mode of Allotment</b>	Dematerialized mode	Dematerialized mode	Dematerialized mode	Dematerialized mode
<b>Trading Lot/Market lot</b>	One (1) Equity Share	One (1) Equity Share	One (1) Equity Share	One (1) Equity Share
<b>Who can apply**</b>	Indian Nationals who are permanent employees of our Company based in India and present in India on the date of submission of Bid-cum-Application Form.	Public institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, and foreign institutional investors registered with SEBI, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs, National Investment Fund in accordance with applicable law.	financial Companies, Corporate Bodies, Scientific Institutions, commercial Societies, Resident Indian individuals, HUF (in the name of Karta), and NRIs (applying for an amount exceeding Rs. 1,00,000)	Individuals (including ASBA Bidders, NRIs and HUFs in the name of Karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.  Resident Retail Individual Investor can also bid through ASBA.
<b>Terms of payment</b>	Margin Amount applicable to Eligible Employees at the time of submission of Bid-cum-Application Form.	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
<b>Margin Amount</b>	Full Bid Amount on bidding	10% of the Bid amount in Full amount on respect of bids placed by bidding QIB bidder on bidding	Full amount on bidding

#Subject to valid Bids being received at or above the Issue Price, this Issue is being made through the 100% Book Building Process wherein at least 50% of the Net Issue will be allocated on a proportionate basis to QIBs, out of the QIB Portion 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 50% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. However, if the aggregate demand from Mutual Funds is less than 2,70,000 Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders in proportion to their Bids. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

\* Subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill over inter-se from any other categories, at the discretion of our Company in consultation with the BRLM subject to applicable provisions of SEBI (ICDR) Regulations, 2009.

\*\*In case the Bid Cum Application Form/ ASBA Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid Cum Application Form.

Note: Equity Shares being offered through the Draft Red Herring Prospectus can be applied for in dematerialized form only.

## ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a proportionate basis. If at least 50% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLM, reserve the right to reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons thereof shall be disclosed to the bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds. The primary responsibility of building the book shall be that of the lead book runner.

**Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.**

### Illustration of Book Building and Price Discovery Process

*(Investors should note that this illustration is solely for the purpose of illustration and is not specific to the Issue)*

The Bidders can bid at any price within the Price Band. For instance, assume a Price Band of Rs. 60 to Rs. 72 per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the Bidding/Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of the Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs.66 in the above example. Our Company, in consultation with the BRLM, will finalize the Issue Price at or below such cut off price, i.e., at or below Rs.66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the 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 the 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 allotment of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us to make the necessary changes in the 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

**The prescribed colour of the Bid-cum-Application Form for various categories is as follows:**

Category	Colour of Bid-cum-Application Form
Indian Public including QIBs, Non-Institutional Bidders or NRIs : applying on a non-repatriation basis	White
Non-residents, NRIs or FIIs applying on a repatriation basis :	[●]
ASBA Bidders :	[●]
Eligible Employees of Our Company :	[●]

**It may be noted that the bids received in the Employees Reservation Portion shall not be considered for the purpose of determining the Issue Price through Book Building Process.**

#### **Who Can Bid?**

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are majors, in single or joint names (not more than three);
3. HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
4. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
5. Indian mutual funds registered with SEBI;
6. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI (ICDR) Regulations, 2009 and other Regulations, as applicable);
7. Venture capital funds registered with SEBI;
8. Foreign venture capital investors registered with SEBI;
9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 25 crores and who are authorized under their constitution to invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 25 crores and who are authorized under their constitution to invest in Equity Shares;
13. Multilateral and bilateral development financial institutions;
14. Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in Equity Shares;
15. Eligible Non-residents including NRIs and FIIs on a repatriation/non- repatriation basis subject to applicable local laws; and

16. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares.
17. As per existing regulations promulgated under FEMA, Overseas Corporate Bodies (OCBs) cannot bid/participate in this issue.

***Note: 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 laws, rules, regulations, guidelines and approvals.***

#### **Participation by Associates of the BRLM and Syndicate Members**

The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLM, and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such holding or subscription maybe on their behalf or on behalf of their clients.

#### **Procedure for Application by Mutual Funds**

Under the SEBI (ICDR) Regulations, 2009, 5% of the QIB Portion has been specifically reserved for Mutual Funds on a proportionate basis. An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. If the demand is greater than 2,75,000 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

In accordance with the current regulations, 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 by index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

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 the scheme concerned for which the Bid has been made. In case of Bids made by mutual funds registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

#### **Application by FIIs**

In accordance with the current regulations, the Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

#### **Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Funds**

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

33.33% of the corpus of the venture capital fund/foreign venture capital investor. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100% of our Company's paid-up equity capital.

**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, our Company reserves the right to accept or reject any Bid in whole or in part.**

**The above information is given for the benefit of the Bidders. The Bidders are advised to make to their own enquiries about the limits applicable to them. Our Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the 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.**

**Application by NRI**

Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office situated at Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana -141010 Punjab and from members of the Syndicate.

- 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)
- Non-Residents cannot subscribe to this Issue under the ASBA process.

**Maximum and Minimum Bid size**

- a) **For Employees:** The Bid must be for minimum [●] Equity Shares and in multiples of [●] Equity Shares thereafter.
- b) **For Retail Individual Bidders:** The Bid must be for minimum [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000/-. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision in bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- c) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. 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 applicable laws. **A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB margin on submission of bid.**

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision

in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

#### **Information for the Bidders**

1. We will file the Red Herring Prospectus with the Registrar of Companies, at least 3 (three) days before the Bid/Issue Opening Date.
2. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
3. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from our registered office or from the BRLM, or from a member of the Syndicate.
4. Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
5. 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.

#### **Method and Process of bidding**

- a) We, with the BRLM, shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and the Price Band after the filing of the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and a regional newspaper). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Part A of Schedule XIII of the SEBI (ICDR) Regulations, 2009. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement. The Price Band and the minimum Bid lot size for the Issue will be decided by our Company, in consultation with the BRLM, and advertised at least two working days prior to the Bid/Issue Opening Date.
- b) Investors who are interested in subscribing to the Equity Shares should approach any of the members of the Syndicate or their authorised agents to register their Bids, during the Bidding Period.
- c) The Bidding Period shall be a minimum of 3 working (three) days and not exceed 10 (ten) working days including the days for which the issue is kept open in case of revision in price band. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and one regional newspaper and the Bidding Period shall be extended, for a minimum period of 3 working (three) days, subject to the total Bidding Period not exceeding 10 working (ten) days.
- d) 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.
- e) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices *(for details please refer to the paragraph titled "Bids at Different Price Levels" beginning on page 189 under this Chapter in the Draft Red Herring Prospectus)* within the



Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.

- f) The Bidder cannot bid on another Bid cum Application Form after 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 bidding 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 allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form. *For details please refer to the paragraph titled "Build up of the Book and Revision of Bids" beginning on page 193 under this Chapter in the Draft Red Herring Prospectus.*
- g) The members of the Syndicate will enter each option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRS's for each Bid cum application Form. **It is the responsibility of the bidder to obtain the TRS from the Syndicate Member.**
- h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described *under paragraph titled "Terms of Payment and Payment into the Escrow Collection Account" beginning on page 191 under this Chapter in the Draft Red Herring Prospectus.*

#### **Bids at Different Price Levels**

- a) The Price Band and the minimum Bid lot size for the Issue will be decided by our Company, in consultation with the BRLM, and advertised at least two working days prior to the Bid/Issue Opening Date. The Bidders can bid at any price within the Price Band, in multiples of Re 1. The minimum application size should be in the range of Rs. 5,000 to Rs. 7,000.
- b) In accordance with SEBI (ICDR) Regulations, 2009, our Company in consultation with the BRLM in accordance with this clause, without the prior approval of, or intimation, to the Bidders, can revise the Price Band. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band. In case of a revision in the Price Band, the Issue will be kept open for a further period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days.
- c) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be suitably revised, if necessary such that the minimum application is in the range of Rs. 5,000 to Rs. 7,000.
- d) Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, 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 of the BRLM and the terminals of the members of the Syndicate.
- e) We, in consultation with the BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to the Bidders.

- f) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders applying for a maximum bid in any of the bidding options not exceeding Rs. 100,000 may bid at 'Cut-off'. 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.**
- g) 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 Refund Account.
- h) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at 'Cut-off' Price could either
  - i) revise their Bid
  - 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. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non Institutional category in terms of the Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off
  - iii) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Refund Account.

#### **Option to Subscribe in the Issue**

- Equity Shares being offered through the Draft Red Herring Prospectus can be applied for in dematerialized form only.
- The Equity Shares on allotment shall be traded on Stock Exchanges in demat segment only.
- A single bid from any investor shall not exceed the investment limit/minimum number of Equity Shares that can be held by him/her/it under the relevant regulations/statutory guidelines.

#### **Escrow Mechanism**

Our Company and members of the Syndicate 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 of our Company 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 an amount equivalent to Issue proceeds (Final Issue price multiplied by the number of Equity Shares allotted through this issue) from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with our Company and the balance amount shall be transferred to the Refund Account, from where payment of refund to the Bidders shall be made.

The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Collection Account**

In case of Non-institutional Bidders and Retail 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/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the members of the Syndicate to whom the Bid is being submitted. In case of QIB Bidders, the Margin Amount has to be submitted along with the Bid to the members of the Syndicate. Bid-cum-Application Forms accompanied by cash and stock invests 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 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 and Refund Account. Not later than 15 days from the Bid / Issue Closing Date, our Company will instruct the Refund Banker to refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders, failing which our Company shall pay interest @15% per annum for any delay beyond the period mentioned above.

Each category of Bidders i.e. QIBs, Non-Institutional Bidders and Retail Individual Bidders, would be required to pay their Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned *under the Chapter titled "Issue Structure" beginning on page 181 of the Draft Red Herring prospectus* and shall be uniform across all the bidders in the same category.

Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the Registrar to the Issue.

If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. 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.

### **Electronic Registration of Bids**

- a) The members of the Syndicate will register the Bids received, using the on-line facilities of NSE and BSE. There will be at least one BSE / NSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.

- b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the BSE and NSE.
- c) BSE and NSE will aggregate demand and price for Bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be assessed on BSE's website at [www.bseindia.com](http://www.bseindia.com) or on NSE's website at [www.nseindia.com](http://www.nseindia.com). The online, real-time graphical display of demand and bid prices at the bidding terminals shall be made. The BRLM shall ensure the availability of adequate infrastructure for data entry of the bids on a real time basis. At the end of each day of the bidding period the demand shall be shown graphically on the terminals for information of the syndicate members as well as the investors.
- d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
  - Name of the 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, Mutual Fund, etc
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid Amount
  - Bid-cum-Application Form number
  - Whether payment is made upon submission of Bid-cum-Application Form
  - Margin Amount and
  - Depository Participant Identification Number and Client Identification Number 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 members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g) Consequently, all or any of the members of the Syndicate may reject QIB Bids provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of such rejection. In case of Non-Institutional Bidders, Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed as mentioned *under paragraph titled "Grounds for Technical Rejections" beginning on page 205 under this Chapter in the Draft Red Herring Prospectus.*
- h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other

soundness of our Company, its Promoter, its management or any scheme or project of our Company.

- i) It is also to be distinctly understood that the approval given by BSE and NSE for the use of their online IPO system should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

#### **Build Up of the Book and Revision of Bids**

- a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- b) The book gets build up at various price levels. This information will be available with the BRLM on a regular basis.
- c) 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.
- d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate shall collect the payments in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders. QIB Bidders shall not be allowed to withdraw their Bid after Bid/Issue closing date.
- g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.
- h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In case of discrepancy of data between NSE or BSE and

members of the Syndicate, the decision of the BRLM based on the physical records of Bid cum Application forms shall be final and binding to all concerned.

### **Price Discovery and Allocation**

- a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- b) Our Company, in consultation with the BRLM shall finalise the the Issue Price, the number of Equity Shares to be allotted in each category of Bidders.
- c) The allocation for QIBs for at least 50% of the Net Issue to the Public, of which 5% shall be reserved for Mutual Funds, would be on a proportionate basis, subject to valid bids being received at or above the Issue Price. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue to the Public, respectively, would be on proportionate basis, in the manner specified in the SEBI (ICDR) Regulations, 2009, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d) Under subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill over from any of the other categories at the discretion of our Company and the BRLM. However, if the aggregate demand by Mutual Funds is less than 2,70,000 Equity Shares, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids. If a minimum allotment of 50% of the Net Issue is not made to the QIBs, the entire subscription monies shall be refunded.
- e) Under-subscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the Public.
- f) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for Issue/Allocation of Equity Shares to them.
- g) The BRLM, in consultation with us, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- h) Our Company in consultation with the BRLM, reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allocation, without assigning reasons whatsoever. In terms of the SEBI (ICDR) Regulations, 2009, QIB Bidders bidding in the QIB Portion, shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- i) The allotment details shall be uploaded on the website of the Registrar to the Issue.

### **Signing of Underwriting Agreement and RoC Filing**

1. Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
2. After signing the Underwriting Agreement, we will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

### **Filing of the Prospectus with the RoC**

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the, Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh situated at Chandigarh. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration to the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh situated at Chandigarh.

We will ensure that all the legal requirements applicable till the filing of the Prospectus with RoC are complied with.

### **Announcement of Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on the Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI (ICDR) Regulations, 2009 in an English national daily with wide circulation, one Hindi National newspaper, and a regional language newspaper.

### **Advertisement regarding Issue Price and Prospectus**

We will issue a statutory advertisement at the time of/after filing of Prospectus with RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### **Issuance of Intimation Note and Confirmation of Allocation/Allotment Note to bidders, other than QIBs**

The Registrar to the Issue shall send Confirmation of Allocation Note/Allotment Advice-cum-Refund Orders to all the Bidders intimating the number of shares allotted and the amount refunded.

### **Issuance of Intimation Note and Confirmation of Allocation Note to QIB bidders**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/ NSE system. Based on the electronic book, if so required, QIBs may be sent an Intimation Note, indicating the number of Equity Shares that may be allocated to them and the additional margin required which shall be payable by the QIBs within the pay-in date specified therein. This Intimation Note is subject to the Basis of Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI (ICDR) Regulations, 2009, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciled book and basis of allotment as approved by the Designated Stock Exchange. In addition, there are foreign investment limitations applicable to our Company, which may result in a change (including a potential decrease) in the number of Equity Shares being finally allotted to non-resident investors (including FIIs). As a result, a CAN may be sent to QIBs and the allocation of Equity Shares in such CAN, may be different from that specified in the earlier Intimation Note. QIBs should note that they may be required to pay additional amounts if any, by way of cheque, DD, RTGS, NEFT or any other electronic mode by the Pay-in Date specified in the CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract for the QIB for all the Equity Shares allocated to such QIB

### **Designated Date and Allotment of Equity Shares**

- a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would allot the Equity Shares to the allottees and would ensure the credit to the successful Bidders depository account within two working days from the date of finalization of the basis of allotment with the Designated Stock Exchange. In case, our Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.
- b) In accordance with the SEBI (ICDR) Regulations, 2009, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

### **General Instructions**

#### **Do's:**

- a) Check if you are eligible to apply;
- b) Complete the bid-cum-application form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.
- e) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;
- f) Ensure that you have been given a TRS for all your Bid options;
- g) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- h) Ensure that the Bid is within the Price Band;
- i) 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.
- j) Ensure that Permanent Account Number (PAN) is mentioned in the Bid-cum-Application For.
- k) If you have mentioned 'Applied For' or 'Not Applicable' in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.



- l) Ensure that the Demographic details as registered with your Depository participant are updated, true and correct at all respects.

**Don'ts:**

- a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b) Do not Bid for lower than minimum Bid size;
- c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- e) Do not pay bid amount in cash, through stock invest, by money order or by postal order.
- f) Do not provide your GIR number instead of PAN number;
- g) Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs. 100,000);
- h) Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law.
- i) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.
- j) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by a QIB.

**Instructions for completing the Bid-Cum-Application Form**

Bidders can obtain Bid-cum-Application Forms and/or Revision Forms from our registered/corporate office, or from the Syndicate Members or from the BRLM.

**Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- a. Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians, 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 therein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- c. The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum of Rs. 100,000.

- 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. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations.
- e. In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- f. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### **Bids by Eligible Employees of our Company**

For the purpose of the Employees Reservation Portion, Eligible Employee means permanent employees/executive (working) directors of our Company, who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid-cum-Application Form.

Bids under Employees Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. [●] colour Bid-cum-Application form marked “Employees”).
- Eligible Employees, as defined above, should mention his/her employee number at the relevant place in the Bid-cum-Application Form.
- The sole/ first bidder should be Eligible Employees as defined above.
- Only eligible employees would be eligible to apply in this Issue under this Reservation Portion.
- Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who apply or bid for Equity Shares of or for a value of not more than Rs. 1,00,000/- in any of the bidding options can apply at Cut-Off. Cut-off facility is not available to other Eligible Employees whose minimum Bid amount exceeds Rs. 1,00,000/-.
- Bid/ Application by Eligible Employees can be made also in the ‘Net Issue to the Public’ and such bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 2,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Under-subscription, if any, in this category, will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of our Company, and BRLM. In case of under subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employees Reservation Portion.
- If the aggregate demand in this category is greater than 2,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to Para ‘Basis of Allotment’ on page 207.

### **Bidder's Bank Account Details**

Bidders should note that on the basis of name of the Bidders, Depository Participants Name, Depository Participants Identification Number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, the Bidder's bank account details. These bank account details would be printed on the Refund Orders/Refund Advices, if any, to be sent to the Bidders and for giving refund through any of the mode namely ECS or Direct Credit or RTGS or NEFT. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant.

Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither the BRLM nor our Company shall have any responsibility and undertake any liability for the same.

#### **BIDDER'S DEPOSITORY ACCOUNT DETAILS**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S 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, occupation, bank account details for printing on refund orders / refund advices or and for giving refund through any of the mode namely ECS or Direct Credit or RTGS or NEFT (hereinafter 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/ refund advice / ECS credit for refunds/ Direct Credit of refund/CANs/Allocation Advice and printing of Bank particulars on the refund order / refund advice, and the Registrar would not use the Demographic Details given by Bidders in the Bid-cum-Application Form for these purposes.

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 Advice / Refund Orders/ Allocation Advice/ CANs would be mailed at address of the first Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ refund advice/ 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 Bidders 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 match three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected. Investors should note that the refund cheques/allocation advice/refund advice would be overprinted with details of bank account as per the details received from the depository.

The Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice or refunds through electronic transfer of

funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

#### **Bids under Power of Attorney or by Limited Companies, Corporate Bodies or Registered Societies**

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 & Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any bid in whole or in part.

In case of Bids made pursuant to a Power of Attorney by FIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that the Company and BRLM may deem fit.

#### **Procedure for Bids by Mutual Funds**

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, our Company reserves the right to accept or reject any Bid in whole or in part.

#### **Bids by Insurance Companies**

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

#### **Bids by Provident Funds**

In case of Bids made by provident fund with the minimum corpus of Rs. 2500 Lacs and pension fund with the minimum corpus of Rs. 2500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as our Company/BRLM may deem fit.

#### **Bids by NRIs, FIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis**

NRI, FIs and Foreign Venture Capital funds Bidders to comply with the following:

- Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office or from members of the Syndicate or the Registrars to the Issue.
- 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 and Revision to Bids must be made:**

- On the Bid cum Application Form or Revision Form, as applicable and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three)
- **By NRIs:** For a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs. 100,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs. 100,000 would be considered under Non Institutional Category for the purposes of allocation. *For further details refer to paragraph titled “Maximum and Minimum Bid Size” beginning on page 187 under this Chapter in the Draft Red Herring Prospectus.*
- **By FIIs:** In multiples of [●] Equity Shares so that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. *For further details refer to paragraph titled “Maximum and Minimum Bid Size” beginning on page 187 under this Chapter in the Draft Red Herring Prospectus.*
- In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/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. We 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**

We along with BRLM and Syndicate Member(s) shall open an Escrow Account of our Company with the Escrow Collection Banks 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**

1. The applicable Margin Amount for Non Institutional Bidders and Retail Individual Bidders is equal to 100% whereas for QIBs it is 10% and while submitting the Bid cum Application Form, shall be drawn as a payment instrument for the Bid Amount in favour of the Escrow Account and submitted to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of our Company within the period specified in the Intimation Note/CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:

i.	In case of Resident Bidders	:	<b>Escrow Account – SEL Public Issue - R</b>
ii.	In case of Non Resident Bidders	:	<b>Escrow Account – SEL Public Issue – NR</b>
iii.	In case of Resident QIB Bidders	:	<b>Escrow Account – SEL Public Issue – QIB – R</b>
iv.	In case of Non Resident QIB Bidders	:	<b>Escrow Account – SEL Public Issue – QIB – NR</b>
v.	In case of Eligible Employees of our Company	:	<b>Escrow Account – SEL Public Issue – Employees</b>

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
5. Payment will not be accepted out of a Non Resident Ordinary (NRO) Account of a Non Resident bidder bidding on a repatriation basis.
6. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
7. Where a Bidder has been allocated a lesser number of Equity Shares than what the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account of our Company.
8. The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date.

9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue and Refund Account with the Refund Bankers.
10. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Refund Banker 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 drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheque/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.**

#### **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form. However, for QIB Bidders, the members of the Syndicate member shall collect the Margin Amount.

**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 members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.**

#### **Other Instructions**

##### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ('First Bidder'). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

##### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

- i) All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
- ii) In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

- iii) The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
- iv) The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
- v) The applications will be scrutinized for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
- vi) Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

We reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

#### **Permanent Account Number (PAN)**

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, 1961, irrespective of the amount for which application or bid is made. Applications without this information will be considered incomplete and are liable to be rejected.

**It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

#### **Unique Identification Number – MAPIN**

SEBI has, with effect from July 2, 2007 declared that the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. Thus the use of UIN has been discontinued.

#### **Right to Reject Bids**

Our Company, in consultation with the BRLM, reserves the right to reject any Bid procured from QIBs, by any or all members of the Syndicate for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons thereof shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders our Company would have a right to reject the Bids only on technical grounds. Consequent refunds



shall be made by Cheque/Pay Order/Demand Draft/ECS/Direct Credit/RTGS/NEFT, as the case may be, 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 technical grounds, including the following:-

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. Bank account details for Bidders not given;
4. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
5. Bids by Non Residents, if not in compliance with the appropriate foreign and Indian laws;
6. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons
7. PAN not mentioned in the Bid-cum-Application form
8. GIR Number given instead of PAN Number;
9. Bids for lower number of Equity Shares than specified for that category of investors;
10. Bids at a price less than the lower end of the Price Band;
11. Bids at a price more than the higher end of the Price Band;
12. Bids at cut-off price by Non-Institutional and QIB Bidders;
13. Bids for number of Equity Shares, which are not in multiples of [●];
14. Category not ticked;
15. Multiple bids as defined in the Draft Red Herring Prospectus;
16. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
17. Bids accompanied by Stockinvest/money order/ postal order/ cash;
18. Bids not duly signed by the sole /joint Bidders;
19. Bid-cum-Application Form does not have the stamp of the BRLM/Syndicate Member;
20. Bid-cum-Application Form does not have Bidder's depository account details;
21. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid-cum-Application Form; or
22. 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;
23. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
24. Bid in respect of which Bid cum Application form do not reach the Registrar prior to the finalization of the basis of allotment;
25. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
26. Bids by OCBs;
27. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act;
28. Bids by any person outside India if not in compliance with applicable foreign and Indian laws;
29. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
30. Bids not uploaded in the electronic bidding system of Stock Exchanges would be rejected; and
31. Bids by NRIs not disclosing their residential status;
32. Any other reason which the BRLM or our Company deem necessary.

### **Equity Shares in Dematerialized 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 dematerialized 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 among our Company, the Depositories and the Registrar:

- 1) An Agreement dated [•], 2010 among NSDL, our Company and Registrar.
- 2) An Agreement dated September [•], 2010 among CDSL, our Company and Registrar.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected. All Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

- 1) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
- 2) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
- 3) Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- 4) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
- 5) Non-transferable allocation advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.
- 6) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- 7) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his/her Depository Participant.
- 8) Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. BSE and NSE, where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
- 9) The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of BSE and NSE.
- 10) Investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them, pursuant to the 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, Bidders Depository account details, number of Equity Shares applied for, date of Bid-cum-Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Our Company has appointed Ms. Himani Dua as the Compliance Officer for the purposes of this IPO and he may be contacted at the registered office of our Company at: Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana -141010, Punjab, India. Investors may contact her in case of any Pre-Issue or Post-Issue related problems.

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

#### **Disposal of Applications and Application Money**

We shall ensure dispatch of allotment advice and/or refund orders/refund advice (in case refunds made through ECS/ Direct Credit, RTGS, NEFT) as the case may be giving credit to the Beneficiary Account of the bidders with their respective Depository Participant 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.

#### **Impersonation**

**Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**“Any person who:**

- (a) makes in a fictitious name, a Bid to a company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”**

#### **Interest on Refund of Excess Bid Amount**

We shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date.

#### **BASIS OF ALLOTMENT**

Basis of allotment shall be finalized by our Company and BRLM in consultation with BSE.

##### **I. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 37,80,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.

- If the aggregate demand in this category is greater than 37,80,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares (being the minimum bid quantity) or in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.

## **II. For Non Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 16,20,000 Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 16,20,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares (being the minimum bid quantity) or in multiples of one Equity Share. For the method of proportionate basis of allotment refer below.

## **III. For QIB Bidders**

- Bids received from the QIB bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIB Bidders will be made at the issue price.
- The QIB portion shall be available for allocation to QIB bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
    - i. In the event that Mutual Fund Bids exceed 5% of the QIB portion, allocation to Mutual Funds shall be done on a proportionate basis for 5% of the QIB portion.
    - ii. In the event that the aggregate demand for Mutual Funds is less than 5% of the QIB portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - iii. Equity shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIB's shall be determined as follows:
    - i. In the event that the oversubscription in the QIB portion, all QIB bidders who have submitted bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB portion.
    - ii. Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Share on a proportionate basis along with other QIB Bidders.

- iii. Under-subscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB bidders on a proportionate basis.

(c) The aggregate allocation to QIB Bidders shall be up to [●] Equity Shares.

#### **IV. For Bidders in Employees Reservation Portion**

- Bids received from the Bidders in Employees Reservation Portion at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Bidders in Employees Reservation Portion will be made at the Issue Price.
- The Equity Shares under the Employee Reservation portion shall be available for allotment to Bidders who have bid in this category 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 2,00,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Bidders in Employee Reservation category to the extent of their demand.
- If the aggregate demand in this category is greater than 2,00,000 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 90 Equity Shares. For the method of proportionate basis of allotment, kindly refer to the paragraph on the following pages on method of proportionate basis of allotment.

#### **Procedure and Time Schedule for Allotment and Issue of Certificates**

The Issue will be conducted through a '100% book building process' pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on [●] and expire on [●]. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the issue price, and, in consultation with the BRLM, the basis of allocation and entitlement to allotment based on the bids received and subject to the confirmation by the Stock Exchanges. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with Registrar of Companies, [●],[●] and SEBI, Mumbai. SEBI (ICDR) Regulations, 2009 require our Company to complete the allotment to successful bidders within 15 days from the Bid/Issue Closing Date. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and traded on BSE and NSE.

#### **Method of Proportionate Allotment**

In the event of the Issue being over-subscribed, the basis of allotment shall be finalised by Our Company in consultation with the Designated Stock Exchange. The Executive Director/Managing Director of the Bombay Stock Exchange (Designated Stock Exchange) along with the post Issue Lead Merchant Banker and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportional basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for,

- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio, in that category subject to a minimum allotment of [●] Equity Shares. The allotment lot shall be the same as the minimum application lot irrespective of any revisions to the price band.
- (d) In all Bids where the proportionate allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
  - Each successful Bidder shall be allotted a minimum of [●] Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] 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 the decimal is less 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.
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

#### **Letters of Allotment or Refund Orders**

We shall give credit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. Applicants residing at 15 centers where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Direct Credit or RTGS or NEFT, or ECS as applicable (subject to availability of all information for crediting through electronic mode). In case of other applicants, the Bank shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by 'Under Certificate of Posting', and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through the electronic facility. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 working days of closure of Issue. We shall ensure dispatch of refund orders, if any, by 'Under Certificate of Posting' or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS or NEFT, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the issuer.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (ICDR) Regulations, 2009, we undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time as prescribed under SEBI (ICDR) Regulations, 2009.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as a Refund Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the Direct Credit/RTGS/NEFT/ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

### Mode of Making Refunds

The payment of refund, if any, would be done through various modes as given hereunder:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following sixty eight centres:

1. Ahmedabad	2. Nashik	3. Sholapur	4. Gorakhpur
5. Bangalore	6. Panaji	7. Ranchi	8. Jammu
9. Bhubaneshwar	10. Surat	11. Tirupati (non-MICR)	12. Indore
13. Kolkata	14. Trichy	15. Dhanbad(non-MICR)	16. Pune
17. Chandigarh	18. Trichur	19. Nellore (non- MICR)	20. Salem
21. Chennai	22. Jodhpur	23. Kakinada(non- MICR)	24. Jamshedpur
25. Guwahati	26. Gwalior	27. Agra	28. Visakhapatnam
29. Hyderabad	30. Jabalpur	31. Allahabad	32. Mangalore
33. Jaipur	34. Raipur	35. Jalandhar	36. Coimbatore
37. Kanpur	38. Calicut	39. Lucknow	40. Rajkot
41. Mumbai	42. Siliguri (non- MICR)	43. Ludhiana	44. Kochi/Ernakulam
45. Nagpur	46. Pondicherry	47. Varanasi	48. Bhopal
49. New Delhi	50. Hubli	51. Kolhapur	52. Madurai
53. Patna	54. Shimla (non- MICR)	55. Aurangabad	56. Amritsar
57. Thiruvananthapuram	58. Tirupur	59. Mysore	60. Haldia (non- MICR)
61. Baroda	62. Burdwan (non-MICR)	63. Erode	64. Vijaywada
65. Dehradun	66. Durgapur (non- MICR)	67. Udaipur	68. Bhilwara

This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned sixty eight centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.
3. RTGS – Applicants having a bank account at any of the abovementioned sixty eight centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same

is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

We shall 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 finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, 2009, our Company, further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- Our Company shall, within 15 days of the Bid/Issue Closing Date, ensure giving instruction in respect of refunds to the clearing system or dispatch the refund orders as the case may be; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment/transfer is not made, refund orders are not dispatched or refund instructions have not been given to the clearing system in the manner disclosed above and/or demat credits are not made to bidders within the 15 day time prescribed above.

Our Company will provide adequate funds required to the Registrar to the Issue for refunds to unsuccessful applicants or allotment advice. Refunds if, not made by Electronic Clearing Services (ECS), Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) will be made through cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Where refunds are made through electronic transfer of funds, a suitable communication will be sent to the bidders within 15 days of closure of the issue, giving details of the Bank where refund will be credited along with amount and expected date of electronic credit of refund.



**The bank account details for ECS/ Direct Credit, RTGS, National Electronic Funds Transfer (NEFT) credit will be directly taken from the depositories' database and hence bidders are required to ensure that bank details including MICR code maintained at the depository level are updated and correct.**

We shall 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 finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, 2009, Our Company further undertakes that allotment/ transfer of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/ Offer Closing Date.

**We will provide adequate funds required for dispatch of refund orders, Direct Credit, ECS, RTGS or allotment advice to the Registrar to the Issue.**

Refunds will be made by Direct Credit, ECS, RTGS cheques, pay orders or demand drafts drawn on a bank appointed by us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

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 Syndicate Member(s) 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.

#### **Dispatch of Refund Orders**

*For details of Dispatch of Refund Orders refer to paragraph titled "Disposal of Applications and Application Money" beginning on page 207 under this Chapter in the Draft Red Herring Prospectus.*

#### **Interest in case of delay in Dispatch of Allotment Letters/Refund Orders in case of public issues**

Our Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of issue. Our Company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue closing date.

#### **Bid/Issue Program**

Bid/Issue opens on: [●]	Bid/Issue closes on: [●]
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Bids and any revision in Bids shall be accepted **only between 10.00 am and 3.00 pm** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. Standardized cut-off time for uploading of bids on the bid/issue closing date is as under:

4. A standard cut-off time of 3.00 pm for acceptance of bids

5. A standard cut-off time of 4.00 pm for uploading of bids received from non retail applicants i.e. QIBs and HNIs.
6. A standard cut-off time of 5.00 pm for uploading of bids received from retail applicants, where the Bid Amount is up to Rs. 100,000 which may be extended up to such time as deemed fit by Stock Exchanges. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than the times mentioned above. All times mentioned in the Draft Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, our Company, the BRLM and the Syndicate Member shall not be responsible. On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received from Retail Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

**Investors please note that as per letter no. List/smd/sm/2006 dated July 3, 2006 and letter no. NSE/IPO/25101-6 dated July 6, 2006 issued by BSE and NSE respectively, bids and any revision in Bids shall not be accepted on Saturdays and holidays as declared by the Exchanges.**

The Price Band and the minimum Bid lot size for the Issue will be decided by our Company, in consultation with the BRLM, and advertised at least two working days prior to the Bid/Issue Opening Date. The announcement on the Price Band shall also be made available on the websites of the BRLM and at the terminals of the Syndicate.

We reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI (ICDR) Regulations, 2009. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price and can move up or down to the extent of 20%.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers one in English and other in Hindi, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate and to the SCSBs.

## ISSUE PROCEDURE FOR ASBA BIDDERS

SEBI, introduced a new mode of payment in public issues i.e., application supported by blocked amount wherein the application money remains blocked in the ASBA Bidder's Account until allotment in the public issue. Set forth below is the procedure for Bidding under the ASBA procedure, for the benefit of the Bidders.

**This section is only to facilitate better understanding of aspects of the procedure for bidding which is specific to ASBA Bidders. ASBA Bidders should nonetheless read this document in entirety.**

Our Company and the BRLM are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of the Draft Red Herring Prospectus. ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Form is correctly filled up, as described in this section.

The list of banks who have been notified by SEBI to act as SCSBs for the ASBA Process are provided at <http://www.sebi.gov.in>. For details on designated branches of SCSB collecting the ASBA Form, please refer the above mentioned SEBI link.

### ASBA Process

All Bidders other than QIB Bidders qualify as ASBA Investors and are eligible to submit their Bids through the ASBA process. Investors other than ASBA Investors are required to follow the process as mentioned under "Issue Procedure" on page 184 of the Draft Red Herring Prospectus.

An ASBA Investor shall only use a Physical Bid-cum-Application Form Supported by Blocked Amounts ("Physical Bid Cum ASBA Form") or Electronic Bid-cum-Application Form Supported by Blocked Amounts ("Electronic Bid Cum ASBA Form") and collectively ("Bid Cum ASBA Form") available with the SCSB which shall be submitted either physically or electronically as the case may be through the internet banking facility, to the Designated Branches ("DB") of the SCSB with whom the bank account to be blocked, is maintained by such ASBA Investor.

SCSB is a bank, registered under the SEBI (Bankers to the Issue) Regulations 1996, which offers the facility of applying through the ASBA process and has its name included in the SEBI's list of SCSBs displayed on its website at <http://www.sebi.gov.in>. ASBA Bid-cum-Application Form can be accepted only by SCSBs. A SCSB shall identify its DBs at which an ASBA investor shall submit the ASBA Bid-cum-Application Forms and shall also identify the CB which shall act as a coordinating branch for the Registrar to the Issue, Stock Exchanges and BRLM. The SCSB may identify new DBs for the purpose of ASBA process and intimate details of the same to SEBI, after which SEBI will add the DB to the list of SCSBs maintained by it. The ASBA investor should ensure that it has a Bank Account with the DB, to be eligible for making an application through ASBA. The Investor should check the SEBI website, <http://www.sebi.gov.in>, for details of the DBs.

A soft copy of the Abridged Prospectus would also be made available on the website of the SCSB, along with the Electronic Bid Cum ASBA Form, so as to enable an ASBA Investor to confirm that he/she has read and understood the terms and conditions of the Abridged Prospectus, before applying in the Issue.

### ASBA Bid-cum-Application Form

The prescribed colour of Physical **ASBA Bid-cum-Application Form** is Pink. The BRLM shall ensure that adequate arrangements are made to circulate copies of the Draft Red Herring Prospectus and Physical ASBA Bid-cum-Application Form to the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the

BRLM shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the Electronic ASBA Bid-cum-Application Form and that the same are made available on the websites of the SCSBs, Stock Exchange(s) and BRLM.

ASBA Bidders, under the ASBA process, who would like to obtain the Draft Red Herring Prospectus and/or the Physical Bid cum ASBA Form can obtain the same from the Designated Branches of the SCSBs or the BRLM. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the Electronic ASBA Bid-cum-Application Form in electronic form on the websites of the SCSBs.

An ASBA Investor shall only use the ASBA Bid-cum-Application Form for making a Bid in terms of the Draft Red Herring Prospectus which shall be submitted either electronically or physically to the SCSB with whom the bank account to be blocked is maintained. The SCSB shall give an acknowledgement specifying the application number to the ASBA Investor as proof of having accepted the Bid in physical or electronic form. The SCSB shall then block the application money in the bank account of such ASBA Investor held with the SCSB specified in the ASBA Bid-cum-Application Form, on the basis of an authorisation to this effect given by the ASBA Investor and thereafter upload the ASBA Bid-cum-Application Form in the electronic bidding system of the Stock Exchange. In case sufficient funds are not available in the account of the ASBA Investor, SCSB shall reject the ASBA Bid and shall not upload such Bids with the Stock Exchanges.

Upon completing and submitting the ASBA Bid-cum-Application Form to a SCSB, either electronically or physically, as has been elaborated hereinbelow, the ASBA Investor is deemed to have authorized our Company to make the necessary changes in the Draft Red Herring Prospectus and the ASBA Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the ASBA Investor.

#### **Method and Process of Bidding**

- (a) ASBA Bidders are required to submit their Bids, either in physical or electronic mode. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI Regulations and Draft Red Herring Prospectus.
- (b) The Designated Branches of the SCSBs shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the ASBA Bid-cum-Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares bid for shall be allocated to the ASBA Bidders.
- (c) After determination of the Issue Price, the number of Equity Shares bid for by the ASBA Bidder at or above the Issue Price in case of Non Institutional and Retail Individual Bidders or at Cut-off Price by Retail Individual Bidders will be considered for allocation at par along with the Bidders in the respective categories who have bid for Equity Shares at or above the Issue Price or at Cut-off Price.
- (d) Upon receipt of the ASBA Bid-cum-Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal

- to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid-cum-Application Form, prior to uploading such Bids with the Stock Exchanges.
- (e) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
  - (f) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid-cum-Application Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Bid-cum-Application Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generate a Transaction Registration Slip ("**TRS**"). The TRS shall be furnished to the ASBA Bidder on request.
  - (g) An ASBA Bidder cannot bid, either in physical or electronic mode, on another ASBA Bid-cum-Application Form or a non-ASBA Bid-cum-Application Form after bidding on one ASBA Bid-cum-Application Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Bid-cum-Application Form or a Non-ASBA Bid-cum-Application Form to either the same or to another Designated Branch of the SCSB will be treated as multiple Bids and will be 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.

## **Bidding**

- a. The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share, Rs. [•] being the floor of the Price-Band and Rs. [•] being the cap of the Price Band. The Bidders can bid at any price within the price Band, in multiples of Re. 1. The minimum application value shall be within the range of Rs.5,000 to Rs.7,000. The Company, in consultation with the BRLM reserves the right to revise the Price Band, during the Bid/Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price.
- b. In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi), and a regional language newspaper and also by indicating the change on the websites of the BRLM, SCSBs and at the terminals of the members of the Syndicate.
- c. The Company in consultation with the BRLM, will finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the ASBA Bidders.
- d. ASBA Bidders agree that they shall purchase the Equity Shares at any price within the Price Band. In the event the Bid Amount is higher than the subscription amount payable, the ASBA Account shall be unblocked to the extent to such excess of Bid Amount over the subscription amount payable.
- e. In case of an upward revision in the Price Band, announced as above, the number of Equity Shares bid for shall be adjusted downwards (to the previous multiple lot) for the purpose of

allotment, such that no additional amount is required to be blocked in the ASBA Account and the ASBA Bidder is deemed to have approved such revised Bid at Cut-off Price.

### **Mode of Payment**

Upon submission of a Bid cum ASBA Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

Bid cum ASBA Form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.

After verifying that sufficient funds are available in the ASBA Bidder's Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the Bid cum ASBA Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Bidder's Account, in terms of the SEBI (ICDR) Regulations, into the ASBA Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Bid Amount, as per the Bid-cum-Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts from the time of the submission of the ASBA Bid-cum-Application Form, whether in physical or electronic mode, until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or withdrawal of bids by ASBA Investor or until rejection of the ASBA Bid, as the case may be.

### **Electronic registration of Bids by SCSBs**

- a. In case of ASBA Bid-cum-Application Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchange(s) unless:
  - i. it has received the ASBA in a physical or electronic form; and
  - ii. it has blocked the application money in the bank account specified in the ASBA or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.
- b. The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for Book Building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that are not uploaded may not be considered for allocation.
- c. The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available on the websites of the Stock Exchanges during the Bidding Period.

- d. At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:
- Name of the Bidder(s);
  - Application Number;
  - Permanent Account Number;
  - Number of Equity Shares Bid for;
  - Depository Participant identification No.; and
  - Client identification No. of the Bidder's beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the above mentioned details in the electronic bidding system provided by the Stock Exchange(s).

- e. A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches of the SCSBs. The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares bid for shall be allocated to the ASBA Bidders.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme or project of our Company.
- h. The SCSB may reject the ASBA Bid upon receipt of ASBA Bid-cum-Application Form, if the ASBA Account maintained with the SCSB as mentioned in the ASBA Bid-cum-Application Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company would have a right to reject the Bids only on technical grounds.
- i. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar, in consultation with the BRLM, the Company and the Designated Stock Exchange, based on the physical records of the ASBA Bid-cum-Application Forms shall be final and binding on all concerned.

#### **Price Discovery and Allocation**

After the Bid/Issue Closing Date, the Registrar to the Issue shall aggregate the demand generated under the ASBA process and which details are provided to them by the SCSBs with the Retail Individual Investors and Non Institutional Investors applying under the non ASBA process to determine the demand generated at different price levels. For further details, refer to the section titled "Issue Procedure" on page 184 of the Draft Red Herring Prospectus.

#### **Issuance of Confirmation of Allocation Note (CAN)**

The dispatch of the CAN to an ASBA Investor shall be deemed to be a valid, binding and irrevocable contract for the ASBA Investor, whose funds shall thereafter be unblocked by the SCSB and shall be transferred to the ASBA Public Issue Account for the payment of the entire Issue Price for allocation for all the Equity Shares transferred to such ASBA Investor.

#### **Terms of Payment and Payment into the Public Issue Account by the SCSB**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar shall provide the following details to the SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the ASBA Public Issue Account on a date falling within 15 days from the Bid/Issue closing date as informed by the Book Running Lead Manager.

- 1) Number of shares to be allotted against each valid ASBA
- 2) Amount to be transferred from the relevant bank account to the ASBA Public Issue Account, for each valid ASBA Bid-cum-Application Form
- 3) The date by which the funds referred to in sub-para (2) above, shall be transferred to the ASBA Public Issue Account
- 4) Details of rejected ASBAs, if any, along with reasons for rejection and details of withdrawn/ unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts.

#### **Payment mechanism under ASBA**

The ASBA Bidders shall specify the bank account number in the ASBA Bid-cum-Application Form and the SCSB shall block an amount equivalent to the application money in the bank account specified in the Bid-cum-Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount.

In the event of withdrawal or rejection of Bid-cum-Application Form or for unsuccessful Bid-cum-Application Forms, the Registrar to the Issue shall give instructions to the Controlling Branch of the SCSB to unblock the application money in the relevant bank account. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

#### **Allotment of Equity Shares**

- a. The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the bank account of the ASBA Bidders to the Public Issue Account on the Designated Date, to the extent applicable, the Company would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Bidders' within two working days from the date of Allotment.
- b. As per the SEBI Regulations, Equity Shares will be issued, transferred and allotted only in the dematerialised form to the Allotees. Allotees 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.

#### **General Instructions**

##### **DO's:**

- a. Check if you are a Retail Individual Investor and Non Institutional Investor and eligible to Bid under ASBA process.



- b. Ensure that you use the ASBA Bid-cum-Application Form specified for the purposes of ASBA process.
- c. Read all the instructions carefully and complete the ASBA Bid-cum-Application Form (if the Bid is submitted in physical mode, the prescribed ASBA Bid-cum-Application Form is Pink in colour).
- d. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be allotted in dematerialised form only.
- e. Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or Lead Manager to the Issue.
- f. Ensure that the ASBA Bid-cum-Application Form is signed by the account holder in case the applicant is not the account holder.
- g. Ensure that you have mentioned the correct bank account No. in the ASBA Bid-cum-Application Form.
- h. Ensure that you have funds equivalent to the Bid amount mentioned in the ASBA Bid-cum-Application Form available in your bank account maintained with the SCSB before submitting the ASBA Bid-cum-Application Form to the respective Designated Branch of the SCSB.
- i. Ensure that you have correctly checked the authorisation box in the ASBA Bid-cum-Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid-cum-Application Form in your ASBA Account maintained with a branch of the concerned SCSB.
- j. Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your ASBA Bid-cum-Application Form.
- k. Ensure that you have mentioned your Permanent Account Number ("PAN") allotted under the I.T. Act.
- l. Ensure that the name(s) given in the ASBA Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Bid-cum-Application Form.
- m. Ensure that the Demographic Details are updated, true and correct, in all respects.

**DON'Ts:**

- a. Do not submit an ASBA Bid if you are a QIB Bidder.
- b. Do not Bid or revise Bid price to less than the Floor Price or more than the cap price.
- c. Do not Bid on another ASBA or Non-ASBA Bid-cum-Application Form after you have submitted a Bid to a Designated Branch of the SCSB.

- d. Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.
- e. Do not send your physical ASBA Bid-cum-Application Form by post; instead submit the same to a Designated Branch of the SCSB only.
- f. Do not fill up the ASBA Bid-cum-Application Form such that the bid amount against the number of Equity Shares Bid for exceeds the investment limit under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of the Draft Red Herring Prospectus.
- g. Do not submit the GIR number instead of the PAN Number.
- h. Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

**Specific Instructions for ASBA Investors and grounds for rejection of Bids:**

- Check whether you are eligible to apply as an ASBA Investor. If you are not covered by the definition of an “ASBA Investor”, the Bid shall be rejected
- Check all the details entered into the ASBA Bid-cum-Application Form are correct. If the DP ID, Client ID or PAN furnished by the ASBA Investor in his ASBA Bid-cum-Application Form is incorrect or incomplete, the ASBA shall be rejected and the Issuer or the SCSB shall not be liable for losses, if any. The Registrar to the Issue shall inform each SCSB about errors, if any, in the bid details, along with an advice to send the rectified data within the time as specified by the Registrar.
- The Registrar shall match the reconciled data with the depository’s database for correctness of DP ID, Client ID and PAN. In case any DP ID, Client ID or PAN mentioned in the bid file for ASBAs does not match with the one available in the depository’s database, such ASBA shall be rejected by the Registrar.
- The Registrar to the Issue shall reject multiple ASBAs determined as such, based on common PAN.
- Ensure that multiple ASBAs are not submitted
- Ensure that bids are submitted on ASBA Bid-cum-Application Forms meant only for ASBA Investor.
- Ensure that the ASBA Bid-cum-Application Form is signed by the account holder in case the applicant is not the account holder.
- Ensure that the bank account specified in the ASBA does have sufficient credit balance to meet the application money, in absence of which the application shall be rejected by the SCSB.
- Ensure that you have authorised the SCSB to do all acts as are necessary to make an application in this Issue, including uploading of his Bid, blocking or unblocking of funds in the bank account maintained with the SCSB specified in the ASBA, transfer of funds to the ASBA Public Issue Account on receipt of instruction from the Registrar to the Issue after finalisation of the basis of allotment entitling yourselves to receive shares on such transfer of funds, etc, failing which the ASBA Bid-cum-Application Form shall be rejected.

- ASBA Bid-cum-Application forms should bear the stamp of the Syndicate Member and / or Designated branch of SCSB. ASBA Bid-cum-Application forms which do not bear the stamp will be rejected.
- Ensure that you have authorised the Registrar to the Issue to issue instructions to the SCSB to remove the block on the funds in the bank account specified in the ASBA, upon finalisation of the basis of allotment and to transfer the requisite money to the Public Issue Account failing which the ASBA Bid-cum-Application Form shall be rejected.
- Ensure that you don't submit your Bid after the closing time of acceptance of Bids on the last day of the bidding period, in which case the same shall be rejected by the SCSB.

#### **ASBA Bidder's Depository Account and Bank Details**

ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE ASBA FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE ASBA FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE ASBA 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 ASBA FORM.

ASBA Bidders should note that on the basis of name of the ASBA Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the ASBA Form, the Registrar to the Issue will obtain from the Depository, demographic details of the ASBA Bidders including address, ("Demographic Details"). Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Form.

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants. By signing the ASBA Form, the ASBA Bidder is deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

CAN/Allocation advice would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery of CAN/Allocation advice may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, our Company or the Registrar to the Issue shall be liable to compensate the ASBA Bidder for any losses caused to the ASBA Bidder due to any such delay or be liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be allotted in dematerialized form only.

#### **ASBA Bids under Power of Attorney**

In case an ASBA Bidder makes a Bid pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Form. Failing this, our Company, in consultation with the BRLM, reserves the right to reject such Bids. Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Form, subject to such terms and conditions that we, in consultation with the BRLM may deem fit.

### **Revision of Price Band**

SCSB shall ensure that information about revision in the Bidding Period or Price Band, as and when received, is communicated and effected to in its systems promptly, for information of ASBA Investors.

### **OTHER INSTRUCTIONS**

#### **Withdrawal of ASBA Bids**

The ASBA Bidders can withdraw their Bids during the Bidding/Issue Period by submitting a request for the same to the SCSBs who shall do the requisite, including deletion of details of the withdrawn ASBA Form from the electronic bidding system of the Stock Exchanges and unblocking of the funds in the ASBA Account.

In case the ASBA Bidder wishes to withdraw the Bid after the Bid/Issue Closing Date, the same can be done by submitting a withdrawal request by the ASBA Bidder to the Registrar to the Issue. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file and give instruction to the SCSB for unblocking the ASBA Account after finalization of the Basis of Allotment.

#### **Joint ASBA Bids**

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his address.

#### **Multiple ASBA Bids**

An ASBA Bidder should submit only one Bid for the total number of Equity Shares desired. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same.

#### **Permanent Account Number**

The ASBA Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act on the ASBA form. **Applications without this information will be considered incomplete and are liable to be rejected by the SCSBs.** It is to be specifically noted that ASBA Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

#### **Other Information**

In case of failure or withdrawal of the Issue, on receipt of appropriate instruction from the Book Running Lead Manager, the SCSB shall unblock the bank accounts latest by the next day of receipt of such instruction.

The SCSB shall not accept any Bid Cum ASBA after the closing time of acceptance of Bids on the last day of the Bidding period.

#### **Unblocking of Funds**

Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar shall provide the following details to the Controlling Branch of each SCSB, along with instructions to unblock the relevant bank accounts and transfer the requisite money to the Public Issue account within the timelines specified in the ASBA process:

- 1) Number of shares to be allotted against each valid ASBA
- 2) Amount to be transferred from the relevant bank account to the Public Issue account, for each valid ASBA
- 3) The date by which the funds referred to in sub-para (b) above, shall be transferred to the Public Issue account
- 4) Details of rejected Bid Cum ASBA, if any, along with reasons for rejection and details of withdrawn/unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective bank accounts. SCSB shall thereafter unblock the amounts blocked in the account of the ASBA Investor.

### **RIGHT TO REJECT ASBA BIDS**

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch ascertains that sufficient funds are not available in the ASBA Account.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Form does not match with one available in the depository's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

### **COMMUNICATIONS**

All future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Bidder, ASBA Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Form, name and address of the Designated Branch of the SCSB where the ASBA Bid was submitted and bank account number of the ASBA Account, with a copy to the relevant SCSB. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held.

ASBA Bidders can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA Form was submitted, or the Registrar to the Issue in case of any pre or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

### **Disposal of Investor Grievances**

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number of the ASBA Account number and the Designated Branch or the collection centre of the SCSB where the Bid-cum-Application Form was submitted by the ASBA Bidders.

## **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY IN INSTRUCTIONS TO SCSBs BY THE REGISTRAR TO THE ISSUE**

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, 2009, we undertake that:

- Allotment shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Instructions for unblocking of the ASBA Bidder's Bank Account shall be made; and
- We shall pay interest at 15% p.a. for any delay beyond the 15 day period mentioned above, if Allotment is not made and/or demat credits are not made to investors within the time period prescribed above or if instructions to SCSBs to unblock ASBA Accounts are not issued within 15 days of the Bid/Issue Closing Date.

## **Basis of Allocation and Method of Proportionate Basis of Allocation in the Issue**

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The basis of allocation to such valid ASBA and non-ASBA Bidders will be that applicable to Retail Individual Bidders and Non Institutional Bidders. No preference shall be given vis-à-vis ASBA and other Bidders.

## **UNDERTAKING BY OUR COMPANY**

We undertake as follows:

1. that the complaints received in respect of the Issue shall be attended to by our Company expeditiously and satisfactorily;
2. that all steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed are taken within 7 working days of finalization of the basis of allotment;
3. that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the issue by our Company.
4. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
5. that certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time.
6. that no further issue of securities shall be made till the securities offered through the Draft Red Herring Prospectus are listed or till the application moneys are refunded on account of non-listing, under subscription, etc.
7. that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue after the bidding and if so, the reason thereof shall be given as a public notice within two days of

the closure of the issue. The public notice shall be issued in the same newspapers where the pre-issue advertisement had appeared. The Stock Exchanges where the specified securities were proposed to be listed shall also be informed promptly. If our Company withdraws the issue after closure of bidding, the issuer shall be required to file a fresh draft offer document with the Board.

#### **UTILIZATION OF ISSUE PROCEEDS**

The Board of Directors of our Company certifies that:

- i) All monies received out of this issue of Equity Shares to public 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, 1956;
- ii) Details of all monies utilized out of the issue referred to in sub-item (a) shall be disclosed and continue to be disclosed till the time any part of the issue proceeds remains unutilised under an appropriate separate head in the Balance Sheet of our Company indicating the purpose for which such monies had been utilized; and
- iii) Details of all unutilized monies out of the issue of Equity Shares, referred to in sub-item (i) shall be disclosed under an appropriate separate head in the Balance Sheet of our Company indicating the form in which such unutilized monies have been invested;

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the industrial policy 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. As per current foreign investment policies, foreign direct investment in the sector in which our Company operates (Civil Construction) is allowed upto 100% under the automatic route.

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 are 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 our 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 our Company. No single NRI may own more than 5% of the post- issue paid up capital of our 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 our Company. However, the limit of 24% can be raised up to the permitted sectoral cap for that Company after approval of the board of directors and shareholders of our Company. The issue of Equity Shares to a single FII should



not exceed 10% of the post-issue paid-up capital of our 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.

#### **Registration of Equity Shares under US Laws**

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, 'U.S. persons' (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to 'qualified institutional buyers', as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

**The above information is given for the benefit of the Bidders and neither our Company nor the BRLM are liable for any changes in the regulations after the date of the Draft Red Herring Prospectus.**

## **SECTION X- DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION**

### **MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF OUR COMPANY**

The Authorized capital of our Company is Rs. 50 crores divided into 5,00,00,000 Equity Shares of Rs. 10 each.

Following are the main provisions of our Articles of Association:

#### **CAPITAL AND SHARES**

##### **SHARE CAPITAL:**

5. The Authorised Share capital of the Company shall be such as mentioned in clause V of the Memorandum of Association of the Company which can be sub-divided, consolidated and increased or decreased with power from time to time to issue any shares of original capital, with and subject to any preferential, deferred, qualified or special rights, privileges or conditions as may be thought fit, and upon the sub-division of shares, to apportion the right to participate in profits, in any manner, as between the shares resulting from sub-division provided however, that the aforesaid Preference Shares shall not participate in profits, reserves or surplus beyond the stipulated rate of dividend.

##### **REDEEMABLE PREFERENCE SHARES:**

6. Subject to the provisions of these Articles, the Company shall have power to issue Preference shares which may at the option of the Company be liable to be redeemed out of profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption and the Board may subject to the provisions of Section 80 and 80A of the Act, exercise such power, in such manner as it may think fit.

##### **POWER TO CONVERT AND/OR ISSUE SHARES:**

7. The Directors shall have power, at their discretion, to convert the unissued Equity share into Redeemable Preference Shares and vice-versa and Company may, subject to sanction of three-fourth of the existing share holders, issue any parts of the unissued shares either equity or preference carrying a right to redemption out of the profits or liable to be so redeemed at the option of Company upon such terms and conditions and with such rights and privileges annexed thereto as the directors at their discretion may think fit and proper but subject to the provisions of sections 86, 87 and 88 of the Act.

##### **SHARES AT A DISCOUNT:**

8. With the previous authority of the Company in General Meeting and with sanction of the Company Law Board and upon otherwise complying with the provisions of Section 79 of the Act, the Board may issue at a discount shares of a class already issued.

##### **INSTALMENT ON SHARES TO BE FULLY PAID:**

9. If by the conditions of allotment of any share, the whole or part of the amount of issue price thereof shall be payable by installment, every such installment shall, when due, be paid to the Company by the person who, for the time being shall be the registered holder of the share or by his executor or administrator.

##### **LIABILITY OF JOINT HOLDERS OF SHARES:**

10. The joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of such share.

##### **TRUSTS NOT RECOGNISED:**

11. Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not except as ordered by a Court of

competent jurisdiction or as by statute required, be bound to recognize any equitable or other claim to or interest in such share on the part of any other person.

#### **COMMISSION AND BROKERAGE:**

12. The Company may exercise the power of paying commissions conferred by Section 76 of the Act and in such case shall comply with the requirements of that section, such commission may be satisfied by the payment in cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

#### **FURTHER ISSUE OF SHARES:**

13(A) Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares then:

(i) Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly 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 fifteen days 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 referred to in sub-clause (ii) 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 of directors may dispose of them in such manner as they think most beneficial to the company.

(B) Notwithstanding anything contained in clause (A) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in sub clause (i) of clause (A) hereof) in any manner whatsoever.

(i) If a special resolution to that effect is passed by the company in general meeting, or

(ii) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company.

(C) Nothing in sub clause (iii) of (A) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(D) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company:

(i) To convert such debentures or loans into shares in the company; or

(ii) To subscribe for shares in the company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) Either has been approved by the Central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of the loans.

#### **HOW FAR NEW SHARES TO RANK WITH EXISTING SHARES:**

14. Except so far as otherwise provided by the conditions of issue, or by these Articles, any capital raised by the creation of new shares, shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, voting, surrender and otherwise. Such new shares shall rank *pari passu* with the existing shares in all respect except for the purposes of dividend that shall be pro rated to the period for which such newly issued shares are in existence.

#### **RETURN OF ALLOTMENTS:**

15. As regards all allotments made from time to time, the company shall duly comply with Section 75 of the Act.

#### **RESTRICTION OF ALLOTMENTS:**

16. The Company shall comply with Section 69 of the Act in respect of any offer of its shares to the public for subscription.

#### **SHARES AT THE DISPOSAL OF THE DIRECTORS:**

17. Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the company in the General meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted, may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares.. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

#### **REDUCTION OF CAPITAL:**

18. Subject to the provisions of Section 100 to 104 of the Act the Company may from time to time, by Special Resolution reduce its capital in any manner for the time being authorized by Law and in particular, by paying off capital or canceling capital which has been lost or is unrepresented by available assets, or is superfluous by reducing the liability on the shares or otherwise as may be expedient, and capital may be paid off upon the footing that it may be called up again or otherwise; and the Board may, subject to the provisions of the Act. accept surrender of shares.

#### **SUB-DIVISION AND CONSOLIDATION OF SHARES:**

19. The Company in general meeting may, from time to time, sub-divide or consolidate the shares under powers conferred by Section 94 of the Act and shall file with the Registrar such notice of exercise of any such powers as may be required by the Act. Provided however that the provision relating to progressive numbering shall not apply to the shares of the Company which have been dematerialized.

**BUY BACK OF SHARES:**

20. Notwithstanding anything contained in these Articles, the Board of Directors may, when and if thought fit, buy back such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, by such of the method, and subject to such approvals, as may be permitted by the law.

**ISSUE OF SHARES WITH DIFFERENTIAL VOTING RIGHTS:**

21. The Directors may issue shares with differential rights as to dividend, voting or otherwise, upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law, on obtaining approval of the shareholders.

**MODIFICATION OF RIGHTS:**

22. If at any time, the capital of the Company by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights attached to the shares of each class may, subject to the provisions of Section 106 and 107 of Act be varied with the consent in writing of the holders of at least three-fourth of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of issued shares of that class and all the provisions hereinafter contained as to general meeting shall, mutatis mutandis, apply to every such meeting.

**INSTALLMENTS OF SHARES TO BE DULY PAID:**

23. If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who, for the time being, shall be the registered holder of the shares or by his executor or administrator

**LIABILITY OF JOINT-HOLDERS OF SHARES:**

24. The Joint Holders of a share be severally as well as jointly liable for the payment of all installments and calls due in respect of such share.

**WHO MAY BE REGISTERED:**

25. Shares may be registered in the name of any person, Company or other body corporate. Not more than four persons shall be registered as joint-holders of any share.

**SHARE CERTIFICATES:**

26. Every member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve ( upon paying such fee as the Directors so may determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holders.

27. The certificate of title to shares and duplicate thereof when necessary shall be issued under the seal of the Company which shall be affixed in the presence of :

(a) Two Directors or a Director and person acting on behalf of another director under a duly registered power of attorney or two persons acting as attorney for two Directors as aforesaid; and

(b) the Secretary or some other person appointed by the Board for the purpose, all of whom shall sign such share certificate, provided that if composition of the Board permits of it, at least one of the aforesaid two

Directors shall be a person other than a Managing or whole time Director or a Director to whom section 261 of the Act applies.

#### **ISSUE OF NEW CERTIFICATE IN PLACE OF ONE DEFACED, LOST OR DESTROYED:**

28. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, and then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutatis mutandis apply to debentures of the company.

#### **DEMATERIALISATION OF SECURITIES:**

29.

##### **b. Dematerialization of Securities:**

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialize or rematerialize its shares, debentures and other securities (both existing and future) held by it with the Depository and to offer its shares, debentures and other securities for subscription in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any;

##### **c. Option for Investors:**

Every person subscribing to securities offered by the Company shall have the option to receive the security certificates or to hold the securities with a Depository. Such a person, who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed issue to the beneficial owner the required certificates of securities.

Whereas in case of a person who opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of such information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.

##### **d. Securities in Depositories to be in fungible form:**

All securities held by a Depository shall be de-materialised and shall be in a fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B and 187C of the Act shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners;

##### **e. Rights of Depositories and Beneficial owner;**

- (i) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- (ii) Save as otherwise provided in (i) above, the Depository as a registered owner of the securities shall not have any voting rights or any other right in respect of the securities held by it;
- (iii) Every person holding securities of the company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities held by a Depository.

f. Depository to furnish information;

Notwithstanding anything to the contrary in the Act or these Articles, where the securities are in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies and discs.

g. Option to opt out in respect of any security;

If a beneficial owner seeks to opt out of a Depository in respect of any security, the beneficial owner shall inform the Depository accordingly. The Depository shall on receipt of the intimation as above, make appropriate entries in its record and shall inform the Company accordingly;

The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fee as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be;

h. Section 83 and 108 of the Act not to apply:

Notwithstanding anything to the contrary contained in the Articles

- (i) Section 83 of the Act shall not apply to the shares with a Depository.
- (ii) Section 108 of the Act shall not apply to transfer of security effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of a Depository.

i. Register and Index of Beneficial Owners;

The Register and Index of Beneficial Owners, maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and Index of Members and Security holders, as the case may be for the purposes of these Articles.

j. Intimation to Depository;

Notwithstanding anything contained in the Act or these Articles, where securities are dealt with in a Depository, the company shall intimate the details of allotment of securities hereof to the Depository immediately on allotment of such securities.

k. Stamp duty on securities held in dematerialised form;

No stamp duty would be payable on shares and securities held in dematerialized form in any medium as may be permitted by law including any form of electronic medium.

l. Applicability of the Depositories Act;

In case of transfer of shares, debentures and other marketable securities, where the company has not issued any certificate and where such shares, debentures or securities are being held in an electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

m. Company to recognize the rights of Registered Holders as also the Beneficial Owners in the records of the Depository;

Save as herein otherwise provided, the company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as also the Beneficial Owner of the shares in records of the Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the company and accordingly the company shall not except as ordered by a court of competent jurisdiction or as by law required, be bound to recognize any benami trust or equity or equitable contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof.

## **CALL ON SHARES**

### **BOARD OF DIRECTORS TO MAKE CALLS:**

- 30(1) The Board of Directors, may from time to time, by a resolution passed at a meeting of the Board, make such call as it thinks fit upon the members in respect of moneys unpaid on the shares held by them respectively, by giving not less than 15 days notice for payment and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. The Board may, at their discretion, extend the time for payment of such calls.

### **CALLS TO CARRY INTEREST**

- 30(2) If any member fails to pay any call due from him on the day appointed for payment thereof or any such extension thereof as aforesaid, he shall be liable to pay interest on the same; from the day appointed for the payment thereof to the time of actual payment, at such rate as shall from time to time be fixed by the Board of Directors, but nothing in this Article shall render it compulsory for the Board of Directors to demand or recover any interest from any such member.

### **SUMS PAYABLE ON ALLOTMENT OR AT FIXED DATE TO BE PAID ON DUE DATES:**

31. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these regulations be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.

### **PAYMENT IN ANTICIPATION OF CALL MAY CARRY INTEREST:**

32. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.

### **CALLS TO DATE FROM RESOLUTION:**

33. A call shall be deemed to have been made at the time when the resolution authorizing such call was passed at a meeting of the Board of Directors.

### **REVOCATIONS OF CALLS:**

34. A call may be revoked or postponed at the discretion of the Board.

### **FORFEITURE OF SHARES:**

35. (1) If a member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued.



(2) The notice aforesaid shall : (a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and (b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.

(3) If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

(4) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(5) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

36 (1) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture, were presently payable by him to the Company in respect of the shares.

(2) The liability of such persons shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.

37(1) A duly verified declaration in writing that the declarant is a Director, the Manager or the Secretary, of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

(2) The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.

(3) The transferee shall thereupon be registered as the holder of the share

(4) 'The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share, be affected by any irregularity or invalidity in the proceedings in reference to or disposal of the share.

#### **FORFEITED SHARE TO BECOME PROPERTY OF THE COMPANY:**

38. Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit. The forfeited shares shall be disposed of in accordance with the provisions of listing Agreement.

#### **PROVISIONS REGARDING FORFEITURE TO APPLY IN THE CASE OF NON-PAYMENT OF SUMS PAYABLE AT A FIXED TIME:**

39. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the shares or by way of premium, as if the same had been payable by virtue of a call duly made and noticed.

#### **BOARD MAY ISSUE NEW CERTIFICATE:**

40. Where any share under the power in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Board may issue new certificate for such share, distinguish it in such manner as it may think fit from the certificate not so delivered up.

#### **DIRECTORS MAY ACCEPT SURRENDER OF SHARES:**

41 The Directors may at any time, subject to the provisions of the Act, accept the surrender of any share from or by any member desirous of surrendering on such terms as the Directors may think fit.

**COMPANY'S LIEN ON SHARES/DEBENTURES:**

42. The Company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures i.e the fully paid shares/debentures shall be free from all lien and that in the case of partly paid shares the Issuer's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of this clause.

**ENFORCEMENT OF LIEN ON SALE OF SHARES:**

43. The Company may sell, in such manner as the Board thinks fit, any shares on which the Company has lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable or until the expiration of fourteen days after a notice in writing stating and demanding payment of 'such part of amount in respect of which lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or insolvency.

**APPLICATION OF PROCEEDS OF SALES:**

44. The proceeds of the sale shall be received by the Company and shall be applied in payment of such part of the amount in respect of which lien exists as is presently payable and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the persons entitled to the shares at the date of the sale. The purchaser shall be registered as the holder of the share and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

**TRANSFER AND TRANSMISSION OF SHARES****INSTRUMENT OF TRANSFER:**

45. The instrument of transfer shall be in writing and a common form of transfer will be used and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

**EXECUTION OF TRANSFER:**

46. The instrument of transfer of any share in the Company shall be executed both by the transferor and transferee and the transferor shall be deemed to remain holder of the share until the name of the transferee is entered in the register of members in respect thereof

**TRANSFER BY LEGAL REPRESENTATIVE:**

47. A transfer of the share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer

**INSTRUMENT OF TRANSFER TO BE LEFT AT OFFICE AND EVIDENCE OF TITLES TO BE GIVEN:**

48. Every instrument of transfer shall be delivered to the Company at the office for registration accompanied by any certificate of the shares to be transferred and such evidence as the Company may require to prove the title of the transferor, or his right to transfer the shares. All instruments of transfer shall be retained by the Company, but any instrument of transfer which the Board may decline to register shall on demand. be returned to the person depositing the same.

**DIRECTORS MAY REFUSE TO REGISTER TRANSFER:**

49. Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the company has a lien on shares.

**NO FEE ON TRANSFER OR TRANSMISSION:**

50. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

**REGISTER OF TRANSFERS:**

51. The Company shall keep a book, to be called the "Register of Transfers and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.

**CLOSING OF REGISTERS OF MEMBERS AND DEBENTURE HOLDERS:**

52. The Register of Members or the Register of Debenture-holders may be closed for any period or periods not exceeding 45 (forty five) days in each year but not exceeding 30 (thirty) days at any onetime after giving not less than 7 (seven) days previous notice by advertisement in some newspaper circulating in the district in which the Registered Office of the Company is situated.

**TITLE TO SHARE OF DECEASED HOLDER:**

53. The executor or administrator of a deceased member ( not being one of two or more joint holders) shall be the only person recognized by the Company as having any title to his shares, and the Company shall not be bound to recognize such executor or administrator unless such executor or administrator shall have first obtained Probate or Letters of Administration, as the case may be, from a duly constituted Court in India; Provided that in any case where the Board in their absolute discretion think fit, the Board may dispense with production of Probate or Letters of Administration, and, under the next Article, register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member as a member.

**REGISTRATION OF PERSONS ENTITLED TO SHARES OTHERWISE THAN BY TRANSFER:**

54. Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member, or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Directors (which they shall not be under any obligation to give), upon producing such evidence as the Board think sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him, and approved by the Board, registered as such holder. Provided, nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing to his nominee an instrument of transfer of the share in accordance with the provisions herein contained, and, until he does so, he shall not be freed from any liability in respect of the share.

**BOARD MAY REQUIRE EVIDENCE OF TRANSMISSION:**

55. Every Transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified, or until or unless an indemnity be given to the Company with regard to such registration which the Board at their discretion shall consider sufficient; Provided nevertheless, that there shall not be any obligation on the Company or the Board to accept any indemnity.

**NOMINATION FACILITY:**

56 (i) Every holder of shares in or holder of debentures of the Company may, at any time nominate, in the prescribed manner, a person to whom his shares in or debentures of the company shall vest in the event of his death.

(ii) Where the shares in or debentures of the company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the company shall vest in the event of death of all the joint holders.

(iii) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in, or debentures of the company, the nominee shall, on the death of the shareholder or holder of debentures of the company or as the case may be on the death of the joint holder becomes entitled to all the rights in the shares or debentures of the company to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

(iv) Where the nominee is a minor, it shall be lawful for the holder of the shares or holder of the debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the company, in the event of his death, during the minority.

**ALTERATION OF CAPITAL****POWERS TO SUBDIVIDE SHARES:**

57. The Company in General Meeting may from time to time

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.

(b) sub-divide its existing shares or any of its share capital into shares of smaller amount than is fixed by the memorandum so, however, that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced shares shall be the same as it was in the case of the share from which the reduced share is divided.

(c) cancel any shares which at the date of the passing of the resolution 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.

**SURRENDER OF SHARES:**

58. Subject to the provisions of Section 100 to 105 inclusive of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed to, of all or any of his shares.

**MODIFICATION OF RIGHTS****POWER TO MODIFY RIGHTS**

59. Whenever the capital (by reason of the issue of preference shares or otherwise) is divided into different class of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Section 106 and 107 of the Act, be modified, commuted, affected, abrogated, varied or dealt with by agreement between the Company and any persons purporting to contract on behalf of that class provided such agreement is (a) consented to in writing by the holders of at least three-fourths of the issued shares of that class or (b) sanctioned by a resolution passed at a separate General Meeting of the holders of shares of that class in accordance with Section 106(1)(b) of the Act and all the provisions hereinafter contained as to General Meeting shall mutatis mutandis, apply to every such meeting except that the quorum there shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of the class. This article is not by implication to curtail the power of modification which the company would have if the Articles were omitted. The Company shall comply with the provisions of Section 192 of the Act as to forwarding a copy of any such agreement or resolution to the Registrar.

**BORROWING POWERS**

## **POWER TO BORROW**

60. Subject to the provisions of the Companies Act, 1956 the Directors for the time being of the Company may, from time to time at their direction guarantee or borrow any sum or sums of money or make any arrangement for finance for the purpose of the company and secure the payment of such sum or sums of the financial arrangement in such manner and upon such terms and condition in all respects as they think fit and in particular by making, drawing or accepting on behalf of the Company promissory notes or bills of exchange or giving or issuing any other receipts of the company or of the issue of debenture or debentures stock of the company charged upon all or any part of the property of the company both present and future including as uncalled for the time being.

## **CONDITIONS ON WHICH MONEY MAY BE BORROWED:**

61. The Board may raise or secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable, debentures or debenture-stock or any mortgage, or other tangible security on the under-taking of the whole or any part of the property of the Company (both present and future), but shall not create a charge on its uncalled capital for the time being without the sanction of the Company in the General Meeting.

## **GENERAL MEETING**

### **WHEN ANNUAL GENERAL MEETING TO BE HELD**

65 In addition to any other Meetings, General Meeting of the Company shall be held within such intervals as are specified in Section 166 (1) of the Act and subject to the provisions of Section 166(2) of the Act, at such times and places as may be determined by the Board. Each such General Meeting shall be called an "Annual General Meeting" and shall be specified as such in the notice convening the Meeting. Any other meeting of the Company shall be called as "Extra-ordinary General Meeting"

### **WHEN EXTRA-ORDINARY GENERAL MEETING TO BE CALLED**

66. The Board may whenever it thinks fit call an Extra-Ordinary General Meeting and it shall on the requisition of the members in accordance with Section 169 of the Act proceed to call an Extra-Ordinary General Meeting The requisitionists may, in default of the Board convening the same, convene the Extra-Ordinary General Meeting as provided by Section 169 of the Act.

## **CIRCULATION OF MEMBER'S RESOLUTION**

67. The Company shall comply with provisions of Section 168 of the Act. as to giving notice of resolution and circulating statements on the requisition of members.

## **NOTICE OF MEETING**

68. Save as provided in sub section (2) of Section 172 of the Act not less than twenty one days notice of a meeting shall specify the place and the hour of the meeting and shall contain a statement of the business to be transacted thereat and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a member of the Company. Where any such business consists of "Special Business", as hereinafter defined there shall be annexed to the notice a statement complying with Section 173(2)&(3) of the Act.

Notice of every meeting of the Company shall be given to every member of the Company, to the Auditors of the Company and to person or persons entitled to a share in consequence of the death or insolvency of a member in any manner hereinafter authorised for the giving of notices to such persons. Provided that where notice of a General Meeting is given by advertising the same in a newspaper circulating in the neighbourhood of the office under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173(2) of the Act need not be annexed to the notice as required by that section but it shall be mentioned in the advertisement that the statement has been forwarded to the members of the Company.

The accidental omission to give any such notice to or its non-receipt by any members or other person to whom it should be given shall not invalidate the proceedings of the meeting.

## **PROCEEDINGS OF THE GENERAL MEETING**

### **BUSINESS OF MEETING**

69. The ordinary business of an Annual General Meeting shall be to receive and consider the Profit and Loss Account, the Balance Sheet and the Reports of the Directors and the Auditors, to elect Directors in the place of those retiring by rotation, to appoint Auditors and fix their remuneration and declare dividends. All other business transacted at Annual General Meeting shall be deemed Special Business.

### **QUORUM TO PRESENT WHEN BUSINESS COMMENCED**

70. No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided five members present in person shall be quorum.

### **WHEN, IF QUORUM NOT PRESENT, MEETING TO BE DISSOLVED AND WHEN TO BE ADJOURNED**

71. If within half-an-hour from the time appointed for the meeting a quorum be not present, the meeting, if convened on such requisition as aforesaid, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and at such time and place as the Board may by notice appoint and if at such adjourned meeting a quorum be not present within half-an-hour from the time appointed for holding the meeting those members, who are present and not being less than two shall be a quorum and may transact the business for which the meeting was called.

### **RESOLUTION TO BE PASSED BY COMPANY IN GENERAL MEETING**

72. Any act or resolution which, under the provisions of these Articles or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently so done or passed if effected by an ordinary resolution as defined in Section 189(1) of the Act unless either the Act or these Articles specifically require such act to be done or resolution passed by a Special Resolution as defined in Section 189(2) of the Act.

72A: Notwithstanding anything contained elsewhere in these Articles, but subject to the provisions of Section 192A of the Companies Act, 1956, read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 the Company may get any resolution passed by means of a postal ballot, instead of transacting the business in general meeting of the Company.

### **CHAIRMAN OF GENERAL MEETING**

73. The Chairman of the Board shall be entitled to take the Chair at every General Meeting. If there be no such chairman or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting, or is unwilling to act, the members present shall choose another Director as Chairman, and if no director be present, or if all the Directors present decline to take the Chair, then the members present shall on a show of hands or on a poll if properly demanded, elect one of their member being a member entitled to vote, to be the chairman.

### **HOW QUESTION TO BE DECIDED AT MEETING**

74. Every question submitted to a meeting shall be decided, in the first instance by a show of hands, and in case of an equality of votes, both on show of hands and on a poll. The Chairman of the meeting shall have a casting vote in addition to the vote to which he may be entitled to as a member.

### **WHAT IS THE EVIDENCE OF THE PASSING OF A RESOLUTION WHERE DEMANDED**

75. At any General Meeting unless a poll is (before declaration of the result of voting on any Resolution on show of hands), ordered to be taken by the Chairman of the meeting on his own motion or on a demand made in that behalf by member present in person or by proxy and holding shares in the company which confer a power to vote on the resolution, not being less than one tenth of the total voting power in respect of the Resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up, a

declaration by the Chairman that a Resolution has or had not been carried, or has or has not been carried either unanimously, or by particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the general meetings of the company shall be conclusive evidence of the fact, without proof of the number of the proportion of the votes cast in favour of or against the resolution.

## **POLL**

76. (i) If a poll be demanded as aforesaid it shall be taken forthwith on a question of adjournment or election of a Chairman and in any other case in such manner and at such time, not being later than forty-eight hours from the time, when the demand was made and at such place as the chairman of the meeting directs and subject as aforesaid, said either at once or after an interval or adjournment or otherwise, and the results of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was demanded.

(ii) The demand of a poll may be withdrawn at any time.

(iii) Where a poll is to be taken the Chairman of the meeting shall appoint the scrutineers.

(iv) On a poll a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if the votes or cast in the same way the votes he uses.

(v) The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which poll has been demanded.

## **POWER TO ADJOURN GENERAL MEETING**

77 (i) The Chairman of General Meeting may adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than business left unfinished at the meeting from which the adjournment took place.

(ii) When a meeting is adjourned it shall be necessary to give a notice of adjournment or of the business to be transacted at an adjourned meeting.

## **VOTES OF MEMBERS**

78 (i) Save as hereinafter provided on a show of hands every member present in person and being a holder shall have one vote and every person present either as General Proxy (as defined in article 84) on behalf of a holder of Equity shares, if he is not entitled to vote in his own right or as a duly authorised representative or body corporate, being a holder of equity shares, shall have one vote.

(ii) Save as hereinafter provided on a poll the voting right of a holder of equity shares shall be as specified in section 87 of the Act.

(iii) The holder of preference shares shall have a right to vote on a resolution placed before the Company which directly affects the rights attached to their preference shares and subject as aforesaid the holder of preference shares shall in respect of such capital be entitled to vote on every resolution placed before the Company at a meeting if the dividend due on such capital or any part of such dividend remains unpaid in respect of an aggregate period of not less than two years preceding the date of commencement of the meeting and where the holders of any preference shares have a right to vote as aforesaid on any resolution every such member personally present shall have one vote and on a poll his voting right in respect of such preference shares to the total of the capital paid up on the equity shares.

Provided that no body corporate shall vote by proxy so long as resolution of its board of directors under the provision of section 187 of the act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered.

## **PROCEDURE WHERE A COMPANY OR BODY CORPORATE IS A MEMBER OF THE COMPANY**

79(i) where a body corporate (hereinafter called "member Company") is a member of the Company. A person duly appointed by resolution in accordance with the provisions of Section 187 of the Act to present such member Company at a meeting of the Company shall not by reason of such appointment, be deemed to be proxy and the lodging with the Company at the office or production at the meeting of copy of such resolution duly signed by one Director of such member Company and certified by him as being a true copy of the resolution shall on production at the meeting, be accepted by the Company as sufficient evidence of the validity of his appointment. Such a person shall be entitled to exercise the same rights and powers including the right to vote by proxy on behalf of the member Company which he represents as that member Company could exercise if it were an individual member.

(ii) Where the President of India or the Government of a State is a member of the Company then his representative at meeting shall be in accordance with Section 187-A of the Act.

#### **VOTES IN RESPECT OF DECEASED, INSANE AND INSOLVENT MEMBERS**

80. Any person entitled under the Transmission Articles of any shares may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares provided that forty eight hours atleast before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the Board of his right to transfer such shares, unless the Board shall have previously admitted his right to vote at such meeting in respect thereof. If any member be lunatic, idiot or non compos mentis he may vote whether on a show of hand or at a poll by his committee, curator bonis or other legal curator and such last mentioned persons may give their votes by proxy.

#### **JOINT HOLDERS**

81 Where there are joint registered holders of any shares, any one of such persons may vote at any meeting either personally or by proxy in respect of such shares as if they were solely thereto, and if more than one of such joint-holders be present at any meeting either personally or proxy, that one of the said persons so present whose name stand first on Register in respect of such shares alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share is registered shall for the purposes of this Article be deemed joint holders thereof.

#### **PROXIES PERMITTED**

82. Votes may be given either personally, or in the case of a body corporate, by a representative duly authorised as aforesaid, or by proxy.

#### **INSTRUMENT APPOINTING PROXY TO BE IN WRITING, PROXIES MAY BE GENERAL OR SPECIAL**

83. The instrument appointing a proxy shall be in writing under the hand of the appointer or his Attorney duly authorised in writing and if such appointer is a body corporate be under its common seal or the hand of its Officer or Attorney duly authorized. A proxy who is appointed for a specified meeting shall be called a Special Proxy Any other shall be called a General Proxy.

#### **INSTRUMENT APPOINTING A PROXY TO BE DEPOSITED AT THE OFFICE**

84. The instrument appointing a proxy and the power or Attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney shall be deposited at the Office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument purports to vote in respect thereof and in default the instruments of proxy shall not be treated as valid.

#### **WHETHER VOTE BY PROXY VALID THOUGH AUTHORITY REVOKED**

85. A vote given in accordance with the terms of a instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the shares shall have received by the Company at the Office before the vote is given. Provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may be in his discretion think fit of the due execution of an instrument of proxy and that same has not been revoked.

#### **FORM OF INSTRUMENT APPOINTING A SPECIAL PROXY**

86. Every instrument appointing a special proxy shall be retained by the Company and shall as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act or as near thereto as possible or in any other form which Board may accept.

#### **RESTRICTION ON VOTING**

87. No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien, but



the Board of Directors may by a resolution passed at the meeting of the Board, waive the operation of this Article.

#### **ADMISSION OR REJECTION OF VOTES**

88 (i) Any objection as to the admission or rejection of a vote either, on a show of hands or on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive.

(ii) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote not disallowed at such meeting shall be valid for all purposes.

#### **DIRECTORS**

##### **COMPANY IN GENERAL MEETING INCREASE OR REDUCE NUMBER OF DIRECTORS**

89. The Company in General Meeting, may from time to time increase or reduce the number of Directors within the limits fixed by Article 90.

##### **NUMBER OF DIRECTORS**

90. The number of Directors of the Company shall not be less than three and not more than Twelve.

##### **SHARE QUALIFICATION OF DIRECTORS**

93. A Director shall not be required to hold any shares qualification.

##### **POWER TO APPOINT MANAGING DIRECTOR**

94. Subject to the provision of section 269, 316 and 317 of the Act, the Board may from time to time appoint one or more Directors to be Managing Directors of the Company either for a fixed term or without any limitation as to period for which to hold such office and may from time to time (subject to the provision of any contract between him and Company) remove or dismiss him from office and appoint another in his place.

##### **DISCLOSURE OF A DIRECTORS INTEREST**

103. Every Director who is in any way whether directly or indirectly, concerned or interested in a contract or arrangement, entered into, or to be entered into by or on behalf of the Company not being a contract or arrangement entered into or to be entered into or to be entered into between the Company and any other company where any of the Directors of the Company or two or more of them together holds or hold not more than two per cent of the paid up share capital in the other company shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act. A general notice renewable in the last month of each financial year of the Company that a Director is a Director or a member of any specified body corporate or is a member of any specified firm and is to be regarded as concerned or interested in relation; to any contract or arrangement so made and after such general notice it shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or firm provided such general notice is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given. Every Director shall be bound to give and from time to time renew a general notice as aforesaid in respect of all bodies corporate of which he is Director or member and of all firms of which he is a member.

##### **DISCUSSION AND VOTING BY ANY DIRECTOR INTERESTED**

104. No Director shall, as a Director take any part in the discussion of or any contract or arrangement in which he is in any way, whether directly or indirectly concerned or interested nor shall his presence count for the purpose of forming a quorum at the time of such discussion or vote This prohibition shall not apply to:

(a) Any contract of indemnity against loss which the Directors or any of them may suffer by reason of becoming or being sureties or sure to for the Company; or

(b) any contract or arrangement entered into or to be entered into by the Company with a public company, or with private company, which is subsidiary of a public company, in which the interest of the Director consists solely in his being a Director of such company and holder of shares not exceeding a number of value the amount requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company or in his being a member of the Company holding not more than two percent of the paid up share capital of the Company.

## **ROTATION OF DIRECTORS**

### **ROTATION AND RETIREMENT OF DIRECTOR**

105 (a) At each Annual General Meeting of the Company one third of such of the Directors for the time being as are liable to retire by rotation, if their number is not three, or multiple of three then the number nearest to one third shall retire from office. Neither an ex-officio Director nor an additional Director appointed by the Board under Article 91 hereof shall be liable to retire by rotation within the meaning of the Article.

(b) A person who is not a retiring Director shall subject to the provisions of the Companies Act, 1956 be eligible for appointment to the office of Director at any general meeting, if he or some member intending to propose him has not less than 14 days before the meeting, left at the Regd. Office of the Company a notice in writing under his hand signifying his candidature for the office of Director, of the intention of such member to propose him a candidate for that office as the case may be alongwith a deposit of Rs Five hundred or such sum as may for the time being be prescribed by the Act which shall be refunded to such person or, to such member if the person succeed in getting elected as a director. The company shall inform its member of the candidature of a person for the office of director or the intention by serving individual notices on the member not less 7days before the meeting provided that it shall not be necessary for the company to serve individual notices upon the member as aforesaid if the Company advertises such candidature or intention not less than seven days before the meeting in atleast two news papers circulating in the place where the registered office of the Company is situated, of which one is published in the English language and the other in the Hindi language.

### **WHICH DIRECTORS TO RETIRE**

106 (a) The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in the office since their last appointment but as between persons who become Directors on the same day those to retire shall, in default of and subject to any agreement among themselves, be determined by lot.

### **APPOINTMENT OF DIRECTOR TO BE VOTED ON INDIVIDUAL**

(b) Save as permitted by Section 263 of the Act, every resolution of a General Meeting for the appointment of a Director shall relate to one name individual only.

### **POWER TO REMOVE DIRECTOR BY ORDINARY RESOLUTION ON SPECIAL NOTICE**

107. The Company may remove any Director before the expiration of his period of office in accordance with the provision of Section 284 of the Act may subject to the provisions of Section 262 of the Act appoint another person in his seat if the Director so removed was appointed by the Company in General Meeting or by the Board under Article 108.

### **BOARD MAY FILL UP CASUAL VACANCIES**

108. If any Director appointed by the Company in General Meeting vacate as a Director before his term of office will expire in the normal course, the resulting casual vacancy may be filled by the Board at a meeting of the Board, but any person so appointed shall retain his office so long as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director shall be governed by the provision of Section 257 of the Act.

## **PROCEEDING OF DIRECTORS**

### **MEETING OF DIRECTORS**

110. The Board of Directors may meet for the despatch of business, adjourn or otherwise regulate its meetings, as it think fit; provided that a meeting of the Board of Directors shall be held at least once in every three calendar months.

### **DIRECTORS MAY SUMMON MEETING**

111. A Director may, at one time, and Manager or Secretary shall on the request of a Director made any time convene a meeting of the Board.

## **MINUTES**

### **MINUTES TO BE MADE**

119. (A) The Board shall in accordance with the provision of section 193 of the Act cause minutes to be kept of every General Meeting of the Company and of every meeting of the Board or of every Committee of the Board.

(B) Any such minutes of any meeting of the Board or of any committee of the Board or of the Company in General Meeting, it kept in accordance with the provisions of section 93 of the Act shall be the evidence of the matters stated in such minutes. The minutes books of General Meetings of the Company shall be kept at the office and shall be open to inspection during the hours of 10A.M and 4.00 P.M. on such business days as the Act requires them to open for inspection.

## **POWER OF THE BOARD**

### **GENERAL POWER OF THE COMPANY VESTED IN THE BOARD**

120. Subject to the provisions of the Act control of the company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such Act and things as the company is authorized to exercise and do. Provided that the Board shall not exercise any power to do any act or things which it directed or required whether by the Act or any other state or by the Memorandum of the Company or by these Articles or otherwise to be exercised or done by the Company in General Meeting provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of the Company or in these Articles or in any regulations not inconsistent therewith and duly made there under including regulation made by the Company in the General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

### **DELEGATION OF POWERS**

121. Subject to the provisions of the Act the Board may from time to time, as it may think fit delegate all or any of the powers hereby conferred upon the Board other than the power to make call on members in respect of money unpaid on their shares and issue debentures.

### **REMUNERATION OF MANAGING DIRECTOR**

123. Subject to the provision of section 309 ,310,and 311 of the Act, a Managing Director shall, in addition to the remuneration payable to him as a Director of the Company under these Articles, receive such additional remuneration as may from time to time be sanctioned by the Company in General Meeting.

### **POWER OF MANAGING DIRECTOR**

124. Subject to the provision of the Act and particular to the prohibitions and restrictions contained in Section 292 thereof the Board may from time to time entrust to and confer upon Managing Director for the time being such to the powers exercisable under these presents by the Board as it may think fit , and may confer such powers for such time and be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as it think fit and Board may confer such powers either collaterally with or to the exclusion of and in substitution for all or any, the power of the Board in that behalf and may from time to time revoke, withdraw, alter or vary all or any such powers.

## **MANAGEMENT**

### **MANAGEMENT OF THE COMPANY**

125 Board of directors may in accordance with the provisions of the Act appoint a whole time Chairman or Managing Director or whole time Director or President or Executive Director or Manager to its affairs. A Director may be appointed as a Secretary or Manager or Executive Director, Secretary or

Manager need not be a Director of the Company. The terms and conditions and the appointment of the said Directors shall be subject to the provision of the Companies Act, 1956 and to the consent of the General Meeting of the Company where required.

## **DIVIDENDS**

### **DECLARATION OF DIVIDENDS**

- 137 Company in Annual General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profit and may, subject to the provisions of section 207 of the Act, fix the time for payment. No larger dividend shall be declared than is recommended by the Board. But the Company in General Meeting may declare a smaller dividend.

### **DIVIDEND TO BE PAID OUT OF PROFITS**

- 138 No dividend shall be paid otherwise than out of profits of the year or any other undistributed profits except as provided by section 205 of the Act. No dividend shall carry interest against the company.

### **DIVIDEND TO BE PRO RATA ON THE PAID UP AMOUNT**

139. Subject to the special rights of the holders of preference shares, if any, of the time being, the profit of the company distributed as dividends or bonus shall be distributed among the member in proportion to the amounts paid or credited as paid on the shares held by them respectively, but no amount paid on a share in advance of calls shall while carrying interest be treated for the purpose of this Article as paid on the shares. All dividend shall be apportioned and paid prorata according to the amounts paid or credited for the purpose , but if any share is issued on terms providing that it shall rank for dividend accordingly .

### **WHAT TO BE DEEMED NOT PROFITS**

140. The declaration of the amount of the net profits of the Company shall be conclusive.

### **INTERIM DIVIDENDS**

141. The Board may from time to time to pay the members such dividends as in its judgement the position of the Company justifies.

### **DIVIDEND RIGHT**

145. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.

### **POWER TO RETAIN DIVIDEND UNTIL TRANSMISSION IS EFFECTED**

146. The Director may retain the dividends payable upon shares in respect of the person is under transmission Article (Article 47) entitled to become a member or which any person under that Article is entitled to transfer , until such person become a member in respect of such shares or shall duly transfer the same.

### **DEPOSIT OF DIVIDEND IN SPECIAL ACCOUNT PENDING TRANSFER**

- 146 A. The dividend on shares, in respect of which instrument of transfer of shares has been delivered to the company for registration and transfer of shares has not been Registered by the Company, shall be transferred to Special Account referred to in Section 205A of the Act pending transfer.

### **PAYMENT OF DIVIDEND TO MEMBERS OF MANDATE**

148. No Dividend shall be paid in respect of any shares except to the registered holder of such share or to his order to his bankers, but nothing contained in the Article shall be deemed to require the bankers of a registered shareholder to make a separate application to the Company for the payment of dividend.

## **DIVIDEND TO JOINT SHAREHOLDERS**

149. Any one of several persons who are registered as the joint shareholders of any share may give effectual receipts for all dividends , bonus and other payments in respect of such shares.

## **NOTICE DECLARATION OF DIVIDEND**

150. Notice of any dividend whether interim or otherwise, shall be given to the persons entitled to share therein the manner hereinafter provided.

## **UNPAID OR UNCLAIMED DIVIDEND**

152. Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration , transfer to total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank , to be called "----- Unpaid Dividend Account"

Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to the Fund known as Investors Education and Protection Fund established under section 205C of the Act.

153. No Unclaimed or Unpaid dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205 A of the Act.

## **BOOKS OF ACCOUNT**

### **BOOKS OF ACCOUNT TO BE KEPT**

154. The Board shall cause proper books of account to be kept in accordance with section 209 of the Act.

### **WHERE TO BE KEPT**

155. The Books of accounts shall be kept at the Registered office or at such other place in India as the Board may decide and when the Board so decides, the company, shall, within seven days of the decision, file with the Registrar a notice in writing giving the full address of that other place.

### **INSPECTION BY DIRECTORS**

156. a) The books of account shall be open to inspection by any Director during business hours.

b) The Board shall, from time to time determine and to what extent and what times and places and under what conditions or regulations the books of accounts and books and documents of the Company, other than those referred to in Articles 119 and 169 or any of them shall be open to the inspection of the members not being Directors and no member ( not being a Director) shall have any right of inspecting any books of account or books or documents of the company in General Meeting.

## **ACCOUNTS**

### **BALANCE SHEET AND PROFITS AND LOSS ACCOUNT**

157. At every Annual General Meeting the Board shall lay before the company a Balance Sheet and Profit and Loss Account made up in accordance with the provisions of Section 210 of the Act and such Balance Sheet and Profit And Loss Account shall comply with the requirements of section 210, 211, 212, 215 and 216 and of Schedule VI to the Act so far as they are applicable to the Company but save as aforesaid the Board shall not be bound to disclose greater details of the results of extent of the trading and transaction of the Company than it may deem expedient.

## **ANNUAL REPORT OF DIRECTORS**

158. There shall be attached to every Balance Sheet laid before the Company a report by the board complying with section 217 of the Act.

#### **COPIES TO BE SENT TO MEMBERS AND OTHERS**

159. The Company shall send a copy of such Balance Sheet and Profit and Loss Account together with a copy of the Auditor's Report to the registered address of every member of the company and to every holder of debenture/bonds issued by the company in the manner in which notices are to be given hereunder at least twenty one clear days before the meeting at which it is to be laid before the members of the Company and shall deposit a copy at the Registered Office of the Company for inspection of the members of the company during a period of at least twenty one days before that meeting.

#### **COPIES OF BALANCE SHEET TO BE FILED**

160. The Company shall comply with section 220 of the Act as to filling of copies of the Balance Sheet and Profit and Loss Account and documents require to be annexed thereto with the Registrar.

### **SERVICES OF NOTICE AND DOCUMENTS**

#### **HOW NOTICES TO BE SERVED ON MEMBERS**

163. A notice or other documents may be given by the Company to its members in accordance with sections 53 and 172 of the Act.

#### **TRANSFeree , BOUND BY PRIOR NOTICES**

164. Every person who by operation of law transfer or other means what so ever shall become entitled to any share shall be bound by every notice in respect of such shares which previously to his name and address being entered on the Register shall have been duly given to the persons from whom derives his title to such shares.

#### **SERVICE OF PROCESS IN WINDING UP**

166. Subject to the provisions of Section 497 of the Act in the event of a winding up of the Company, every member of the Company who is not for the time being in the place where the office of the Company is situated shall be bound, within eight weeks after the passing of an effective resolution to wind up the company voluntarily or the making of an order for the winding up of company, to serve notice in writing on the Company appointing some householder residing in the neighborhood of the office upon them all summons, notices, processes, order and judgement in relation to or under the winding up of the Company may be served and default of such nomination, the Liquidator of the Company shall be at the member and the Liquidator shall be deemed to be good personal service on such members or all purpose and where the Liquidator makes any such appointment he shall with all convenient speed given notice thereof to such member by advertisement in some daily newspaper circulating in the neighborhood of the office or by a registered letter sent by post and addressed to such member at his address as registered in the register and notice shall be deemed to be served on the day on which the advertisement appears or the letter would be delivered in the course of the post . The provisions of this Article does not prejudice the right of the company to serve any notice or other document in any other manner prescribed by these articles.

### **KEEPING OF REGISTERS AND INSPECTION**

#### **REGISTERS, ETC. TO BE MAINTAINED BY THE COMPANY**

167 .The Company shall duly keep maintain at the office registers in accordance with the sections 42(7) ,143,150,151,(2), 301,303,307,356,358,359,360,370, and 372 of the Act and Rule 7(2) of the Companies (Issue of Share Certificates ) Rule 1960.

#### **SUPPLY OF COPIES OF REGISTES**

168. The Company shall comply with provisions of section 39, 118, 163, 192, 196, 219, 301, 302, 304, 307, 362, 370, and 372 of the Act as to supplying of copies of the registers, deeds, documents, instruments,

returns, certificates and books herein mentioned to the persons therein specified when so required by such persons on payment or on such charges, if any, prescribed by the said section.

## **INSPECTION OF REGISTERS**

169. Where under any provision of the Act any person whether a member of the company or not is entitled to inspect any register, return, certificate, deed, instrument or document required to be kept or maintained by the Company the person so entitled to inspection shall be permitted to inspect the same during the hours of 10 A.M and 4.00 P.M. on such business days as the Act requires them to be open for inspection.

## **WHEN REGISTERS OF MEMBERS OR DEBENTURE HOLDERS MAY BE CLOSED**

170. The Company after giving not less than seven days previous notice by the advertisement in some newspaper circulating in the district in which the office is situated close the Register of Members or the Register of Debenture Holders as the case may be for any periods not exceeding in the aggregate Forty five days in each years but not exceeding thirty days at any one time.

## **RECONSTRUCTION**

### **RECONSTRUCTION**

171. On any sale of the undertaking of the Company, the Board or the Liquidator on a winding up may, if authorized by a special resolution accept fully paid up shares debentures or securities, of any other company whether incorporated in India or not either than existing or to be formed for the purchase in whole or in part of the Company's property and the Board ( if the profits of the company permits) or the Liquidators ( in a winding up) may distribute such shares or securities of any other property of the company amongst the members realization or vest the same in trustees for them and any special resolution may provide for the distribution or appropriation of the cash, shares or other securities, benefit or property otherwise than in accordance with the strict legal rights of the members or contributories of the Company and the valuation of any such securities or property at such price and such manner as the meeting may approve and all the holders of shares shall be bound by any valuation or distribution so authorized, and waive all rights in relation thereto, save only in case the Company is proposed to be in the course of being wound up, such statutory rights ( if any ) under Section 494 of the Act as are incapable of being varied or excluded by these Articles.

## **SECRECY**

### **SECRECY**

172. Every Director, Manager, Secretary, Trustee for the company its member or debenture holders, member of a committee, Officer, Servant, Accountant or other person employed in or about the business of the company shall if so required by the Board or by Managing Director before entering upon his duties sign, a declaration pledging himself to observe a strict secrecy respecting all transactions of the company with its customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself to not reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any meeting or by a court of Law and except so far as may be necessary in order to comply with any of the provisions in these Article contained.

## **WINDING UP**

### **DISTRIBUTION OF ASSETS**

174. If any company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets for distribution among the member shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively. But this Article is to be without prejudice to the

rights of the holders of shares issued upon special terms and conditions and preference shareholders shall have prior rights to repayment of capital and dividend due.

#### **DISTRIBUTION OF ASSETS IN SPECIE**

175. If any Company shall be wound up whether voluntarily or otherwise the liquidators may with the sanction of a Special Resolution divide among the contributors in specie or kind, any part of the assets of the Company and may, with the like sanction vest any part of the assets of the Company in Trustees upon such trusts for the benefit of the contributors or any of them as the liquidators with the like sanction, shall think fit , provided however that so long as may remains due by the Company none of the powers and rights conferred by this article shall be exercised save with the previous consent in writing of the corporation.

#### **INDEMNITY**

176. Subject to the provisions of section 201 of the Act, every Director , secretary or officer of the company or any person ( whether an officer of the company or not ) employed by the company and any person appointed Auditor shall indemnified out of the funds of the Company against all liabilities incurred by him as such Director, Manager , Secretary, officer, Employees or Auditor in defending any proceeding whether civil, or criminal in which judgement is given in his favor or in which he is acquitted or in connection with any application under section 633 of the Act in which relief is granted to him by the Court.



## **SECTION XI - OTHER INFORMATION**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two (2) years before the date of filing of the Draft Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Draft Red Herring Prospectus will be delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company located at Plot No. 274, G.T. Road, Dhandari Khurd, Ludhiana -141010, Punjab, India, from date of filing the Draft Red Herring Prospectus with RoC to Bid / Issue Closing Date on working days from the date of filing of the Draft Red Herring Prospectus until the date of closure of the Issue.

#### **MATERIAL CONTRACTS**

1. Memorandum of Understanding dated February 12, 2010 between our Company and the BRLM appointing them as the Book Running Lead Manager to the Issue.
2. Memorandum of Understanding dated November 17, 2009 between our Company and Link Intime India Private Limited appointing them as Registrar to this Issue.
3. Tripartite Agreement dated [●] among our Company, NSDL and Link Intime India Private Limited.
4. Tripartite Agreement dated [●] among our Company, CDSL and Link Intime India Private Limited.
5. Escrow Agreement dated [●] between our Company, the BRLM, Syndicate Member, Escrow Collection Banks and the Registrar to the Issue.
6. Syndicate Agreement dated [●] between our Company, BRLM, and the Syndicate Member.
7. Underwriting Agreement dated [●] between our Company, BRLM and the Syndicate Member.

#### **MATERIAL DOCUMENTS**

1. The Memorandum and Articles of Association of our Company, as amended from time to time.
2. Copy of Certificate of Incorporation dated July 1, 2008, issued by the Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh.
3. Copy of fresh Certificate of Incorporation dated April 3, 2009 issued by the Dy. Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh pursuant to change in name of our Company from Jupiter Drapes & Cut Apparels Private Limited to SEL Textiles Private Limited.
4. Copy of fresh Certificate of Incorporation dated October 15, 2009, issued by the Deputy Registrar of Companies, Punjab, Himachal Pradesh and Chandigarh, consequent to change in constitution of our Company from private limited to public limited.
5. Extra Ordinary General Meeting resolution u/s. 81 (1A) dated October 16, 2009, authorising the Issue.

6. Extra Ordinary General Meeting resolution dated October 8, 2009 for appointment of our Chairman and Managing Director, Mr. Ram Saran Sauja.
7. Copy of Restated Audit report by the statutory auditor, M/s. Dinesh K Mehtani, Chartered Accountants dated February 13, 2010 included in the Draft Red Herring Prospectus and copies of the Balance Sheet referred in the said report.
8. Copy of Certificate dated February 13, 2010 from the statutory auditors, M/s. Dinesh K Mehtani, Chartered Accountants, detailing the tax benefits.
9. Copy of the Certificate from the statutory auditors, M/s. Dinesh K Mehtani, Chartered Accountants, dated February 19, 2010 regarding the sources and deployment of funds as on February 15, 2010.
10. IPO Grading Report issued by [●] dated [●].
11. Consents in writing from our Directors, Company Secretary and Compliance Officer, Statutory Auditors, Bankers to our Company, Bankers to the Issue, Book Running Lead Manager(s), Syndicate Member(s), Underwriter(s), IPO Grading Agency, Registrar of the Issue, Legal Advisor to the Issue to act in their respective capacities.
12. Copy of purchase of property agreement dated June 29, 2009 for acquisition of the spinning facility Unit - Prerna Syntex, from Vast Textiles Limited.
13. Initial listing applications dated [●] filed with the BSE and the NSE.
14. In-principle listing approvals from BSE and NSE dated [●] and respectively [●].
15. Due Diligence Certificate dated [●] to SEBI from Saffron Capital Advisors Private Limited, the Book Running Lead Manager.
16. SEBI observation letter no. [●] dated [●].
17. Reply by BRLM dated [●] for the above SEBI observation letter.

Any of the contracts or documents mentioned in the Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## **SECTION XII - DECLARATION**

We, the Directors of our Company, hereby declare that, all the relevant provisions of the Companies Act, 1956, SEBI (ICDR) Regulations, 2009 and the guidelines issued by the Government of India as the case may be, have been complied with and no statement made in the Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules or guidelines issued thereunder, as the case may be. We further certify that all the disclosures and statements made in the Draft Red Herring Prospectus are true and correct.

### **SIGNED BY ALL THE DIRECTORS OF SEL TEXTILES LIMITED**

Mr. Ram Saran Saluja

Mr. Neeraj Saluja

Mr. Dhiraj Saluja

Mr. Navneet Gupta

Mr. Ashwani Kumar

Mr. Amar Gopal Das Narang

Mr. Gulshan Kumar

Mr. Sandeep Gupta

### **SIGNED BY DIRECTOR FINANCE**

Mr. Navneet Gupta

### **SIGNED BY THE COMPANY SECRETARY AND COMPLIANCE OFFICER**

Ms. Himani Dua

Place: Ludhiana

Dated: February 24, 2010