RED HERRING PROSPECTUS
Dated: May 02, 2006
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

GANGOTRI TEXTILES LIMITED

(Gangotri Textiles was incorporated on 26th July, 1989 under the Companies Act, 1956 as a private limited company vide Registration No. 181-0-2491.The Company was subsequently converted into a public limited company and received a fresh Certificate of Incorporation dated 1st January,1993)

Registered Office : 473/2, P.K.D. Nagar, Peelamedu, Coimbatore 641 004.
Tel.: 91 422 4332100, Fax: 91 422 2576742
e-mail: shares@gangotritextiles.com ; website: www.gangotritextiles.com
Compliance Officer: Mr. T. Govindharajan

PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 5/- EACH FOR CASH AT A PRICE OF RS. [●] (INCLUDING PREMIUM OF RS. [●]) PER SHARE AGGREGATING RS. 5500LAKHS (HEREINAFTER REFERRED TO AS "THE ISSUE"). THE ISSUE COMPRISES A NET OFFER TO THE PUBLIC OF [●] EQUITY SHARES OF RS. 5/- EACH AGGREGATING TO RS. [●] (" NET OFFER") AND A RESERVATION FOR EMPLOYEES OF GANGOTRI TEXTILES LIMITED OF UPTO [●] EQUITY SHARES OF RS. 5/- EACH AGREGATING TO RS. 165 LAKHS AND A RESERVATION OF UPTO [●] EQUITY SHARES OF RS. 5/- EACH FOR THE EXISTING RETAIL SHAREHOLDERS OF THE COMPANY AGGREGATING TO RS. 550 LAKHS. THE ISSUE WOULD CONSTITUTE [●] % OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

Price Band: Rs. [●] to Rs. [●] per Equity Share of Rs. 5/- each.

The issue price is [●] times the face value of Rs. 5/- per share at the upper end of the price band and [●] times the face value at the lower end of the price band.

The price band will be disclosed at least one day prior to the opening of the bid. The investors may in the meantime be guided by the price of the equity share in the secondary market.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges on which the securities are proposed to be listed by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the Syndicate Members.

The Issue is being made through the 100% book building process where upto 50% of the Net Offer will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") (including 5% of the QIB Portion specifically reserved for Mutual Funds) . Further, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.

RISKS IN RELATION TO THE ISSUE

The Issue Price (as determined by the Company in consultation with the Book Running Lead Managers on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares allotted pursuant to the Issue are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing of the Equity Shares allotted pursuant to the Issue. The investors in the meantime may be guided by the price of the equity shares in the secondary markets.

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risk involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI) nor does the SEBI guarantee the accuracy or adequacy of this document.

Specific attention of the investors is invited to the statement of Risk Factors on Page No.ix to xvii of the Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of the Company are listed on the stock exchanges at Chennai, Coimbatore and Kolkata as well as the Bombay Stock Exchange Limited (BSE) (Designated Stock Exchange) and the National Stock Exchange of India Limited (NSE). The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the aforementioned stock exchanges. In - Principle approval has been obtained for listing of equity shares issued pursuant to this Red Herring Prospectus from the BSE, NSE and stock exchanges at Chennai and Coimbatore.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
SBI CAPITAL MARKETS LIMITED 202, Maker Tower "E", Cuffe Parade, Mumbai – 400005 Tel: 91 22 22189166, Fax: 91 22 22188332 e-mail: gtl.fpo@sbicaps.com Website: www.sbicaps.com	**INTIME SPECTRUM REGISTRY LIMITED** C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup (W) Mumbai – 400 078 Tel: 91 22 2596 0320, Fax: 91 22 2596 0329 e-mail: gangotri-fpo@intimespectrum.com Website: www.intimespectrum.com

ISSUE PROGRAMME

BID/ISSUE OPENS ON : MAY 18, 2006 (THURSDAY)	BID/ISSUE CLOSES ON : MAY 23, 2006 (TUESDAY)

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A. DEFINITIONS AND ABBREVIATIONS

CONVENTIONAL/ GENERAL TERMS

TERM	DESCRIPTION
Articles/Articles of Association/ AoA	Articles of Association of Gangotri Textiles Limited
Companies Act / Act	The Companies Act, 1956
Depository	A company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992.
Depositories Act	The Depositories Act, 1996
Depository Participant	A person registered as such under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the Rules and Regulations framed thereunder
FII	Foreign Institutional Investor (as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000) registered with SEBI
Financial Year /Fiscal /FY	Period of twelve months ended March 31 of that particular year, unless stated otherwise
Government /GoI	The Government of India
Indian GAAP	Generally Accepted Accounting Principles in India
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
Memorandum / MoA	Memorandum of Association of the Company
NRI / Non-Resident Indian	A person resident outside India who is a citizen of India or is person of Indian origin (as defined in Foreign Exchange Management (Deposit) Regulations, 2000
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India, constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time

OFFERING RELATED TERMS

TERM	DESCRIPTION
Allotment	Issue of Equity Shares of the Company pursuant to the Public Issue to successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being issued
Bankers to the Issue	The Bankers with whom the escrow account for the Issue shall be opened
Bid	An indication to make an offer made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid Price/ Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue

TERM	DESCRIPTION
Bid Opening Date/ Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper
Bid Closing Date / Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which Issue shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper circulated at the place where the registered office of the Company is situated.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which, this Issue is being made
BRLMs	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets Limited and Keynote Coporate Services 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 in the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no bids will be accepted
Cut-off price	Cut-off price refers to any price within the Price Band. A Bid submitted at Cut-off is a valid Bid at all price levels within the Price Band
Designated Stock Exchange	The Bombay Stock Exchange Limited (BSE)
Designated Date	The date on which the funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the ROC, following which the Board of Directors shall allot Equity Shares to successful bidders
Draft Red Herring Prospectus	This draft of the Draft Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue and filed with SEBI at least 21 days prior to filing the Red Herring Prospectus with the Designated Stock Exchange
Employees	Permanent Employees of the Company as on the date of filing of this Red Herring Prospectus with SEBI
Employees Reservation Portion	The portion of the Issue being not more than [•] Equity Shares of Rs. 5/- each at the Issue Price, available for allocation to Employees of the Company
Equity Shares	Equity Shares of the Company of the face value Rs. 5 each, unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount and refunds (if any) of the amount collected to the Bidders
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s), the Syndicate Members and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders

TERM	DESCRIPTION
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account will be opened. Refer page no. 9 of Red Herring Prospectus.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Fresh Issue / Issue / Issue / Offer	Public Issue of [•] new Equity Shares of Rs. 5/- each for cash at the Issue Price of Rs. [•] Public aggregating to Rs. 5500 Lakhs by the Company in terms of the Red Herring Prospectus
Issue Account	Account opened with the Banker to the issue to receive monies from the Escrow Accounts on the Designated Date
Issuer	Gangotri Textiles Limited
Issue Size	[•] Equity Shares of the Company
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date
Keynote	Keynote Corporate Services Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Members of the Syndicate	The BRLMs and the Syndicate Members
Net Offer to the public	The portion of the Issue Size less Reservation forEmployees Portion and the Reservation for Retail Shareholders Portion, being[•] Equity Shares of Rs. 5/- at the Issue Price aggregating to Rs. 4785 Lacs
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Net Offer to the Public being a minimum of [•] Equity Shares of Rs. 5/- each available for allocation to Non-Institutional Bidders
Pay-in-date	The last date specified in the CAN sent to the Bidders
Pay-in-Period	This term means: (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in-Date
Price Band	The Price band of a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•] and includes any revision thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalises the Issue Price
Prospectus	The Prospectus filed with the ROC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date

TERM	DESCRIPTION
QIB Portion	The portion of the Net Offer to the Public being nor more than [•] Equity Shares of Rs. 5 each at the Issue Price, available for allocation to QIBs
Qualified Institutional Buyers/ QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Foreign Institutional Investors registered with SEBI, Multilateral And Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory And Development Authority (IRDA), Provident Funds with a minimum corpus of Rs. 25 crores and Pension Funds with a minimum corpus of Rs. 25 crores
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount in excess of Rs. 1,00,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Net Offer to the Public being a minimum of [•] Equity Shares of Rs.5/- each available for allocation to Retail Individual Bidder(s)
Retail Shareholders	Shareholders of the Company as on 12/05/2006 (Specified Date) holding Equity Shares worth upto Rs. 1,00,000/- determined on the basis of closing price as on 11/05/2006 (being the closing price of the Equity Shares as on the previous day of the Specified Date)
Retail Shareholders Portion	The portion of the Issue being a minimum of [•] Equity Shares of Rs.5/- each available for allocation to Retail Shareholders of the Company
Registrar/ Registrars to the Issue	Registrars to the Issue, in this case being Intime Spectrum Registry Ltd.
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).
RHP/ Red Herring	The Red Herring Prospectus dated [•] issued in accordance with Section 60B of the Prospectus Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three (3) days before the Bid/Issue Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
SBI Caps	SBI Capital Markets Limited
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate in relation to the collection of Bids in this Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs and include BRLMs.
Syndicate	The Syndicate Members collectively
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs
Underwriting Agreement	The Agreement among the BRLMs, the Syndicate Members and the Company to be entered into on or after the Pricing Date

COMPANY/INDUSTRY RELATED TERMS

TERM	DESCRIPTION
Auditors	The statutory auditors of the Company, M/s Thakker & Sanghani, Chartered Accountants, M/s Srikishen & Company, Chartered Accountants
Board/ Board of Directors	Board of Directors of Gangotri Textiles Limited
Committee	Committee of the Board of Directors of Gangotri Textiles Limited authorised to take decisions on matters related to or incidental to this Issue
The Company / GTL / Gangotri / We / Us / Our Company/ The Issuer	Gangotri Textiles Limited, incorporated on 26th July, 1989 under the Companies Act, 1956
Equity Shares	Equity Shares of the Company of Rs. 5 each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Face Value	Value of paid up equity capital per Equity Share, in this case being Rs. 5/- each
Registered Office / Registered Office of the Company	473/2, P.K. D. Nagar, Peelamedu, Coimbatore 641 004.
ROC	Registrar of Companies, Tamil Nadu situated at “Stock Exchange Building”, Trichy Road, Coimbatore 641 005
RTW	Ready To Wear
Unit I	OE Spinning Division - SF No. 496A/497, Kittampalayam, Kaduvettipalayam Post, Palladam Taluk, Coimbatore 641659, Tamil Nadu
Unit II	OE Spinning Division - 3/161, Ponnandampalayam Kaniyur Post, Karamathampatty, Avinashi Taluk, Coimbatore 641659, Tamil Nadu
Unit III	OE Spinning Division - Kumbhoigiri Road, Village Alate, T.K. Hatkanangale, Kolhapur District, Maharashtra 416109
Unit IV	Ring Spinning Division - Pushpathur Village, Palani Taluk,, Dindigul District 624 618, Tamil Nadu.
Unit V	Garments Division - 473/2, P.K.D. Nagar, Peelamedu,Coimbatore 641004
Unit VI	Washing Division - Plot No. L4, L5 & L6, 5th Cross Road, SIPCOT Industrial Growth Center, Perundarai, Erode District, Tamil Nadu
Unit VII	Waste Recycling Division – Mopperipalayam Village, Palladam Taluk, Coimbatore 641659, Tamil Nadu

ABBREVIATION

TERM	DESCRIPTION
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	The Bombay Stock Exchange Limited
BT	Bio Technology
A/c	Account
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CDSL	Central Depository Services (India) Limited
EBITDA	Earning Before Interest Tax Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e. profit after tax divided by outstanding number of Equity Shares at the year end
FAN	Financial Appraisal Note
FEMA	Foreign Exchange Management Act, 1999
FII(s)	Foreign Institutional Investors registered with SEBI
FIPB	Foreign Investment Promotion Board
FDI	Foreign Direct Investment
HUF	Hindu Undivided Family
IPO	Initial Public Offering
MNC	Multi National Company
N.A.	Not Applicable
NAV	Net Asset Value
NOC	No Objection Certificate
NR	Non-Resident
NRE Account	Non Resident External Account
NRI(s)	Non-Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
QIB	Qualified Institutional Buyer

TERM	DESCRIPTION
RBI	The Reserve Bank of India
ROC	Registrar of Companies
RONW	Return on Net Worth
RTA	Registrar and Transfer Agent in this case being SKDC Consulatants Limited
RTI	Registrar to the Issue in this case being Intime Spectrum Registry Limited
SITRA	The South India Textile Research Association, Coimbatore
TFR	Technical Feasibility Report
Rs. / Rupees / INR	Indian Rupees
SBI Caps	SBI Capital Markets Limited
Sec.	Section
SIA	Secretariat for Industrial Assistance
SIPCOT	State Industries Promotion Corporation Of Tamil Nadu Limited
TRS	Transaction Registration Slip
TN	Tamil Nadu
TUFS	Technology Up-gradation Fund Scheme
USD or $ or US $	United States Dollar
WTO	World Trade Organisation

B. RISK FACTORS

FORWARD LOOKING STATEMENTS; MARKET DATA

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

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

For further discussion of factors that could cause the actual results to differ, see the section entitled “Risk Factors” beginning on page ix of the 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 members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLMs will ensure that investors are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Use of Market Data

Market/Industry data used throughout the Red Herring Prospectus was obtained from our internal sources and various published reports of Cris Infac and the Financial Appraisal Note of SBI Capital Markets Limited .The information contained in those publications has been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, we believe that the market data used in the Red Herring Prospectus is reliable, it has not been independently verified.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the Information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain, a complete understanding of our Company, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 52 and 107 of this Red Herring Prospectus as well as the other financial and statistical information contained in the Red Herring Prospectus. If the following risks actually occur, our business, results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline.

Materiality

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

a) Some events may not be material individually but may be found material collectively.

b) Some events may have material impact qualitatively instead of quantitatively.

c) Some events may not be material at present but may be having material impacts in future.

The risk factors are as envisaged by the management along with the proposals to address the risk if any. Wherever possible, the financial impact of the risk factors has been quantified.

INTERNAL RISK FACTORS

A. RISKS RELATING TO OUR BUSINESS

1. **Our Company has reported reduced Turnover and Net Profit during the FY 2005**

   As per the audited results for the FY 2005, the Company has reported a fall in income from products manufactured from Rs. 17721.92 Lacs in FY 2004 to Rs. 17559.78 Lacs during the FY 2005 i.e. 0.91 % lower than the previous year. Also the Net Profit during the FY 2005 at Rs. 325.27 Lacs was 50.42 % lower than that in the previous year. This was primarily because the fall in raw material prices (cotton) during the FY 2005 had led to a substantial slide in the prices of the end products manufactured.

2. **The following disputes are pending against the Company**

   Direct Taxes

   Central Excise

   - A Show Cause Notice has been issued by Deputy Commissioner, Coimbatore IV Division against the Company due to the variation in stock of finished goods at Unit No. 1. Excise duty of Rs. 4,86,036 (inclusive of penalty) has been claimed to be payable by the Company. A detailed reply has been filed by the Company dated June 6, 2005 stating the reasons for the difference in stock.

   Indirect Tax Cases

   Sales Tax

   - The Company has filed an Appeal against an order dated December 12, 2004 passed by the Commercial Tax Officer, Mettupalayam Road Circle, Coimbatore disallowing purchase of cotton waste under the prescribed Form 17 of Tamil Nadu General Sales Tax Act, 1959, for the Assessment Year 1998-99. The cotton waste was converted into cotton yarn and a part of which was sold by the Company. However, some of the cotton yarn was used for conversion into fabric. This has been disallowed and a penalty of Rs. 55,353/- has been imposed by the Officer. The Appeal is pending before the Appellate Asst. Commissioner, Coimbatore and shall come for hearing in due course.
   - The Company has filed an Appeal against an order dated September 16, 2004 passed by the by the Commercial Tax Officer, Mettupalayam Road Circle, Coimbatore disallowing the exemption of tax on sale of second hand textile machinery under Tamil Nadu General Sales Tax Act, 1959 for the Assessment Year 2000-2001. The sales tax payable on exemption value Rs. 12,288/- has been disallowed and a penalty of Rs. 12,288/- has been imposed on the Company.

The Appeal is pending before the Appellate Asst. Commissioner, Coimbatore and shall come for hearing in due course.

- The Company has filed an Appeal against an order dated September 16, 2004 passed by the Commercial Tax Officer, Mettupalayam Road Circle, Coinbatore disallowing the exemption of tax on sale of old textile machinery under Tamil Nadu General Sales Tax Act, 1959 and variation of closing stock at Unit IV for the Assessment Year 2001-2002. The sales tax payable on exemption and variation of tax is Rs. 1,36,134/-. A penalty of Rs. 85,917/- has also been imposed on such disallowance. The Appeal is pending before the Appellate Asst. Commissioner, Coimbatore and shall come for hearing in due course.
- The Company has filed an Appeal against an order dated January 13, 2005 passed by the Commercial Tax Officer, Mettupalayam Road Circle, Coimbatore disallowing branch transfer of readymade garments and treating the same as inter-state sales under Central Sales Tax Act, 1956 for the Assessment Year 2002-2003. The central sales tax payable is Rs. 4,54,238/- (inclusive of penalty). The Appeal is pending before the Appellate Asst. Commissioner, Coimbatore and shall come for hearing in due course.
- An order dated September 15, 2005 has been passed by Commercial Tax Officer, Mettupalayam Road Circle, Coimbatore against inter unit transfer of cotton yarn and issue of Form 17 for non-eligible items and claiming applicability of sales tax under Tamil Nadu General Sales Tax Act, 1959 of Rs. 17,31,833 (inclusive of penalty of Rs. 10,39,100) for the Assessment Year 2003-2004.
- An order dated September 15, 2005 has been passed by Commercial Tax Officer, Mettupalayam Road Circle, Coimbatore against disallowance of branch/stock transfer under Central Sales Tax Act, 1956 of an amount of Rs. 1,33,26,798/- (inclusive of penalty of Rs.51,17,660/-) for the Assessment Year 2003-2004.

3. Name of one of our directors, Mr. T. A. Ganesh (nominee directors of IDBI) appears in the list of directors of RSL Industries which has been declared as a willful defaulter by RBI. Mr. T. A. Ganesh was a nominee director in RSL Industries during the year of default.

4. **Volatility In Raw Material Prices (Yarn Division)**

   The price of Cotton, a key raw material for the Company's yarn division is susceptible to volatility and forms a major portion (around 73%) of the total cost of production. The Company has not entered into any firm arrangements with any party for supply of key raw materials like cotton and cotton waste. Any upward fluctuations in their prices or unavailability may affect the Company's financial performance and operations.

   Management Perception: Our Company normally ties up the supplies of cotton for the whole year which hedges the risk of any shortfall in the supply of cotton. Moreover, with the introduction and success of BT cottonseed in India, the yield of cotton is better and hence the volatility in raw material price has been mitigated to a great extent. Further, the Company has been in the industry for nearly two decades and has the ability to anticipate the price movements and hedge itself against any adverse price trends. We can also import Cotton if the prices are competitive/cheaper than the domestic market.

5. **Volatility In Raw Material Prices and its availability (Garment Division)**

   With the phasing out of the MFA and consequent increase in exports, there has been a shortage of dyed fabrics in the domestic market. As a result of this, the price of dyed fabric, a key raw material, which forms a major portion (around 40%) of the total cost of production for our Company's garment business, is susceptible to volatility. Any upward fluctuations in their prices or availability may affect the financial performance and operations of this division.

   Management Perception: The company has been sourcing dyed fabrics for its garment division from domestic manufacturers since the inception of the division and enjoys favourable terms from the suppliers both in prices as well as in supplies.

   Also, in order to reduce dependence on outside suppliers and also to insulate the company from any future volatility in prices of the dyed fabrics, the current expansion programme includes setting up of a manufacturing facility for production of dyed fabrics. The production will not only cater to the requirements of the garments division fully, but will also contribute to the revenues by meeting the growing demand in the fabrics market created as a result of the post 2005 MFA scenario.

6. **High Debt Equity Ratio**

   The total debt-equity ratio of our company as on December 31, 2005 was 3.70 times. With a major portion of the expansion being funded out of borrowings, the total debt-equity ratio is likely to increase further from the current levels thereby exposing the company further to financial risks.

Management Perception: A major portion of the proposed borrowings is eligible for interest subsidy (of 5%) under TUFS thereby reducing the interest rate risk to a great extent. Moreover, the borrowings have a initial moratorium period of 24 months which will help reduce the servicing risk. Post implementation, the cash earnings are expected to be boosted further and hence the company does not envisage any problems in servicing the existing as well as the proposed borrowings.

7. **Contingent Liabilities Not Provided For**

The contingent liabilities of the Company, especially for which no provision has been made in the books of accounts, could adversely affect its financial condition. As on December 31, 2005, the contingent liabilities not provided for comprised the following:

(a) Estimated amount of Contracts remaining to be executed on capital accounts - Rs 4867.34 lacs (Previous year ended 31.03.2005-Rs. 488 lacs).

(b) The Company has export obligations of a value Rs.5826 lakhs under EPCG Scheme

(c) The Company has replied against a show cause notice for a demand towards Excise Duty and penalty of Rs 4.86 lakh made by the Deputy Commissioner, Central Excise, Coimbatore District.

(d) The Company has preferred an appeal against the demand of Sales Tax, AST and penalties amounting to Rs. 172.86 Lacs for years from 1998-99 to 2003-04 made by the Sales Tax Department for the Stock transfer of Garments and other issues

Management Perception: The Company has been fulfilling its export obligations consistently which is well above the average export obligations envisaged under this scheme. Moreover, the turnover of our Company during FY05 was Rs. 184.88 Crores, of which exports was Rs. 7.03 crores. Our Company also supplies its products to third party exporters/ merchant exporters, which also qualify for meeting our export obligations

B. RISKS RELATING TO THE PROJECT

8. **Delay In Placing Orders For Plant &Machinery**

The Company is yet to place firm orders for plant and machinery aggregating Rs. 7013 lakhs, being almost 31% of the total appraised cost of plant and machinery required for the project. Any delay in placement of orders for the entire requirement of plant and machinery may lead to time and cost overruns in the project.

Management Perception: Phase –I and Phase-II of the project envisages a cost of Rs. 18,800 Lakhs and Rs. 8,200 lakhs respectively towards plant and machinery, out of which we have already placed firm orders for Rs. 15748 lakhs. Further, our company has finalised the suppliers for various plant and machinery aggregating to Rs. 10,300 lakhs and is in the process of placing firm orders . For the balance machinery for Phase –I and Phase - II, the company is in the process of finalizing the suppliers and orders will be placed with them in due course of time.

9. **Delay in implementation schedule**

Any delay in implementation of the proposed project due to uncertainties will lead to time and cost overruns thereby impacting the profitability of the company.

Management Perception: Our Company has so far implemented expansion projects in the past within the scheduled timeframe. In view of the experience our Company has gained over the years, we do not envisage any major delays in implementation of the project in the normal course. Besides, the penalty clause for late delivery of supplies and services in most agreements will ensure that there is no significant delay on the part of the suppliers and service providers.

10. **Power output from windmills**

The Company also has plans to install six additional windmills in order to meet part of its power requirement. The generation from these windmills is subject to wind speed, make of the machine and grid availability.

Management Perception: The sites for setting up windmills have been selected after careful consultation with manufacturers/ suppliers of repute. Moreover, the area is assessed by The Indian Renewable Energy Development Agency (IREDA) who have by way of satellite mapping recommended the zone as suitable for setting up windmills.

11. **No firm commitments for its expanded capacity**

The Company has embarked upon a project without any firm tie-ups for sale of products from such expanded capacity. Failure to market its additional production may affect the financial position of the Company.

Management Perception: Our Company has embarked upon these projects after a careful assessment of the demand for its products. The demand for its products has been encouraging so far which has led the Company to go in for the expansion project. We foresee a growing demand for the fabrics proposed to be manufactured due to the demand supply gap created in the post MFA scenario. Presently, in the RTW Trouser segment, the demand-supply scenario is favourable.

12. **Compliance with TUFS conditions**

Most of the machinery installed or to be installed is financed under the TUF scheme of banks which specify certain conditions. Inability to comply with these conditions shall make the Company ineligible for interest subsidy and render the loans uncompetitive thereby adversely impacting the financials of the Company.

Management Perception: Our Company has availed loans under the TUF scheme for its earlier projects and is fully aware of the rules and regulations and is confident of ensuring compliance with them.

13. **Risk related to inability/delay in getting approvals required to setup and operate the proposed projects**

The Company is yet to receive certain statutory approvals and licenses required for the implementation of the projects and the failure to obtain these may delay the implementation of the projects.

Management Perception: Our Company requires these approvals, licenses, registrations and permissions for operating our business, some of which have either made or are in the process of making to the concerned agency/authority. These approvals are of routine nature and our Company see's no difficulty in obtaining them in the near future. Moreover, the project falls under the category of Mega Project Scheme of the Government of Tamil Nadu and is likely to be declared so in the near future. As such all major approvals will be granted under Single Window Clearance scheme of the government.

For more information, see "Government Approvals" on page no. 114 of this Red Herring Prospectus.

14. **Export obligations for the new project**

A significant portion of the project cost is by way of imported plant and machinery to the extent of Rs. 12347.85 Lakhs, inclusive of import duty. In order to avail the benefits under the latest policy for reduction/waiver of duty, there will be an export obligation on the company to the tune of Rs. 8789.04 lakhs spread over a period of 8 years commencing from the year 2009.

Management Perception: The Company has been fulfilling its export obligations consistently which is well above the average export obligations envisaged under this scheme. Moreover, the turnover of our Company during FY05 was Rs. 184.88 Crores, of which exports was Rs. 7.03 crores. Our Company also supplies its products to third party exporters/ merchant exporters, which also qualify for meeting our export obligations.Post implementation of the project, the company is confident of selling its products in the overseas market as a result of its existing network as also the favourable market conditions post-quota regime.

15. **Foreign Exchange Risk on account of pending imports**

The company has placed orders for imported machinery worth Rs.8256 Lacs which is only 31% of the total value of machinery to be imported. As a result, the company is exposed to foreign exchange risk to the extent of the pending imports, which may also result in an increase in the cost of the project.

16. **Weaknesses as per the SBI Capital Markets Limited Appriasal Report**

The domestic ready made garments business is highly competitive with well entrenched players and brands, which exposes a smaller player like GTL to significant off take and price risks.

Management Perception

Over a period of time the brand "TIBRE" has grown steadily and the present demand for the product for exceeds the supply. In order to enhance demand the company introduces innovative products such as "Super crease".The management is quite confident that it can create a niche market for its products rather than competing with other brands head-on.

17. **No exclusive retail outlets for its branded products**

The company relies on direct selling agents for distribution of its branded products and does not have any exclusive retail outlet. This is likely to impact the margins of the company's branded RTW business on account of the requirement to pass on higher dealer's commission.

Management Perception: Our Company has been consciously selling its branded products, being trousers, through agents and its retailers directly and has developed a widely distributed and effective marketing network. This has enabled the Company to develop wider reach and an extended clientele. Moreover, the expenses involved in owning multiple retail outlets in a "single brand-single product scenario" can be prohibitive.

C. RISKS RELATING TO THE ISSUE

18. The market price of our Equity Shares may be adversely affected by additional issues of equity or equity-linked securities or by sale of a large number of our Equity Shares by our Promoter and significant shareholders. Additional issues of equity may dilute your equity position

Management Perception: The money being raised through the issue is proposed to be invested in new projects thereby increasing our profitability that may offset the dilution.

19. **Disbursement of term loans for the project is contingent upon the success of the Issue**

One of the terms and conditions for disbursement of the term loans is satisfaction of certain conditions such as raising of funds through an equity issue. In case there is a delay in complying with any of the conditions, the disbursement of funds may be delayed and in turn may adversely impact the project and the future profitability.

Management Perception: Our Company is aware of this fact and shall be making alternate funding arrangements through an equitable mix of secured/unsecured loans and contribution from the Promoters, should there be any eventuality such as delay or failure of the Issue.

D. OTHER INCIDENTAL RISKS

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

Management Perception: Relations between our Company and the workers have always been cordial and the management shall continue to pursue pragmatic industrial relations policy. Our management has also entered into an agreement with the trade union at the existing Units to prevent work stoppages due to strikes etc. Till date, our Company has not lost a single manday on account of strikes or lockout/industrial unrest. Our company is maintaining a very cordial relationship with all of the employees and their problems are attended with direct discussion with Employees/Management participation.

21. **Competition From Foreign Players**

With the liberalization of the Indian economy, foreign multinational companies are expected to set up large infrastructures for manufacturing textiles in the country threatening the existence of local manufacturers with old and obsolete technology.

Management Perception: Our Company with its state of art plant and machinery is well positioned to face the competition from the foreign players. The expertise built over the years in terms of procurement of raw materials, manufacturing, personnel management, ethical business policy, marketing and distribution network will hold the company in good stead in future. Moreover, the foreign multinationals which are expected to set up large manufacturing facilities in the country to take advantage of the lower cost of production and are not expected to compete in the domestic market.

22. **Cheap Substitutes And Imports May Affect The Business**.

The textile industry is highly fragmented with a unorganized sector forming a significant portion which leads to cheaper products entering the market. Also with the reduction in trade barriers there is an increase in imports of cheaper products which pose a competition to the existing domestic organized players. This may directly impact the Company's operations.

Management Perception: Cheaper and substandard products are prevalent in every market segment. These products cater to a different segment of the market and do not impact our market share. With growing preference of the customers for branded/better quality products, there is an assured market for the products of our Company. Also, we are investing in technology which gives an edge over the cheaper substitutes by way of consistent better quality, flexibility and higher productivity.

23. Our success depends in large part upon our senior management and key personnel and our ability to attract and retain them. Our future performance will depend upon the continued services of these persons. We may not be able to retain our senior management personnel or attract and retain new senior management personnel in the future. The loss of any of these key personnel may adversely affect our business and results of operations.

    Management Perception: Our Company has been in the textile industry for over a decade and the attrition rate of its senior management personnel has historically been low. Our Company offers challenging roles, competitive salaries and perks to its employees and upgrades its human resources policies regularly. Moreover, with the availability of qualified and skilled personnel at both middle and higher management levels in and around Coimbatore (which has around 30% of the domestic spinning capacity), our Company does not foresee any problems in attracting suitable manpower.

24. **We are exposed to the risk of shut down of operations due to operational hazards.**

    Our business is dependent on our manufacturing facilities. The loss of or shutdown of operations due to operational and natural hazards at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.

    Management Perception: We have our manufacturing facilities located at multiple locations thereby mitigating such risks to a large extent. Besides, all the plant and machinery has been adequately insured thereby cushioning us from any major loss on this account. We also take precautions to minimize the risk of any significant operational problems at our facilities like preventive maintenance of major equipments, installation of fire hydrant systems and training our manpower in basic fire fighting skills to counter any fire hazards. We also maintain an adequate inventory of critical spare parts thereby reducing downtime.

25. The Company's insurance coverage may not adequately protect us against certain operating hazards and this may have a material adverse effect on its business.

    Management Perception: Our Company is covered under various insurance policies including an Industrial All Risk Policy from leading insurers, which covers all perceivable risks that may hamper our operations.

    While we believe that the insurance coverage we maintain would be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time. To the extent that we suffer loss or damage that is not covered by insurance or exceeds our insurance coverage, our results of operations and cash flow may be adversely affected.

26. **Increase In The Cost Of Borrowing**

    Any fluctuation in the interest rates payable by the Company on its borrowings may adversely affect its financial performance

    Management Perception: Most of our existing and proposed loans are benchmarked to either the bank's PLR or LIBOR etc. and carry a pre-payment option also. In an adverse interest rate scenario, our Company may choose to prepay its high cost debt. However, the Company expects a stable interest rate regime, in view of the Government of India's economic policies. Moreover, in view of its existing relationships with banks/financial institutions and its excellent track record, the company is confident of arresting any downside that may arise on account of change in interest rates.

27. **Restrictive covenants**

    The Company is subject to usual and customary restrictive covenants in agreements that we have entered into with our banks for short-term loans and long-term borrowings. These restrictive covenants require the Company to seek the prior permission of the banks for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger / amalgamation / restructuring, change in management etc. These restrictive covenants may affect the smooth functioning of the Company.

    Management Perception: Though these covenants restrict the operations of the Company, to a certain extent they also ensure financial discipline and help the Company in the long run in improving its financial performance.

28. **Risk in relation to fashion industry**

    The Company operates in the branded fashion garments segment, which is positioned as the "in-thing". Customer in this business segment is fashion conscious. Any failure on part of the Company to keep abreast with the latest trends in the fashion industry may adversely affect our competitiveness and ability to deliver newer products.

Management Perception: Our Company is predominantly in the 'Mens Trousers' segment which is not susceptible to changes in fashion trends. However, we have in place a design team that updates and forecasts fashion trends. We believe that the lead-time in changing fashion trends is sufficient for the Company to formulate fashion strategy. The risk of changing fashion is also overcome through our product pricing and margin strategy for various customer preferences and shopping habits.

29. **Discontinuation of Tax Incentives**

The Company is eligible for tax incentives/exemptions under various schemes/statutes of the Central and State Governments. Withdrawal or phasing out of any of the incentives/exemption may impact the profitability of the Company.

Management Perception:

Our Company does not envisage the withdrawal/phasing out of any of the subsisting schemes of incentives/exemptions in the near future. Also such schemes, in case withdrawn or phased out will impact the industry segment as a whole.

30. **Additional funds requirements and inability to manage growth**

The Company may require additional capital from time to time depending on our business needs. Any fresh issue of shares or convertible securities would dilute the shareholding of the existing holders and such issuance may be done on terms and conditions, which may not be favourable to the then existing investors. Our business is rapidly growing and any inability to manage this growth may result in reduced sales and profits. There is no assurance that we shall be able to sustain these levels of growth. Any failure on our part to scale to meet the challenges of rapid growth could impact our business.

Management Perception: Our Company till date has not faced any problems in raising resources either in the short term or long term for its requirements. Moreover, our Company has over the years on account of its profitable operations generated sufficient cash accruals to meet its needs from time to time. In view of this, we do not foresee any difficulty in arranging for funds required for expansion and for meeting business exigencies.

External Risk Factors

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

The Indian economy has shown sustained growth over the last few years with GDP growing at 6.9% in fiscal 2005, 8.5% in fiscal 2004 and 4.0% in fiscal 2003. Industrial growth was 8.0% in fiscal 2005, 6.6% in fiscal 2004 and 6.6% in fiscal 2003. In its monetary policy statement announced on April 28, 2005, the RBI forecast GDP growth for fiscal 2006 to around 7.0%and year-end inflation rate from 5.0% to 5.5% subject to the impact of growing uncertainty on account of oil price. Any slowdown in the Indian economy could adversely affect our financial performance.

2. **All Indian textile exporters face threat of competition from countries like China, Pakistan, Bangladesh and such other countries who enjoy similar benefits as India in terms of low cost labour, raw material etc.**

After the phasing out of the Multi Fibre Agreement, the quotas imposed on various countries for exporting garments have been removed. As a result low cost producers of textiles and garments in the world have the advantage of being able to export whatever quantities are produced in their domestic economies at competitive costs. This has lured the low cost producers like India, China, Pakistan and Bangladesh into increasing their production facilities and stepping up production to meet the growing demand for low cost products from these countries. Thus exporters in India face competition from the other low cost manufacturers in the world, especially China which has huge production capacities and thus has higher cost advantage.

3. **Probable opposition to sourcing textiles and apparel from India**.

There is a concern in the US over the domestic textile industry being rendered uncompetitive in face of the mounting competition from the cheap garments being exported from China into the country. As a result, there have been restrictions imposed by the US on cheap imports of textiles and garments from China in order to protect the domestic industry. This could be an indication of similar restrictions being laid on other exporters like India in future.

4. **A significant change in the regulatory environment could disrupt our business and cause the price of our Equity Shares**

to decline.

The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and the price of our Equity Shares.

5. **Taxes and other levies imposed by the Government of India or other state governments, as well as other financial policies and regulations, may have a material adverse effect on our business, financial condition and results of operations.**

Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, sales tax, income tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time. Currently we benefit from certain tax benefits that result in a decrease in the effective tax rate compared to the tax rates that we estimate would have applied if these incentives had not been available. There can be no assurance that these tax incentives will continue in the future. The non-availability of these tax incentives could adversely affect our financial condition and results of operations.

Several state governments in India have recently introduced a value added tax regime. The impact of the introduction of the value added tax regime on our business and operations would depend on a range of factors including the rates applicable and the exemptions available to our facilities. Currently, we are unable to ascertain the impact of the value added tax regime on our business and operations.

6. **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, tsunamis, floods and drought in the past few years. The erratic progress of the monsoon in 2005 has also adversely affected sowing operations for certain crops. Further prolonged spells of below normal rainfall, floods, and other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

7. **Terrorist attack, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business.**

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

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

- Volatility in the Indian and Global securities market;
- The results of its operations and performance and Perceptions about its future performance;
- Performance of competitors and market perception of investments in the industry;
- Adverse media reports on GTL or on the Indian Textile industry;
- There can be no assurance that an active trading market for the equity shares will develop or be sustained after this Issue, or that prices at which GTL's equity shares are initially offered will correspond to the prices at which GTL's equity shares will trade in the market subsequent to this Issue. GTL's share price could be volatile and may also decline.

Notes:

i. The net worth of our Company as of December 31, 2005 is Rs. 3,329.77 Lakhs based on audited financial statements of our Company.

ii. Public issue of [•] Equity Shares of Rs. 5 each at a price of Rs. [•] for cash aggregating up to Rs. 5,500 Lacs.

iii. The average cost of acquisition of Equity Shares by our Promoters as on December 31, 2005 is as follows:

Name of Promoter	Cost per share of Rs. 5/- each (Rs.)
Mr. Manoj Kumar Tibrewal	2.75
Mr. Mohanlal Tibrewal	4.63

iv. The book value per Equity Share of Rs. 5/- each as of December 31, 2005 was Rs. 17.34 . The Equity Shares of the Company were split from one equity share of Face Value of Rs. 10/- each to 2 equity shares of Face Value of Rs. 5/- each with effect from October 31, 2005.

v. Except as disclosed in this Red Herring Prospectus, none of our Directors have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.

vi. Investors may contact the BRLMs and/or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue.

vii. Investors are advised to refer to the section titled "Basis for Issue Price" on page 34 of this Red Herring Prospectus before making any investment in this issue.

viii. Refer to the notes to our financial statements relating to related party transactions in the section titled "Financial Statements - Related Party Transactions" on page 104 of this Red Herring Prospectus for related party transactions.

ix. Investors may note that in case of oversubscription, allotment to QIBs, Retail Investors and Non Institutional Investors shall be on proportionate basis and will be finalized in consultation with the Designated Stock Exchange. If the Issue is oversubscribed, the Designated Stock Exchange along with the concerned Post Issue Book Running Lead Manager and Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner.

x. The Issue is being made under clause 2.3.1 of SEBI (DIP) GUIDELINES, 2000 through a 100% Book Building Process wherein upto 50% of the Net Offer to the Public will be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs") (including 5% thereof specifically reserved for Mutual Funds). Further, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.

xi. Transactions undertaken by the promoters and persons in the promoter group during the last six months from the date of filing of the Offer Document with SEBI are as follows:

Name of shareholder	Nature of Transaction	Date of transaction	No. of shares	Average Price (Rs.)
Ms. Anita Tibrewal	Bought	12/01/2006	800791	48.99

xii. Details of Related Party Transactions for the year ended March 31, 2005 are given on Page 104 of the Red Herring Prospectus.

C. INTRODUCTION

SUMMARY

This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on "Risk Factors" and our financial statements and related notes beginning on page 83 of this Red Herring Prospectus, before deciding to invest in our Equity Shares.

Indian Textile Industry

The textile industry is the second largest industry in India contributing about 20% of the total industrial output and 8% of GDP. About 31.07% of the country's export earning is contributed by textiles and clothing industry. With barely 2-3% import intensity, it is also the highest net foreign exchange earner. It also contributes significantly to the exchequer, about Rs. 6,000 Crores annually. The industry provides employment to about 38 million persons. In addition, job opportunities are indirectly provided to millions in the cotton farming and processing, stores & accessories and a wide network of marketing of textile and allied products.

Our Business

We are one of the leading operators in Open Ended (OE) Spinning in the organized segment with an installed capacity of 5,904 rotors. The coarse yarn in counts ranging from 2s to 20s manufactured through this process is used primarily in the Home Textiles segment which is presently a growth oriented segment in textiles. Over a period of almost two decades, we have gained expertise in production of yarn from cotton waste and are one of the first movers in this area of expertise. The technique of conversion of cotton waste into cotton yarn leads to a significant reduction in the cost of raw material.

Besides manufacturing coarse yarn we also have a ring spinning capacity of 17,376 spindles. This is used for manufacturing yarn in fine counts ranging from 14s to 40s. Through this segment we cater to the hosiery manufacturers. We also have our own RTW range of trousers sold under the brand 'Tibre'.

The Spinning Division presently has 4 units out of which three units are located in Tamil Nadu and one unit is located in the state of Maharashtra. Our Garment units are also located in the state of Tamil Nadu.

Our Company started its manufacturing operations in the year 1993–94 for manufacturing low-count/coarse yarn made from cotton and recycled waste using OE spinning. Over this period the Company has steadily grown and expanded into other related segments of manufacturing yarn in fine counts and RTW segment.

We are a profit making company since inception and have been consistently paying dividends to our shareholders since our maiden IPO in the year 1994. The fact that we have not been significantly affected by the downturns in this segment and still continued to report profitability and declare dividends highlights our operational efficiency.

Present Expansion

As per the Agreement on Textile and Clothing (ATC), the textile quotas have been phased out completely w.e.f. 01/01/2005. The liberalized trading regime has given rise to an increase in the export of textile/garments to developed countries such as USA, Europe, UAE, Bangladesh and Japan.. This resultant increase in demand for dyed fabrics in India has led to an increase in prices of the same. In view of the situation our Company proposes to set up facilities for manufacture of dyed fabrics, not only for captive consumption for its Garments segment but also to meet the demand created as a result of the post MFA scenario.

(i) Towards this, we propose to enhance our spinning capacity by installing further 19200 spindles along with Two for One (TFO) twister to produce 2/30s Polyester Cotton Yarn (10,112 kgs/day) and 31,200 spindles along with TFO to produce 2/40s cotton yarn (10,205 kgs/day).

We also propose to set up a weaving and processing plant of average capacity of 51,000 metres/day of bottom weight and shirting fabric.

In order to augment our capacity in the RTW segment we propose to set up a modern Garment unit with a capacity of 3,000 pieces/day for Men and Women's trousers

In our constant endeavor to reduce our production cost, as a part of the expansion project, we propose to set up wind mills to reduce cost of power.

FINANCIAL SUMMARY

The following tables set forth certain summary financial data derived from our restated financial statements as of and for fiscal years ended March 31, 2001, 2002, 2003, 2004, 2005 and nine months ended December 31, 2005. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines. The restated financial statements have been restated as described in the auditors' report included therewith, in the section titled " Financial Statements" beginning on page 83 of this Red Herring Prospectus. The following tables also set forth certain operating data for the fiscal years ended March 31, 2001, 2002, 2003, 2004, 2005 and nine months ended December 31, 2005.

The summary financial and operating data presented below should be read in conjunction with our financial statements, the notes thereto and the section titled " Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 107 of this Red Herring Prospectus.

Statement of Assets & Liabilities (As restated)

Rs. in Lakhs

	Particulars	Year ended /Period ended on					
		31.12.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
A.	**Assets**						
	Fixed Assets-gross block	14276.01	12780.98	11265.49	10244.63	9425.24	7984.15
	Less: Depreciation	6055.68	5255.91	4304.06	3462.09	2728.13	2008.54
	Net Block	**8220.33**	**7525.07**	**6961.43**	**6782.54**	**6697.11**	**5975.61**
	Capital Work in Progress	**379.42**	**14.01**	**13.52**	**12.56**	**43.73**	**508.53**
	Total	**8599.75**	**7539.08**	**6974.95**	**6795.10**	**6740.85**	**6484.14**
	Less: Capital Reserve/ others	291.82	308.23	330.07	355.54	398.00	428.51
	Net Block after adjustment for Capital	8307.93	7230.85	6644.88	6439.56	6342.85	6055.63
	Reserve						
B.	Investments	1,500.66	1500.66	0.76	1.16	1.16	21.16
C.	**Current assets, loans and advances**						
	Inventories	2706.39	3111.11	3401.13	2552.43	2807.31	2862.36
	Receivables	1760.88	2017.88	2377.29	1298.62	1086.88	1534.57
	Cash & bank balances	353.24	471.80	60.84	640.82	106.15	69.05
	Other current assets						
	Loans and advances	2623.63	1132.62	1536.01	907.90	915.36	551.92
	Total	**7444.14**	**6733.40**	**7375.26**	**5399.78**	**4915.70**	**5017.90**
D.	**Gross Total (A+B+C)**	**17252.72**	**15464.92**	**14020.91**	**11840.49**	**11259.70**	**11094.69**

	Particulars	Year ended /Period ended on					
		31.12.2005	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**	**31.03.2001**
E.	**Liabilities & Provisions**						
	Loan funds						
	Secured loans	10832.77	8272.94	7499.31	6456.06	6962.23	6459.89
	Unsecured loans	1492.93	2660.87	2091.59	1704.20	1271.96	1463.57
	Current liabilities & provisions						
	Sundry liabilities	474.98	473.62	492.90	497.62	407.52	386.65
	Provisions	158.98	232.82	392.45	182.38	77.00	155.79
	Total	12959.66	11640.25	10476.25	8840.25	8718.71	8465.91
	Add :Deferred Tax	963.29	963.29	838.79	837.04	786.61	
	Total	13922.95	12603.54	11315.04	9677.29	9505.32	8465.91
F	**Net worth (D-E)**	3329.77	2861.38	2705.86	2163.21	1754.38	2628.79
	Represented by:						
	Share Capital	960.00	480.00	480.00	480.00	480.00	480.00
	Reserves & surplus	2836.87	2705.25	2564.84	2090.38	1768.13	2597.85
	Less: Capital Reserve	-291.82	-308.23	-330.07	-355.54	-398.00	-428.51
	Less: Miscellaneous expenditure not written off	-175.28	-15.64	-8.91	-51.63	-95.76	-20.56
	Net worth (D-E)	3329.77	2861.38	2705.86	2163.21	1754.38	2628.79

Statements of Profits & Losses (As restated)

Rs. in Lakhs

Particulars	Year ended /Period ended on					
	31.12.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Income						
Sales:						
Of products manufactured by the Company	10985.53	17559.78	17721.92	14325.09	13512.77	12788.65
Of products traded by the Company	144.44	323.57	238.34	187.29	157.06	103.90
Other income	59.77	61.68	202.81	110.23	29.33	13.98
Increase (decrease) in inventory	706.75	542.87	-424.01	-255.98	341.42	76.54
Total Income	**11896.50**	**18487.89**	**17739.05**	**14366.62**	**14040.57**	**12983.06**
Expenditure						
Raw materials & goods consumed	7200.51	12096.01	11068.17	8506.98	9024.48	7862.30
Staff costs	339.36	567.44	706.74	520.20	434.25	360.42
Other Manufacturing expenses	1748.51	2973.93	2896.48	2683.40	2526.83	2354.25
Selling & distribution expenses	659.05	858.23	753.66	633.27	585.12	526.97
Interest	476.76	527.93	576.45	655.98	721.48	742.81
Depreciation	787.27	944.58	849.71	774.64	702.88	557.23
Total Expenditure	**11211.46**	**17968.13**	**16851.20**	**13774.46**	**13995.05**	**12403.98**
Net Profit before tax and extraordinary items	**685.04**	**519.77**	**887.85**	**592.16**	**45.52**	**579.08**
Provision for taxation	57.00	70.00	230.00	47.00	5.00	50.00
Provision for Deferred Tax	0	124.50	1.76	50.42	19.15	-
Net profit after tax & before extraordinary items	**628.04**	**325.27**	**656.09**	**494.74**	**21.37**	**529.08**
Extraordinary items (Net of tax)		-0.65	-0.55	-0.90	5.08	3.17
Net profit after extraordinary items	**628.04**	**324.62**	**655.54**	**493.84**	**26.44**	**532.26**
Earlier year adjustments		0.46	7.34	6.23	13.83	-4.74
Surplus from preivous year	61.74	149.48	49.05	9.36	48.55	26.83
Amount available for Appropiation	689.78	474.56	711.94	509.43	88.82	554.34
Appropriations						
Transfer to general reserve	-	250.00	400.00	325.00	7.46	400.00
Proposed dividend	-	144.00	144.00	120.00	72.00	96.00
Tax on proposed dividend	-	18.82	18.45	15.38	-	9.79
Balance carried to Balance sheet	689.78	61.74	149.48	49.05	9.36	48.55
Total	689.78	474.56	711.93	509.43	88.82	554.34

Notes

1. The Deferred tax liability /asset for the period ended 31.12.2005 has not been provided for and would be provided when the financial statements for the full year are considered.
2. For the year ended 31.3.04 Rs.170 lakhs of Power generation Income has been reduced from other income as well as other manufacturing expenses as the power generted is being used for captive consumption which was earlier shown as inter divisional Income & Expenditure. To that extent the statements of Profit & Loss Account are restated

OPERATING DATA

Details of Sales (Net of excise)

(Rs. in lakhs)

	2002-03	2003-04	2004-05	2005-06
April to June	3606	3885	4508.1	3535.7
July to September	3956.5	4391.9	4782.7	3783.3
October to December	3714.8	4852.8	4696	3811.00
January to March	3234.9	4830.3	3896.5	N.A.
TOTAL	14512.2	17960	17883.3	11130.00

2002-03

	Yarn	Waste	RTW Garments (in Nos)	Garments & Accessoreies	Raw Materials	Others	Total
Quantity (kg. Lakhs)	252.76	30.58	78,291	—	0.66	—	
Amount (in Rs. lakhs)	13758.90	160.24	394.53	187.30	62.00	11.40	14574.36
Average Price (Rs./kg)	54.43	5.24	503.93	—	93.94	—	
% of sales	94.40%	1.10%	2.71%	1.29%	0.43%	0.08%	100%

2003-04

	Yarn	Waste	RTW Garments (in Nos)	Garments & Accessoreies	Raw Materials	Others	Total
Quantity (kg. Lakhs)	237.46	28.01	1,02,242	—	0.50	—	
Amount (in Rs. lakhs)	16938.12	222.47	561.33	238.34	6.07	—	17966.33
Average Price (Rs./kg)	71.33	7.94	549.02	—	12.14	—	
% of sales	94.28%	1.24%	3.12%	1.33%	0.03%	—	100.%

2004-05

	Yarn	Waste	RTW Garments (in Nos)	Garments & Accessoreies	Raw Materials	Others	Total
Quantity (kg. Lakhs)	224.09	19.82	1,35,532	—	1.52	—	
Amount (in Rs. lakhs)	16579.00	213.81	766.96	323.57	105.66	—	17989.00
Average Price (Rs./kg)	73.98	7.17	565.89	—	69.51	—	
% of sales	92.16%	1.19%	4.26%	1.80%	0.59%	—	100%

UTILISATION (%)	2005-06	2004-05	2003-04	2002-03
Spinning 98	96	94	90	
Stitching#	42	33	33	33

single shift basis

THE ISSUE

The following information, unless otherwise stated, is based on our capital structure as of the date of this Red Herring Prospectus.

Issue	[•] **Equity Shares of Rs. 5/- each**
Out of Which: Reserved for employees of the Company Reserved for shareholders of the Company holding shares worth upto Rs. 100,000/- determined on the basis of closing price as on 11/05/2006 (being closing price as on the previous day of 12/05/2006 being the specified date set for this purpose) ("Retail Shareholders")	 [•] Equity Shares of Rs. 5/- each
(Applicants in the above reserved categories can make an application in the 'Net Offer to Public' category. Also a single applicant in the reserved category can make an application for a number of shares exceeding the reservation)	[•] Equity Shares of Rs. 5/- each
Equity Shares Offered **(Issue size/ Net Offer to Public)** **Of which:**	 [•] **Equity Shares of Rs. 5/- each**
Qualified Institutional Buyers Portion Of which :	Upto [•] Equity Shares (allocation on proportionate basis)
Reserved for Mutual Funds	Upto [•] Equity Shares (allocation on proportionate basis)
Non-Institutional Portion	Not less than [•] Equity Shares (allocation on proportionate basis)
Retail Portion	Not less than [•] Equity Shares (allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	**1,92,00,000 Equity Shares of Rs. 5/- each**
Equity Shares outstanding after the Issue	[•] **Equity Shares of Rs. 5/- each**

Note:

- Undersubscription, if any, in the Reservation for Existing Retail Shareholders and Employees, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs.
- Under subscription in any of the category, shall be allowed to be met through spillover from any other category at the discretion of the Company, and the BRLMs.

GANGOTRI TEXTILES LIMITED

(Gangotri Textiles was incorporated on 26th July,1989 under the Companies Act, 1956 as a private limited company vide Registration No. 181-0-2491.The Company was subsequently converted into a public limited company and received a fresh Certificate of Incorporation dated 1st January,1993)

Registered Office	:	473/2, P.K.D. Nagar, Peelamedu, Coimbatore 641 004. Tel.: 91 422 2576742, Fax: 91 422 2576742 e-mail: shares@gangotritextiles.com website: www.gangotritextiles.com Compliance Officer: Mr. T. Govindharajan
Manufacturing Units	:	Spinning Division – **Unit – I** SF No. 496A/497, Kittampalayam, Kaduvettipalayam Post, Palladam Taluk, Coimbatore – 641 659. Tel: 91 421 2362344, 2362343;Fax: 91 421 2362609
		Spinning Division – **Unit – II** Sri Dwarka Textiles 3/161, Ponnandampalayam,Kaniyur Post, Karamathampatty, Avinashi Taluk,Coimbatore – 641 659. Tel: 91 4212362324 ;Fax: 91 421 2362209
		Spinning Division – **Unit – III** Kumbhoigiri Road, Village Alate,T.K. Hatkanangale, Kolhapur District, Maharashtra – 416 109. Telefax: 91 230 2483118, 2483477
		Spinning Division – **Unit – IV** Pushpathur Village, Palani Taluk, Dindigul District – 624 618. Tel: 91 4252 252366, 252367, 252492;Fax: 91 4252
		Garments Division – **Unit –V (**Stitching Unit) 473/2, P.K.D. Nagar, Peelamedu, Coimbatore – 641 004. Tel: 91 422 4332100, 2571253, 2576643;Fax: 91 422 2576742
		Garments Division – **Unit – VI (**Washing Unit) Plot No. L4, L5 & L6, 5th Cross Road,SIPCOT Industrial Growth Center, Perundarai, Erode District. Tel: 91 4294 230668
		Fiber Recovery Plant **Unit VII** SF. No. 262/2B, Moppiripalayam Village, Palladam Taluk, Coimbatore – 641 659 Tele : 0422 - 3257136
Registrar of Companies	:	“Stock Exchange Building”, Trichy Road, Coimbatore 641005

GENERAL INFORMATION

Board of Directors:

Our Company is currently managed by Board of Directors comprising of five directors. The day-to-day affairs of the Company are being managed by Mr. Manoj Kumar Tibrewal, Managing Director, assisted by other Key Managerial Personnel. Our Board of Directors comprises of:

Name	Designation
Mr. Manoj Kumar Tibrewal	Managing Director
Mr. C.R. Swaminathan	Director
Mr. Mohanlal Tibrewal	Executive Director
Mr. S. Palanisamy	Director
Mr. T.A. Ganesh	Nominee of IDBI

For further details of our Managing Director and whole-time directors, refer to section titled “Our Management” on page 72 of this Red Herring Prospectus.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. T. Govindharajan
Company Secretary
473/2, P.K.D. Nagar, Peelamedu,
Coimbatore 641 004.
Tel.: 91 422 2576742, Fax: 91 422 2576742,
e-mail: shares@gangotritextiles.com

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

LEGAL ADVISORS TO THE COMPANY

Rajani Associates
F-4, Panchsheel, 53, 'C' Road, Churchgate
Mumbai - 400 020.
Contact Person: Mr. Prem Rajani
Tel No.: 91 22 22021010.
Fax No.: 91 22 22021011.
E-mail: info@rajaniassociates.net

BANKERS TO THE COMPANY

State Bank of India
Commercial Branch
1246, Trichy Road, Coimbatore - 641018.
Tel: 0422-2302961, 2303983,2302069
Fax: 0422-2301823

State Bank of Hyderabad,
999, Avinashi Road
Coimbatore - 641018.
Tel: 0422-2380945, 2302146
Fax: 0422-2380154

Corporation Bank,
Industrial Finance Branch
1604, Trichy Road, Coimbatore – 641018.
Tel: 0422-2302489, 2302488, 2303667
Fax: 0422-2306035

South Indian Bank.
Industrial Finance Branch,
110, Raheja Towers, 177, Anna Salai,
Chennai – 600 002
Telefax: 044 - 2860 3961, 28603962

State Bank of Mysore,
Coimbatore Main Branch,
P.B. No. 80,
75-76, Oppanakara Street,
Coimbatore – 641 001
Tele : 0422 – 2395401
Fax : 0422 – 2392718

State Bank of Indore,
Coimbatore Branch,
GR House, Ground Floor,
1056 C , Avinashi Road,
Coimbatore – 641 018
Tele : 0422 – 2215745, 2215746

IDBI – Main Branch
Stock Exchange Building,
683-686, Trichy Road,
Coimbatore – 641005.
Tel: 0422-2310262, 2310267
Fax: 0422-2310257

BOOK RUNNING LEAD MANAGERS (BRLMs)

SBI Capital Markets Limited
202, Maker Tower E
Cuffe Parade
Mumbai – 400 005
Contact Person: Mrs. Sangya Mishr
Tel: 91 22 22189166
Fax: 91 22 22188332
e-mail: gtl.fpo@sbicaps.com
Website: www.sbicaps.com

Keynote Corporate Services Limited
307, Regent Chambers,
Nariman Point,
Mumbai – 400021.
Contact Person: Mr. Satish Mangutkar
Tel: 91 22 22025230
Fax: 91 22 22835467
e-mail: gtl.fpo@keynoteindia.net
Website: www.keynoteindia.net

APPRAISING AGENCY

The Project has been financially appraised by SBI Capital Markets Limited. The project has been technically appraised by South India Textile Research Association (SITRA). For details please refer to paragraphs under " Objects of the Issue" on page no 18 of this Red Herring Prospectus.

Disclaimer from Financial Appraising Agency

" SBI Capital Markets Limited is not a monitoring agency for the above project and shall not be responsible in any way for utilization of the funds by the Company either temporarily or until deployment in the project/purposes stated in the Red Herring Prospectus. Further, the permission to use our name in the RHP shall not in any way cast any responsibility on us as regards compliance with various SEBI and other statutory rules regulations and guidelines."

REGISTRAR TO THE ISSUE

Intime Spectrum Registry Limited,
C-13, Pannalal Silk Mills Compound,
L.B.S Marg, Bhandup (W),
Mumbai 400078.
Contact Person: Mr Salim Shaikh
Tel: 91 22 2596 0320,
Fax: 91 22 2596 0329
e-mail: gangotri-fpo@intimespectrum.com
Website: www.intimespectrum.com

REGISTRAR AND TRANSFER AGENT

SKDC Consultants Limited
No. 7 (Old No.11), Street No. 1,
S. N. Layout,
Tatabad,
Coimbatore - 641012.
Tel: 0422 5549995
Fax: 0422 2499574

BANKERS TO THE ISSUE

State Bank of India
New Issues & Security Service Division
Mumbai Samachar Marg, Fort
Mumbai – 400 023
Tel: (91 22) 2265 1579/ (91 22) 2266 2133
Fax: (91 22) 2267 0745
Contact Person: Anuradha Kurma/Rajeev Kumar

HDFC Bank Limited
26A, Narayan Properties,
Chandivali Farm Road,
Saki Naka,
Mumbai – 400 072
Tel: (91 22) 2856 9009
Fax: (91 22) 2856 9256
Contact Person: Mr. Viral Kothari

Hongkong and Shanghai Bank Limited
India Area Management Office
52/60, Mahatma Gandhi Road,
P. O. Box 128, Mumbai – 400 001
Tel: (91 22) 2268 1673/ 2268 1290
Fax: (91 22) 2273 4388
Contact Person: Mr. Dhiraj Bajaj

Canara Bank
Capital Market Services Branch
11, Homji Street, Varma Chambers Building,
Ground floor, Fort, Mumbai – 400 001
Tel.: (91 22) 22692973/2266 2816
Fax.: (91 22) 2266 4140
Contact Person: Mr. T. Muralidharan

BROKERS TO THE ISSUE

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

AUDITORS

M/s Thakker & Sanghani
Chartered Accountants
16/77, Syrian Church Road No. 1,
Coimbatore - 641001.
Tele fax: 0422 – 2473777
E – mail : thakker_s@rediffmail.com

M/s. Srikishen & Co.,
Chartered Accountants,
No.11, Street No.1,
Seth Narayandoss Layout,
Tatabad, Coimbatore – 641 012.
Tele : 0422 – 5549995
Fax : 0422 - 2499574

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMs

The responsibilities and co-ordination for various activities in this Issue have been distributed amongst the BRLMs as under:

Sr. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	SBI Caps	SBI Caps
2.	Due diligence of the company's operations / management / business plans /legal etc.	SBI Caps	SBI Caps
3.	Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	SBI Caps	SBI Caps
4.	Drafting and approval of Issue and statutory publicity material, etc.	SBI Caps	SBI Caps

Sr. No.	Activities	Responsibility	Co-ordinator
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material	SBI Caps	SBI Caps
6.	Appointment of Registrar, Bankers and Ad agency	SBI Caps	SBI Caps
7.	Appointment of Printer	SBI Caps	SBI Caps
8.	Marketing of the Issue, which will cover inter alia, Formulating-Marketing strategies, preparation of publicity budget Finalize Media & PR strategy Finalizing centers for holding conferences for brokers, etc.Finalize collection centersFollow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material	SBI Caps, Keynote	SBI Caps
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	SBI Caps	SBI Caps
10.	Finalizing of Pricing & Allocation	SBI Caps	SBI Caps
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	SBI Caps	SBI Caps
12.	The Post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with the issuer company.	SBI Caps	SBI Caps

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

Trustees

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

Credit Rating

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

MONITORING AGENCY

State Bank of Mysore

P.B.No. 80, 75-76, Oppanakara Street,
Coimbatore – 641 001
Tel.: (0422) 2395401.
Fax.: (0422) 2392718

State Bank of Mysore has been appointed as the Monitoring Agency to monitor the utilization of the proceeds of this Issue.

Book Building process

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

(1) The Company

(2) Book Running Lead Managers, in this case being SBI Capital Markets Limited and Keynote Corporate Services Limited

(3) Syndicate Members, who are intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs and include BRLMs.

(4) Registrar to the Issue, in this case being Intime Spectrum Registry Limited

The SEBI Guidelines permit an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Issue shall be allocated on a proportionate basis to QIBs(clause 2.2.1) and 5% thereof to be specifically available for Mutual Funds.. Further, not less than 15% of the Net Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.

The Company shall comply with guidelines issued by SEBI for this Issue. In this regard, the Company has appointed SBI Capital Markets Limited and Keynote Corporate Services Limited as the Book Running Lead Managers (collectively being referred to as BRLMs) to the Issue to procure subscription to the Issue.

The investors are advised to make their own judgment about investment through the process of book building prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. See page 132 for the section on “Terms of the Issue” in the Red Herring Prospectus.

Steps to be taken for bidding:

1. Check eligibility for bidding (please refer to the section “Issue Procedure- Who Can Bid” on page 133 of the Red Herring Prospectus);
2. Ensure that the bidder has a demat account; and
3. Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form.

Underwriting Agreement

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

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

Name & Address of the Underwriter	Indicated No. of Shares to be undertaken	Amount underwritten (Rs. in Lakhs)
SBI Capital Markets Limited 202, Maker Tower E, Cuffe Parade, Mumbai – 400 005	[•]	[•]
Keynote Capitals Limited 307, Regent Chambers, Nariman Point, Mumbai – 400 021.	[•]	[•]
Total	[•]	[•]

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

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

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

CAPITAL STRUCTURE

S. No	Share Capital	Aggregate Nominal Value (Rs. In Lacs)	Aggregate Value including Premium (Rs. In Lacs)
A.	**Authorised Capital**		
	5,00,00,000 Equity Shares of Rs. 5/- each	2500.00	-
B.	**Issued, Subscribed and Paid-up Capital**		
	1,92,00,000 Equity Shares of Rs. 5/- each fully paid-up	960.00	-
C.	**Present Issue to the public in terms of the Red Herring Prospectus**		
	[•] Equity Shares of Rs. 5/- each fully paid up	[•]	5500.00
D.	**Out of Which**:		
	Reservation for employees of the Company		
	[•] Equity Shares of Rs. 5/- each fully paid up	[•]	165.00
	Reservation for retail shareholders of the Company holding shares worth upto Rs. 100,000/- determined on the basis of closing price as on 11/05/2006 **(being closing price as on the previous day of** 12/05/2006 **being the specified date set for this purpose)**		
	[•] Equity Shares of Rs. 5/- each fully paid up	[•]	550.00
E.	**Net Offer to the Public**		
	[•] Equity Shares of Rs. 5/- each fully paid up	[•]	4785.00
F.	**Equity Capital after the Issue**		
	[•] Equity Shares of Rs. 5/- each.	[•]	[•]
G.	**Share Premium Account**		
	Before the Issue	-	-
	After the Issue	-	[•]

Details of Changes in Authorised Capital

Date	Authorised Capital (Rs.)	Face Value (Rs.)	No. of Shares	Particulars
26.07.1989	10,00,000	10	1,00,000	-
26.10.1992	1,00,00,000	10	10,00,000	EGM Resol. Dt. 26.10.1992
21.12.1992	2,00,00,000	10	20,00,000	EGM Resol. Dt. 21.12.1992
10.12.1993	10,00,00,000	10	1,00,00,000 Equity shares of Rs.10/- each	AGM Resolution dated 10.12.1993
25.08.2005	25,00,00,000	10	2,50,00,000 Equity shares of Rs.10/- each	AGM Resolution dated 24.09.2005
24.09.2005	25,00,00,000	5	5,00,00,000 Equity shares of Rs. 5/- each	Shares split through EGM Resolution dated 24.09.2005

Notes to Capital Structure

a) Capital History

Date of Allotment	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for Allotment (bonus, swap etc.)	Cumulative Share Capital (Rs.)
26.07.89	22	10	10	Cash	Subscribers to the Memorandum	220
14.10.92	99,978	10	10	Cash	Pre Issue Allotment to Promoters, Friends and Relatives	10,00,000
31.03.93	12,08,622	10	10	Cash	Pre Issue Allotment to Promoters, Friends and Relatives	1,30,86,220
07.04.93	1,91,378	10	10	Cash	Pre Issue Allotment to Promoters, Friends and Relatives	1,50,00,000
07.04.94	4,20,000	10	10	Cash	Pre Issue Allotment to Promoters, Friends and Relatives	1,92,00,000
04.07.94	7,80,000	10	10	Cash	Firm allotment to the promoters, directors and their relatives	2,70,00,000
04.07.94	21,00,000	10	10	Cash	Initial Public Offer through the Prospectus dated May 27, 1994.	4,80,00,000
24.09.05	96,00,000	5			Equity shares of Face Value of Rs. 10/- subdivided into two equity shares of Face Value of Rs. 5/- each	
03.11.05	96,00,000	5		Bonus Shares	Bonus in the Ratio of 1 : 1	9,60,00,000
Total	**1,92,00,000**					

b) Details of Promoter Contribution and lock-in

The Company has declared a dividend for the past three years and hence the present issue of equity shares is exempt from the requirements of promoters' contribution under clause 4.10.1(a) of the SEBI (DIP) Guidelines, 2000.

However, the promoters and other persons in the promoter group have been allotted warrants convertible into equity shares on a preferential basis. Hence 74,66,787 equity shares held by the allottees are under lock in upto September 16, 2006 as per the Guidelines. (For further details refer note. No. (c) below)

c) The expansion project is proposed to be funded by the promoters vide an equity participation to be brought in at the appropriate time. Hence the Company has allotted warrants to the Promoters through a preferential allotment in accordance with the provisions of Chapter XIII of the SEBI Guidelines. The Board of Directors at their meeting held on January 7, 2006 had approved the notice to be issued to the shareholders of the Company in this respect. The said allotment of warrants has been approved by the shareholders at the Extraordinary General Meeting held on February 15, 2006. The Company has also received an in-principle approval for the issue and allotment of 16,00.000 warrants from BSE vide their letter no. List/sg/rk/pdk/24(a)/2006 dated March 02, 2006. Pursuant to this the Company has allotted 16,00,000 warrants of value of Rs. 50/- each to the promoters and other persons belonging to the promoter group as detailed below:

Name of the Person	No. of Warrants Allotted
Manoj Kumar Tibrewal	7,00,000
Anita Tibrewal	6,00,000
Mayank Tibrewal	1,00,000
Umang Tibrewal	1,00,000
Mohanlal Tibrewal	1,00,000

10% of the value of the share warrants payable on allotment has been already brought in by the promoters and the balance 90% is payable within a perios of 18 months and on receipt of the balance 90% the shares due on conversion will be allotted.

Each share warrant will be converted into one equity share of Rs. 5/- each at a premium of Rs. 45/- per share, being the price arrived at as per the Guidelines for Preferntial Allotment laid out in the SEBI (DIP) guidelines, 2000. The warrants and the equity shares issued on conversion will be locked in as per the said guidelines.

Further as per the Guidelines 74,66,787 equity shares held by the allottees of the warrants are under lock-in upto September 16, 2006.

Other than those mentioned above, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares offered through the Red Herring Prospectus have been listed.

d) Pre-issue & post-issue shareholding pattern of GTL is detailed below:

Category	Pre Issue		Post Issue		Post Issue and Post Conversion of warrants#	
	Shares	%	Shares	%	Shares	%
Promoters	7466787	38.890	7466787	[•]	90,66,787	[•]
Sub Total (A)	**7466787**	**38.890**	**7466787**	[•]	**90,66,787**	[•]
Non Promoter's Holding						
Institutional Investors						
Mutual Funds and UTI	1,600	Neg.				
Banks, Financial Institutions, Insurance Companies	Nil	Nil				
FIIs	Nil	Nil				
Sub Total (B)	**1,600**	**Neg.**	[•]	[•]	[•]	[•]
Others						
Private Corporate Bodies	1844319	9.606				
Indian Public	9833129	51.214				
NRIs	54165	0.282				
Any Other	Nil	Nil				
Sub Total (C)	**11731613**	**61.10**				
Grand Total [(A) + (B) + (C)]	**19200000**	**100.00**	[•]	**100**	[•]	**100**

for details on preferential issue of share warrants, please refer to Note No.(c) above.

e) Buyback and Standby arrangement

There is no "buy back" or "stand by" arrangement for purchase of Equity Shares by the Company, its Promoters, Directors, or Lead Managers for the Equity Shares offered through the Red Herring Prospectus.

f) The Equity Shares offered through this public issue will be fully paid up.

g) The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the Equity Shares or further issue of Equity Shares (including issue of securities convertible into exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or if the Company goes in for acquisitions and joint ventures the Company might consider raising additional capital to fund such activity or use shares as currency for acquisition and/or participation in such joint venture.

h) In Net Offer to the Public, in case of over-subscription in all categories, upto 50% of the Net Offer to the Public shall be allocated on a proportionate basis to Qualified Institutional Buyers of which 5% shall be available for allocation to mutual funds. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under subscription, if any, in any category shall be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.

i) In case of undersubscription in the net offer to the public portion spill over to the extent of the undersubscription shall be permitted from the reserved category to the net offer to the public portion.Undersubscription, if any, in the Reservation for Existing Retail Shareholders and Employees, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs.

j) Retention of over subscription shall not exceed 10% of the net offer to public for the purpose of rounding off to nearer multiple of minimum allotment lot.

k) Top ten shareholders as on date of filing of the RHP with RoC

Sr. No	Name	No. of shares held (Face Value of 5/- each)	% of paid up capital
1	Ms.Anita Tibrewal	4716991	24.57
2	Manoj Kumar Tibrewal	2192596	11.42
3	Ms.Usha Tibrewal	1790300	9.32
4	Ramesh Kumar Tibrewal	1310816	6.83
6	Ramesh Kumar Tibrewal (Huf)	676000	3.52
7.	Rasi Seeds Private Limited	600000	3.13
8.	Tribhovandas Vendravan Brothers (Pvt)Ltd	312476	1.63
9.	Umang Tibrewal	192000	1.00
10.	Mayank Tibrewal	192000	1.00
	Total	**12583179**	**65.55**

l) Top ten shareholders 10 days prior to the date of filing of the RHP with RoC

Sr. No	Name	No. of shares held (Face Value of 5/- each)	% of paid up capital
1	Ms.Anita Tibrewal	4716991	24.57
2	Manoj Kumar Tibrewal	2192596	11.42
3	Ms.Usha Tibrewal	1790300	9.32
4	Ramesh Kumar Tibrewal	1310816	6.83
5	Ramesh Kumar Tibrewal (HUF)	676000	3.52
6	Ramasami. M	600000	3.13
7	Rasi Seeds Private Limited	600000	3.13
8	Tribhovandas Vendravan Brothers (Pvt)Ltd	302476	1.58
9	Umang Tibrewal	192000	1.00
10	Mayank Tibrewal	192000	1.00
	Total	**12573197**	**65.50**

m) Top ten shareholders as on two years prior to the date of filing of the RHP with RoC

Sr. No	Name	No. of shares held (Face Value of 5/- each)	% of paid up capital
1	Ms. Anita Tibrewal	940950	19.60
2	Ms. Usha Tibrewal	895150	18.65
3	Manoj Kumar Tibrewal	548149	11.42
4	Ramesh Kumar Tibrewal	447379	9.32
5	Ramesh Kumar Tibrewal (Huf)	169000	3.52
6	Minor Anubhav Tibrewal	48000	1.00
7	Minor Abhishek Tibrewal	48000	1.00
8	Minor Anurag	48000	1.00
9	Minor Mayank Tinrewal	48000	1.00
10	Minor Umang Tibrewal	48000	1.00
	Total	**3240628**	**67.51**

n) As of the date of the Red Herring Prospectus, other than that stated in point (c) above, there are no outstanding financial instruments or any other right, which would entitle the existing Promoter or shareholders, or any other person any option to receive Equity Shares after the offering. The company does not have any outstanding ESOP.

o) The Company has not issued any shares out of revaluation reserves.

p) **Shares Issued for consideration other than cash:** We have not issued any Equity Sahres for consideration other than cash.

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

r) No single applicant can make an application for number of shares, which exceeds the number of shares offered

s) The Company has 6193 shareholders as on the date of filing this Red Herring Prospectus with SEBI/RoC.

t) Transactions entered into by the promoter and the promoter group during the past six months are as detailed below:

Name of shareholder	Nature of Transaction	Date of transaction	No. of shares	Average Price (Rs.)
Ms. Anita Tibrewal	Bought	12/01/2006	800791	48.99

u) Shares issued in the last one year are as follows:

Name	Date of Allotment	No. of shares Price (Rs.)	Issue	Reason
Promoters & Promoter Group*	03-11-2005	65 48 986	NA	Bonus Shares of Rs.5/- face value.
Others	03-11-2005	30 51 014	NA	Bonus Shares of Rs.5/- face value.
Total		96 00 000		

* For details of allotment to Promoters in the last one year please refer to Note (b) above

v) There are restrictive covenants in the agreements that the Company has entered into with certain banks and financial institutions for short-term loans and long-term borrowings. Some of these restrictive covenants require the prior permission of the said banks/financial institutions for example, restrictions pertaining to the declaration of dividends, alteration of the capital structure, entering into any merger/amalgamation, expenditure in new projects, transfer change in the key personnel, change in the constitutional documents and the right to appoint a nominee director on the Board of Directors of the Company upon an event of default.

w) None of our promoters, persons/entities included in the promoter group, directors of the entities included in the promoter group and directors of our Company are included in the list of persons/entities debarred from accessing the capital market by SEBI. Further no action has been taken by SEBI or any other regulatory authority against our promoters or directors under any Regulation or Act.

OBJECTS OF THE ISSUE

The objects of the Issue are: -

1. To expand and forward integrate by setting up the following units:.
   (i) Spinning I - A ring spinning unit of 19,200 spindles along with Two for One (TFO) twister to produce 2/30s Polyester Cotton Yarn (10,112 kgs/day) ;
   (ii) Spinning II - A ring spinning unit of 31,200 spindles alongwith TFO to produce 2/40s cotton yarn (10,205 kgs/day).
   (iii) Weaving and processing plant of average capacity of 51,000 mtrs/day of bottom weight and shirting fabric.
   (iv) Modern Garment unit with a capacity of 3,000 pieces/day for Men and Women's trousers.
   (v) Installation of six Wind Energy Generators (WEG) of 1.65 MW each aggregating a total installed capacity of 9.90 MW.
2. To meet the issue expenses and get the equity shares being issued pursuant to this Red Herring Prospectus listed on the stock exchanges.

The Main Objects stated in the Memorandum of Association of the Company enable the Company to undertake the existing activities and the activities for which the funds are being raised through the present Issue.

The Project

The South India Textile Research Association, Coimbatore has studied the project and has found it to be technically viable as per their Technical Feasibility Report dated November, 2005. The project has been financially appraised by SBI Capital Markets Limited during October, 2005 based on the estimates provided by the Company. The total cost of the project is estimated at Rs. 351 Crores, based on the appraisal of SBI Capital Markets Limited and the estimates provided by technical consultants for various plant and machinery items as also suitable contingency provisions provided on these costs.

Scope of Technical Feasibility Study by SITRA

- To prepare a technical feasibility of the proposed textile manufacturing unit.

Scope Of The Financial Appraisal Carried Out By SBI Capital Markets Limited

- To assess the financial viability of the project as envisaged by the Company.

Cost of the Project

Particulars	**Amount (Rs. in Lacs)**
Setting up of Spinning Unit I	7746
Setting up of Spinning Unit II	7376
Setting up Weaving and Processing plant	12883
Setting up Garment Unit	783
Installation of six wind mills	5912
Meeting Issue Expenses	400
Total	**35100**

The different heads of project cost are detailed in the table given below:

(Rs. In Lacs)

Particulars	PHASE – I				PHASE – II		
	WEAVING & PROCESSING	GARMENTS	WIND MILL – I	SPINNING 19200 spindles	SPINNING 31200 spindles	WIND MILL – II	TOTAL
Hard Costs							
Land	308	-	-	17	-	-	325
Site Development	80	-	-	38	-	-	118
Building	1312	104	-	1431	1513	-	4359
Plant & Machinery	7702	350	2937	4727	4108	2937	22761
Misc. Fixed Assets	2067	52	-	915	1143	-	4177
Contingencies	293	12	-	169	158	-	632
SUB TOTAL (A)	**11761**	**518**	**2937**	**7297**	**6921**	**2937**	**32371**
Soft Costs							
IDC	96	2	016	063	89	22	288
Pre-operative expenses	226	-	-	140	133	-	500
Preliminary Expenses	181	-	-	112	107	-	400
Margin Money for Working Capital	799	263	-	246	233	-	1541
SUB TOTAL (B)	**1302**	**265**	**016**	**561**	**562**	**22**	**2729**
GRAND TOTAL (A+B)	**13064**	**783**	**2953**	**7858**	**7483**	**2959**	**35100**

Means of Finance

The project is proposed to be funded by term loans from banks, financial institutions and equity by way of a public issue. The proposed means of the finance for the project will be as under:

(in Rs. Lacs)

PARTICULARS	PHASE I	PHASE II	TOTAL
Public Issue of Equity Shares	4151	1349	5500
SIPCOT Subsidy	115	-	115
Capital Subsidy under TUFS @	350	-	350
Funds to be brought in by promoters*	80	720	800
Internal Accruals	762	273	1035
TOTAL EQUITY	**5459**	**2341**	**7800**
DEBT	**191200**	**8100**	**27300**
TOTAL	**24658**	**10442**	**35100**

@ The amount of capital subsidy under TUFS has been taken on an estimated basis and the same may vary based on actual assessment by TUFS cell, IDBI. The textile project would also be eligible for interest subsidy under TUFS.

* The expansion project is proposed to be partly funded by the promoters vide an equity participation to be brought in at the appropriate time. Hence the Company has allotted warrants to the Promoters through a preferential allotment in accordance with the provisions of Chapter XIII of the SEBI Guidelines. The Board of Directors at their meeting held on 7th January, 2006 had approved the notice to be issued to the shareholders of the Company in this respect. The said allotment of warrants has been approved by the shareholders at the Extraordinary General Meeting held on February 15, 2006. The Company has also received an in-principle approval for the issue and allotment of 16,00.000 warrants from BSE vide their letter no. List/sg/rk/pdk/24(a)/2006 dated March 02, 2006. Pursuant to this the Company has allotted 16,00,000 warrants of value of Rs. 50/- each to the promoters and other persons belonging to the promoter group. (For Details refer to note no. (c) to the Capital Structure)

DETAILED BREAK-UP OF THE COST OF THE PROJECT

a) Land and Site Development

Ring Spinning Unit

We have acquired 22.92 acres of land at Pushpathur village (17.21 acres) and Midapaddi Village (5.71 acres) in the Palani Taluk of Dindigul District of Tamil Nadu. The two plots of land are adjoining and are close to the existing ring spinning unit at Pushpathur village. The total cost of the land is Rs. 17 Lacs. The provision includes site development costs of Rs. 38 Lacs

Weaving and Processing

We have been allotted plot no. PP2, PP3 and PP4 admeasuring 41.73 acres of land at SIPCOT Industrial Complex in Erode District of Tamil Nadu. The total cost of the land is Rs. 308 Lacs including stamp duty and registration charges. The provision includes site development expenses amounting to Rs. 80 Lacs.

Garment

The Garment Unit is proposed to be located at our existing washing unit at Plot No. L4, L5 and L6 of SIPCOT Industrial Growth center, Perundarai, Tamil Nadu.

Wind Mills

We propose to decide on the exact location of the wind mills based on the recommendation of NEG Micon, the wind mills supplier. However we have identified two locations which are approved by the Tamil Nadu Government for installation of the wind mills. The proposed locations are Udumalpet taluk, Coimbatore District and Village Veeranam, Tenkasi district near Tirunelveli. The wind mills will be installed at either of these locations.

b) Building and Civil Works

The total expense towards Building and Civil Works is estimated at Rs. 4359 Lacs as per the estimates received from Design Forum India Pvt. Ltd., Coimbatore. The estimates have also been certified as reasonable by Shri A. S. Balu, Chartered Engineer. Detailed break-up of the costs is given below:

Phase I

Ring Spinning Unit (19200 spindles)

We propose to construct the following facilities during the Phase I of the project:

S. No.	Description	Value (Rs. In Lacs)
1	Cotton Godown	138.22
2	Blow Room	59.19
3	Preparatory	189.00

S. No.	Description	Value (Rs. In Lacs)
4	Exhaust Trench	54.00
5	Spinning Hall	131.25
6	Exhaust Trench	46.88
7	Cone Winding	91.00
8	Exhaust Trench	32.50
9	TFO Shed	94.50
10	Exhaust Trench	33.75
11	Yarn Godown	47.81
12	Humidification	85.09
13	Compressor room	8.91
14	Spinning and Post Spinning Service room	104.50
15	Toilet block	27.95
16	Lorry Porch & unloading Platform	12.80
17	Powerhouse & Trenches	19.25
18	Security & Time Office	2.20
19	Waste Godown	49.61
20	Pre filter Room	9.90
21	Dining Area	4.68
22	Electrical service room	4.68
23	Workers Dormitory	67.50
24	Weigh Brodge	4.00
25	4 Wheelers/2 Wheelers Shed	2.50
26	UG Sump	8.00
27	OH Tank	4.00
28	HT Yard	5.00
29	External Plumbing and Sanitary Works	15.00
30	External Cable Trenches	10.00
31	Storm Water Drain	12.00
32	Compound Wall & Gate	40.00
33	Gardening & Landscaping	15.00
	Total	**1430.67**

Weaving and Processing Unit

We propose to construct the following facilities during the Phase I of the project for the Weaving and Processing Unit:

S. No.	Description	Value (Rs. In Lacs)
1 .	Main Building - 42mx90m	133.00
2 .	Exhaust Trenches	47.50
3 .	Beam & Drawing	17.85
4 .	Warping & Sizing	62.65
5 .	Yarn Storage	31.50
6 .	Grey Fabric Store	45.50
7 .	Grey Inspection	22.05
8 .	Processing	182.00
9 .	Yarn Dyeing	35.70
10 .	Lab 23.63	
11 .	Processing II	129.50
12 .	Power House	30.91
13 .	Engg. Workshop	14.88
14 .	Toilet Block	16.25
15 .	Humidification Plant	22.00
16 .	Compressor Room	6.60
17 .	Worker's Dormitory	337.50
18 .	Raw and Soft Water Tank	60.00
19 .	ETP 25.00	
20 .	Cycle Shed, Car Parking	2.00
21 .	HT Yard	2.50
22 .	HSD Yard	1.00
23 .	UG Sump (25 K Litres)	1.00
24 .	Water Supply & Sanitary	10.00
25 .	Compound Wall & Gate (1700 running metres)	34.00
26 .	Septic Tank	4.00
27 .	Overhead Tank (I lakh litres)	4.00
28 .	Security Cabin & Time Office	4.00
29 .	External Trenches	5.00
	TOTAL	**1311.51**

Garment

We propose to build the following facilities for the Garment Unit:

Particulars	Amount
Production Hall (2370 Sq. Mtrs)	102
Lobby (16 Sq. Mts) and Lorry Porch (54 Sq. Mts)	2
Total	**104**

Phase II

Ring Spinning Unit (31200 spindles)

We propose to construct the following facilities during the Phase II of the project:

S. No.	Description	Value (Rs. In Lacs)
1 .	Cotton Godown	168.35
2 .	Blow Room	59.85
3 .	Preparatory	189.00
4 .	Exhaust Trench	54.00
5 .	Spinning Hall	162.05
6 .	Exhaust Trench	57.88
7 .	Cone Winding	95.03
8 .	Exhaust Trench	33.94
9 .	TFO Shed	140.07
10 .	Exhaust Trench	50.03
11 .	Yarn Godown & Yarn Conditioning	45.50
12 .	Humidification	
13 .	Blow Room & Preparatory	22.00
14 .	Preparatory	25.85
15 .	Spinning Hall	30.25
16 .	TFO Shed	18.15
17 .	Automatic Waste Evacuation System	50.60
18 .	Compressor Room	9.63
19 .	Spinning & Post Spinning Service Room	45.10
20 .	Toilet Block - 3 Nos.	27.95
21 .	Lorry Porch & Unloading Platform	1.88
22 .	Powerhouse & Trenches	18.43
23 .	Security & Time Office	2.20
24 .	Generator Shed	4.50
25 .	Technical Office & Quality Control	94.25
26 .	Workers Dorm	67.50
27 .	4 wheelers/2 wheeler shed	3.00
28 .	UG Sump - 3 lakh litres	12.00
29 .	OH Tank - 1.5 lakh litres	6.00
30 .	HT Yard	2.00
31 .	External Plumbing & Sanitary Works	5.00
32 .	External Cable Trenches	5.00
33 .	Storm Water Drain	6.00
	TOTAL	**1512.96**

c) Plant & Machinery

The total cost of Plant & Machinery is estimated to be Rs. 22761 Lacs based on quotations received by us from various suppliers. A detailed breakup of the same is provided below:

Spinning Unit – I (19200 Spindles)

We propose to source a major portion of machinery from reputed overseas suppliers. The major machinery suppliers identified for the unit are as follows:

Machine	Supplier	Amount (Rs. In Lacs)	Date of placing order
Imported			
Autoconer	Schlafhorst, Germany	757.12	-
Two For One	Volkman, Germany	676.32	-
Blow Room	Rieter	1356.94	-
Draw Frame	-	24.35	-
Lab Equipments	Uster Technologies India Pvt. Ltd.	244.61	-
Hard Waste Opener	Jeng Feng Machinery Co. Ltd.	125.21	-
Sub Total (A)		**3184.55**	
Indigenous			
Roving Frame	Zinser Textiles System	460.18	-
Assembly Winder	PEASS Industrial Engineers Ltd.	72.56	-
Yarn conditioning Machine	Sieger Spintech Limited	21.48	
Yarn Rewinders	Vijay Engg. Works	12.59	-
Yarn Clearer	Premier Evolvics Pvt. Ltd.	35.49	-
Ring Frame with Auto Doffer	Kirlosker Toyota	940.37	-
Sub Total (B)		**1542.67**	
Total (A+B)		**4727.22**	

The total cost of procuring the above machinery is estimated by our management at Rs. 4727 Lacs.

Spinning Unit – II (31200 Spindles)

All major equipment viz. Blow Room, Carding, comber would be sourced from Lakshmi Machine Works Ltd. The total cost of procuring the above machinery is estimated by our management at Rs. 4108 Lacs.

Machine	Supplier	Amount (Rs. In Lacs)	Date of placing order
Imported			
Autoconer	Schlafhorst, Germany	865	-
Two For One	Volkman, Germany	815	-
Sub Total (A)		**1680**	

Machine	Supplier	Amount (Rs. In Lacs)	Date of placing order
Indigenous			
Blow Room, , Draw Frame	Lakshmi Machine Works Ltd.	104.21	19/09/2005
Carding	Lakshmi Machine Works Ltd.	386.42	19/09/2005
Card Room Accessories	Lakshmi Machine Works Ltd.	2.02	19/09/2005
Non Auto Leveller	Lakshmi Machine Works Ltd.	33.69	19/09/2005
Lap Former	Lakshmi Machine Works Ltd.	81.66	19/09/2005
Comber	Lakshmi Machine Works Ltd.	428.01	19/09/2005
Accessories	Lakshmi Machine Works Ltd.	16.60	19/09/2005
Auto Leveller	Lakshmi Machine Works Ltd.	114.31	19/09/2005
Speed Frame	Lakshmi Machine Works Ltd.	336.26	19/09/2005
Ring Frame	Lakshmi Machine Works Ltd.	829.70	19/09/2005
Assembly Winder	PEASS Industrial Engineers Ltd.	72.56	-
Yarn conditioning Machine	Sieger Spintech Limited	21.48	
Yarn Rewinders	Vijay Engg. Works	0.03	-
Yarn Clearer	Premier Evolvics Pvt. Ltd.	0.07	-
Sub Total (B)		**2428**	
Total (A+B)		**4108**	

Weaving and Processing Unit

We propose to procure the plant and machinery for the Weaving and Processing Unit from the following overseas suppliers:

Machine	Supplier	Amount (Rs. In Lacs)	Date of placing order
Imported			
Warping	Moneus – Hacoba	420.40	-
Sizing	Moneus – Hacoba	262.75	-
Weaving	Picanol	2825.09	-
Singeing	Oshtoff -Senge	108.25	-
Bleaching	Kusters	735.70	-
Dyeing	Monfort	630.60	-
Washing	Kusters	683.15	-
Mecerising	Kusters	683.15	-
Sanforising	Monfort	210.20	-
Dryer	Stalam Fongs	56.03	-

Machine	Supplier	Amount (Rs. In Lacs)	Date of placing order
Hydro extractor	Stalam Fongs	13.32	-
Material Handling and Knotting Machine	Todo	78.83	-
Lab Equipment	Various Suppliers	425.66	-
Sub Total (A)		**7133.13**	
Indigenous			
Singeing	Kusters	54.55	-
Stentor	Motex	187.51	-
Finishing	Yash Textiles	26.16	-
Batch Rotating Station	Kusters	14.47	-
Yarn Rewinder	Vijay engineering works	4.52	-
Yarn Dyeing	Dalal engineering	214.54	-
Inspection and Batching Fabric	Yash Textiles	7.43	-
Sizing	Techno Sales	7.32	-
Chemical Pumps	Company Estimates	52.44	-
Sub Total (B)		**568.94**	
Total (A+B)		**7702.07**	

The total cost of procuring the above machinery is estimated by our management at Rs. 7702 Lacs.

Garment Unit

All the machinery required for the Garment Unit is proposed to be purchased from India Industrial Garment Machines Pvt. Ltd., Tirupur who would be supplying sewing machines of model 'Juki' and finishing section machinery of 'Nagai Shing'. The total cost of the above machinery is estimated to be Rs. 350 Lacs.

Wind Mills (9.90 MW)

We propose to purchase six wind mills of 1.65 MW each from NEG MICON (India) Pvt. Ltd. The total project will be carried out by NEG MICON (India) Pvt. Ltd. Right from selection of the land till commissioning of the wind mill. The total cost of thispart of the project is envisaged to be Rs. 2937 Lacs.

d) Miscellaneous Fixed Assets

The total cost of Miscellaneous Fixed Assets is estimated to be Rs. 4177 Lacs based on quotations received from various suppliers. Details of the same are as provided below:

Phase I

Weaving and Processing Unit

The provision includes cost of Humidification, compressors, dryer, boiler (2 nos. of 8 TPH capacity), electricals, electronic weigh bridge, generator and pipelines.

Garment

The provision covers estimate of cost of electricals of Rs. 52 Lacs.

Spinning Unit (19200 Spindles)

The provision includes cost of Humidification, compressors, bobbins, air waste system, pipelines and generators amounting to Rs. 915 Lacs.

Phase II

Spinning Unit (31200 Spindles)

The provision includes cost of Humidification, compressors, bobbins, air waste system, pipelines and generators amounting to Rs. 1143 Lacs.

e) Interest During Construction (IDC)

The project is being partly funded through interim borrowing facilities at the interest rate of 9 % p.a. and the provision for interest during construction also includes Rs. 27 Lacs towards the said loan. The Loan is proposed to be repaid through the proceeds of this Issue. The rate of interest on the term loan under TUFS has been assumed at 3% p.a. after accounting for TUFS interest subsidy of 5% p.a. The interest on non TUFS portion has been assumed at 8% p.a.

f) Preliminary Expenses

Preliminary Expenses have been assumed at 6% of the Public Issue Size size of Rs. 5500 Lacs i.e. Rs. 330 Lacs and Rs. 70 Lacs towards increase in authorized share capital. The provision mainly includes expenses relating to public issue.

g) Preoperative Expenses

Preoperative expenses comprise provision for establishment costs (Rs. 130 Lacs), trial run expenses (Rs. 130 Lacs), Financial , Legal and Other Charges (Rs. 85 Lacs), Professional and Technical Consultancy Fees (Rs. 105 Lacs) and Deposit to Tamil Nadu Electricity Board (Rs. 50 Lacs). The total expense is estimated to be Rs. 500 Lacs.

h) Contingency

Provision for contingency has been assumed at 3% of plant & machinery(except wind mills) and miscellaneous fixed assets.

i) Margin Money for Working Capital

The total working capital margin requirement of the project is estimated at Rs. 1541 Lacs. The same has been arrived at by our management as stated below:

Particulars	19200 Spindles	31200 Spindles	Weaving	Garment
	Months	Months	Months	Months
Raw Material	4.00	4.00	1.00	0.00
Consumable Stores	4.00	4.00	4.00	4.00
Work in Progress	0.25	0.25	0.25	0.25
Finished Goods	0.67	0.67	0.67	0.67
Sundry Debtors	1.33	1.33	1.33	1.33
Sundry Creditors	1.00	1.00	1.00	-

On the basis of the above table, the working capital gap for each division for its first year of operations emerges as follows:

(Rs. in Lacs)

Particulars	19200 Spindles	31200 Spindles	Weaving	Garment	Total
Current Assets	1205	1132	3764	1052	7153
Current Liabilities	222	199	567	-	988
Working Capital Gap	983	933	3197	1052	6165
Margin Money for Working Capital	246	233	799	263	1541

DETAILED BREAK UP OF THE MEANS OF FINANCE

a) SIPCOT Subsidy

As per the subsidy scheme of SIPCOT, industrial units being set up at SIPCOT growth centers are eligible for subsidy of 15% on fixed assets subject to a ceiling of Rs. 15 lakhs. Further, as per Tamil Nadu Government's Industrial Policy 2003, projects with proposed investments exceeding Rs.300 Crs. in eligible fixed assets within a period of not more than 3 yrs from the date of Project approval, will be eligible for incentives in the form of capital subsidy of Rs.1.00 Cr. As the proposed project investment is more than Rs. 300 Crs., Wewould be entitled to a subsidy of Rs. 1.00 Crs. Thus the aggregate subsidy to be availed for the project is Rs. 1.15 Crs.

b) Capital subsidy under Technology Upgradation Fund Scheme (TUFS)

Government of India has launched TUFS for Textile and Jute Industries initially for a period of 5 years with effect from 1st April, 1999, and the same has been extended upto March 31, 2007. Under this scheme, effective rate of interest charged to the concerned borrower will be five percentage points lower than the prevailing commercial rates of interest charged by the Financial Institutions and Banks concerned; the Ministry of Textiles will reimburse the five percentage points under the scheme.

There is no cap on funding under this scheme. Further, loans sanctioned by the lending agency till the last date of the duration of the scheme period will be eligible under the scheme and the reimbursement would continue to be available till the same is repaid as per the normal lending period of the nodal agency.

Quantum of term loan eligible for interest subsidy of 5% under TUFS

Under TUFS, apart from the investment in the main plant and machinery, the investments into land, building, preliminary and preoperative expenses etc. will also be eligible to the extent necessary for the plant and equipment to be installed for Technology Upgradation and the total of such investments in excess of 25% of the total investment in such plant and machinery will not be considered under the scheme.

As per the recent scheme announced by Ministry of Textiles, Govt. of India vide Circular no.2 (2005-06 Series) dated 29th April, 2005, GOI has decided to provide an additional incentive of 10% capital subsidy over and above the 5% interest subsidy under TUFS for specified textile processing machinery. As per our assessment the cost of envisaged textile processing machinery works out to around Rs. 35.0 Crs. which would amount to a subsidy of Rs. 3.50 Crs.

In case, the availment of subsidies from SIPCOT & GOI-TUFS nodal agency take time,our Company proposes to deploy the funds out of public issue/internal accruals/personal resources till the subsidy is received. Further, in the event of non receipt of subsidy due to any reason, we propose meet the shortfall from internal accruals.

c) Internal Accruals

As on 31/12/2005 the Company has Internal Accruals (Free Reserves) to the extent of Rs. 2545.05 Lacs . We propose to deploy total internal accruals of Rs. 1035 Lacs towards the project in a phased manner.

d) Term Loan

The broad terms & conditions for the proposed Term Loan are as under:

<table>
<tr><td></td><td colspan="2">**TUFS Loan**</td><td colspan="2">**Wind Mills (Non TUFS)**</td></tr>
<tr><td>Phase</td><td>**I**</td><td>**II**</td><td>**I**</td><td>**II**</td></tr>
<tr><td rowspan="3">Loan amount (Rs. Crs.)
Total: Rs. 273 Crs.</td><td>169.00</td><td>58.00</td><td>23.00</td><td>23.00</td></tr>
<tr><td colspan="2">227.00</td><td colspan="2">46.00</td></tr>
<tr><td colspan="4">The company would have the option to treat any of the loans/ part of the loan for TUFS/ windmills and/or for Phase I/ Phase II and the loans would be utilized accordingly.</td></tr>
<tr><td>Rate of Interest</td><td colspan="4">28.8% p.a. linked to SBI PLR (i.e. at present 225 bps lower then the SBI PLR of 10.25%) payable monthly for the entire tenor of the loan.
Based on the above interest rate, the current effective annualized interest rate works out to 8.30% p.a.</td></tr>
<tr><td>Upfront/ Processing Fee</td><td colspan="4">30.0.10% of the loan amount sanctioned/ accepted payable at the time of execution of the loan documents.</td></tr>
<tr><td>Moratorium Period</td><td colspan="2">Phase I
24 months from the projected Commercial Operation Date of Weaving & Processing unit (October 2006)</td><td colspan="2">Phase II
24 Months from the projected Commercial Operation Date of 31,200 spindles Spinning unit (October 2007)</td></tr>
<tr><td>Tenor</td><td colspan="2">10 years (2 + 8) from COD with 24 months moratorium
Terminal Date: 30.9.2016</td><td colspan="2">9 years (2 + 7) from COD with 24 months moratorium
Terminal Date: 30.9.2016</td></tr>
<tr><td>Repayment Terms</td><td colspan="2">32 quarterly installments commencing December 31, 2008 with principle repayment amounts as follows:
Year 1 & 2: 8% p.a. of the loan amount (i.e. 2% of the loan amount for each quarter for the first 8 quarters)
Year 3 to 8: 14% p.a. of the loan amount (i.e. 3.50% of the loan amount for each quarter for the balance 24 quarters)</td><td colspan="2">28 quarterly installments commencing December 31, 2009 with principle repayment amounts as follows:
Year 1: 10% p.a. of the loan amount (i.e. 2.50% of the loan amount for each quarter for the first 4 quarters)
Year 2 to 7: 15% p.a. of the loan amount (i.e. 3.75% of the loan amount for each quarter for the balance 24 quarters)</td></tr>
<tr><td>Security</td><td colspan="4">- First charge, on pari-passu basis, by way of equitable mortgage of land & buildings and hypothecation of all the Company's fixed assets, both present and future except the fixed assets charged exclusively to individual lenders.
- Second charge on all the current assets of the company on reciprocal basis with the working capital lenders.
- Personal Guarantees of the promoters viz. S/Shri Manoj Kumar Tibrewal and Mohanlal Tibrewal</td></tr>
</table>

We confirm that firm arrangements of finance through verifiable means towards 100% of the stated means of finance, excluding the amount to be raised through the Issue, have been made. The details are as follows:

LENDER'S NAME	AMOUNT SANCTIONED (in Rs. lakhs)	AMOUNT PROPOSED TO BE AVAILED (in Rs. lakhs)	DATE OF SANCTION	AMOUNT DISBURSED (in Rs. lakhs)
Corporation Bank	4000	4000	24.10.2005	1365
State Bank of Mysore	3000	3000	02.12.2005	704
State Bank of Indore	2500	2500	19.01.2006	190
State Bank of Travancore	2000	2000	29.11.2005	-
Syndicate Bank	2700	2700	05.12.2005	-
United Bank of India	4000	4000	27.12.2005	-
Canara Bank	5000	5000	26.12.2005	-
Central Bank of India	1600	1600	12.04.2006	-
State Bank of Hyderabad	2500	2500	02.03.2006	-
Total	**27300**	**27300**		2259

Working Capital borrowings

Total working capital gap for the proposed project for the first year of operations (FY 2008 - for both Phase I and Phase II together) works out to Rs. 65.14 Crs. The working capital bank borrowing has been assessed at 75% of the working capital gap. The margin money of 25% of the working capital gap (separately for each of the division) for their respective first year of operations has been considered as part of the project cost.

The details of the proposed additional working capital limits and the broad terms & conditions for the same are as under:

Nature of borrowings	Working capital facility in the form of Cash Credit loans facility
Facility amount	Rs. 48.85 Crs. (FY 2008)
Rate of Interest	8% p.a. linked to SBI PLR (i.e. at present 225 bps lower then the SBI PLR of 10.25%) payable monthly. Current effective annualized interest rate works out to 8.30% p.a.
Upfront/ Processing Fee	0.10% of the working capital facilities sanctioned/ accepted payable at the time of execution of the facility documents.
Security	- First pari passu charge on all the current assets of the proposed project;
	- Second charge, on reciprocal basis with the term lenders, on all the fixed assets of the company except for fixed assets charged exclusively to individual lenders.
	- Personal Guarantees of the promoters viz. S/Shri Manoj Kumar Tibrewal and Mohan Lal Tibrewal (Promoters' net worth: Rs. 1.68 crs.)
Period of Loan	12 Months, subject to review every year.

Any amounts raised in excess of the funds required for the proposed projects and the Issue expenses, will be utilized for general corporate purposes and likewise, if any amount raised is short of the funds required for the proposed projects and the issue expenses, will be funded from internal accruals.

Strenghts and Weaknesses as appraised by SBI Capital Markets Limited

Strenghts

- The promoters have rich experience in the Textile Sector. The promoters are well established in the market and their existing distribution and marketing network will ensure that the finished goods of the Company are sold easily with minimum efforts.
- The proposed project would provide the company higher value additions and better profitability.
- The proposed project envisages setting up 6 wind mills of 1.65 MW each (in 2 phases) which will reduce the average power cost theerby improving the company's profitability.
- The raw material required for the Spinning Unit i.e. Cotton is available in abundance. GTL has generally been proactive in buying good quality cotton during the peak season and stocking it for the year.

Weaknesses

- The domestic ready made garments business is highly competitive with well entrenched players and brands, which exposes a smaller player like GTL to significant off take and price risks.

Current Status and Implementation Schedule

As per the proposed schedule, the Phase I would be commissioned in stages starting with wind mills on 1st July, 2006, weaving and processing & garment unit on 1st October 2006 and 19,200 spindles on 1st Jan. 2007. The Phase II comprising Spinning unit of 31,200 spindles and the balance 3 windmills is envisaged to commission on 1st October 2007.

Sl. No.	Implementation Schedule	PHASE – I								PHASE - II			
	Description	Windmill		Weaving & Processing		Garment		Spinning - 19200		Wind Mill		Spinning - 31200	
		Start	Finish	Start	Finish	Start	Finish	Start	Finish	Start	Finish	Start	Finish
1.	Land Acquisition			July 05	October - December, 05			July 05	September 05			July 05	September 05
2.	Selection of Machinery	January 06	February 06	August 05	February 06	January 06	February 06	October 05	February 06	December 06	January 07	January 06	May 06
3.	Placement of Order (long delivery)	January – 06	February – 06	October - 05	March - 06	March - 06	April - 06	October - 05	March - 06	January - 07	January - 07	March - 06	June 06
4.	**Civil Work / Buildings**			**December - 05**	**July - 06**	**March – 06**	**August – 06**	**January – 06**	**August - 06**			May - 06	January - 07
5.	Placement of Order – other machinery	January - 06	February – 06	December - 05	March - 06	March – 06	May - 06	December - 05	March – 06	January - 07	January - 07	January – 07	March - 07
6.	Delivery of machinery	April - 06	May - 06	July - 06	August - 06	July - 06	August - 06	August - 06	October - 06	August - 07	September - 07	June - 07	July - 07
7.	Application to TNEB				March - 06		April - 06		March – 06				January - 07
8.	Erection & Commission-ing	May - 06	June - 06	August - 06	Septem-ber - 06	August - 06	September - 06	November - 06	December - 06	August - 07	September - 07	August - 07	September - 07
9.	Commercial Production		July - 06		October - 06		October - 06		January – 07		October - 07		October - 07

Yearwise Break-up of Expenses

Yearwise breakup of expenses proposed to be incurred on the project are as follows:

(Rs. in Lacs)

Particulars	2006-07	2007-08
Weaving & Processing	11278.45	-
Garment	783	-
Spinning units	7746	7376
Wind Mills	2953	2959
Total	**22760.45**	**10335**

Funds deployed in the above mentioned projects.

The total expenditure that has been incurred on the projects, as of March 15, 2006, as certified by M/s Thakker & Sanghani, Chartered Accountants and M/s Srikishen & Co., Chartered Accountants is as detailed below:

S. No.	Particulars	(Rupees Lakhs)
	Amount Spent	
1.	Land Development	362.49
2.	Advance for Building, Machinery & Other assets	1242.05
3.	Pre –Operative Expenses	184.22
	Total	**1788.77**
	Means of Finance	
1.	Term Loan from Bank	1292.78
2.	Own Funds	495.99
	Total	**1788.77**

Issue Related Expenses

The Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar and depository fees. The estimated Issue expenses are as follows:

Activity	Expense (Rs. In Lacs)
Lead Manager, underwriting and selling commissions	[•]
Advertising and marketing expenses	[•]
Printing and Stationary expenses	[•]
Others (Registrar fees, legal fees etc.)	[•]
Total estimated Issue expenses	**[•]**

The estimated Issue Expenses as per the Financial Appraisal Report of SBI Capital Markets Limited is Rs. 330 Lacs.

Interim Use of Proceeds

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

Monitoring of Utilisation of Funds

State Bank of Mysore, Main Branch, Coimbatore, has been appointed as the Monitoring Agency to monitor the utilization of the proceeds of this Issue. As per regulatory requirements, we will disclose the utilization of the proceeds of the issue under a separate head in our Balance Sheet clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet, provide details, if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilised proceeds of the Issue.

We will pay no part of the proceeds of the Issue as consideration to our Promoters, our directors, keymanagement personnel or companies promoted by our promoters except in the usual course of business.

Disclaimer from Financial Appraising Agency (SBI Capital Markets Limited)

" SBI Capital Markets Limited is not a monitoring agency for the above project and shall not be responsible in any way for utilization of the funds by the Company either temporarily or until deployment in the project/purposes stated in the Red Herring Prospectus. Further, the permission to use our name in the RHP shall not in any way cast any responsibility on us as regards compliance with various SEBI and other statutory rules regulations and guidelines."

BASIC TERMS OF ISSUE

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

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares Offered by way of Book Building.

Investors should read the following summary with the Risk Factors included from page number ix to xvii and the details about the Company and its financial statements included in the Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and you may lose all or part of your investments.

Qualitative Factors

1. The Promoters are qualified, well versed and have wide experience of over 15 years in this area of business.
2. Our Company has been operating in the textile segment since the past seventeen years and has reported profits consistently since inception.
3. GTL has been paying annual dividends of not less than 15% to its shareholders since its maiden public issue in the year 1994.
4. The business mix between cotton yarn combined with branded apparel and fabrics provides for smooth cash flows by reducing the cyclicality .
5. The operations of the Company are ISO 9001: 2000 certified.
6. The Company is one of the major operators in Open End Spinning (with O.E. soinning capacity of 5906 rotors) and has over the years developed expertise in sourcing and recycling of cotton waste into spinnable raw material for the manufacture of open end yarn thereby resulting in significant cost saving. This has been one of the major contributors to the consistent profitability of the Company in the past irrespective of the downturn in the industry.
7. In the branded wear segment also the Company has established its brand'Tibre' primarily in the South Indian branded formal wear market.

Quantitative Factors

1. (a) Earning Per Share (EPS)

YEAR	EPS# (Rs.)	Weight
31.12.05 (annualized)	4.36	3
31.03.05	3.39	2
31.03.04	6.9	1
Weighted Average	4.46	

Face Value of Rs. 5/- each.

Note:

The Face Value of the equity shares has been split from One Equity Share of Face Value of Rs. 10/- each to Two Equity Shares of Face Value of Rs. 5/- each w.e.f. 03/11/2005. The Company has issued 96,00,000 Equity Shares of Rs. 5/- each as bonus in the ratio of 1:1 on 03/11/2005.

2. **Price/Earning Ratio (P/E) in relation to Issue Price of Rs. [•]**

- Based on the FY 2005 EPS of Rs.3.39 on Equity Share of face value of Rs.5/- each: [•]
- Based on the annualised EPS for the half-year ending 31.12.05 of Rs.4.36 on Equity Shares of Face Value of Rs. 5/- each: [•]

3. **Return on Net Worth (RONW)**

YEAR	RONW (%)	Weight
31.12.05(annualized)	25.12	3
31.03.05	11.36	2
31.03.04	24.50	1
Weighted Average	20.43	

Note:

a. The average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments/ regroupings pertaining to earlier years.

4. **Minimum Return on Increased Net Worth to maintain pre-issue EPS - [•]**

5. **Net Asset Value (NAV) per share of Rs. 5/- each**

a.	NAV as on December 31, 2005	Rs. 17.34
b.	Issue Price	**[•]**
c.	NAV after the Issue	**[•]**

Note:

Net Asset Value Per Share = (Equity Share Capital *plus* Reserves & Surplus *less* Miscellaneous Expenditure to the extent not written off) /No. of Equity Shares

6. **Comparison with Peer Group**

The comparable ratios of the companies which are to some extent similar in business are as given below:

Name	Equity (Rs. in Crs.)	TTM (Rs. in Crs.)		EPS Rs.	Price as on 13/04/2006	P/E
		Sales	NP			
GTN Industries	11.56	236.38	6.9	5.97	51	8.54
Precot Mills	5.45	243.42	13.54	24.84	65	12.04
Prime Textiles	4.55	104.59	2.85	6.26	106	16.92
Rajapalayam Mill	3.51	145.45	10.01	28.52	618	21.67
Shiva Texyarn	21.6	92.55	7.96	3.69	58	15.74
Gangotri Textile	9.6	150.17	5.87	3.06	46	15.05

Industry Composite P/E :

Highest	29.6
Lowest	4.7
Average	17.5

(Source : Dalal Street Investment Journal Vol. XXI No. 9 April 17- 30, 2006 Industry – Textile Spinning– Cotton Blended)

7. The face value of Equity Shares of GTL is Rs. 5 and the issue price is [•] times of the face value.

The Issue Price of Rs. [•] has been determined by the Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building.

On the basis of the above parameters the issue price of Rs. [•] per share is justified

TAX BENEFITS

The auditors of our Company are Thakker & Sanghani, Chartered Accountants and Srikrishan & Co., Chartered Accountants, who have stated the possible tax benefits available to Gangotri Textiles Ltd (the "Company")and its shareholders under the current tax laws presently in force in India. They have stated that several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits dependent upon fulfilling such conditions, which based on business imperatives the company faces in the future. The company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. Their statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for a professional tax advise. In view of the individual nature of the tax consequences, the changing tax laws and 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. The auditors do not express any opinion or provide any assurance as to whether:

1. The Company or its shareholders will continue to obtain these benefits in future; or
2. The condition prescribed for availing have been/would be met with.

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

Statement of possible tax benefits available to Gangotri Textiles Ltd. and its shareholders.

As per the existing provisions of the income tax act,1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to Gangotri Textiles Ltd and its shareholders.

Benefits available to the Company under the Income Tax Act,1961.

1. Under Section 10(34) of the act, dividend income (whether interim or final) in the hands of the Company as distributor are paid by any other company on or after April 1 2004 is completely exempt from tax in the hands of the company.
2. As per the provisions of section 112(1)(b) of the Act, long term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by Section 10(36) and 10(38),would be subject to tax at the rate of @20% with indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
3. Long term capital arising from transfer of an 'eligible equity share' in a company purchased on or after the first day of March 2003 and before the first day of March 2004(both days inclusive) and held for a period of 12 months or more is exempt from tax under sec 10 (36) of the Act.
4. As per the provisions of the sec 10 (38), long term capital gain arising from the sale of equity shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from income tax if such sale takes place after first of October 2004 and such sale is subject to Securities Transaction Tax.
5. As per the provisions of sec 111A, short term capital gains arising from the transfer of equity shares in any company through a recognized stock exchange or from the sale of units of equity oriented mutual fund shall be subject to tax at 10% provided such a transaction is entered in to after the first day of October 2004 and the transaction is subject to securities transaction tax.
6. In accordance with and subject to the conditions and to the extent specified in sec 54 EC of the act, the company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset(not covered by sec10(36) & sec 10(38))if such capital gain is invested in any of the long term specified asset in the manner prescribed in the said section. Where the long term specified asset is transferred or converted in to money at any time within a period of 3 years fm the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.
7. As per the provisions of sec 54 ED of the act and subject to the conditions specified therein, capital gains arising fm transfer of long term assets, being listed securities or units (not covered by sec 10(36) & 10 (38)) shall not be chargeable to tax to

the extent such gains are invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

8. The company has set up a windmill which will fulfill the power requirements of the Company. Besides power saving this unit is eligible for deduction under section 80IA

Benefits available to the company under the Central Sales Tax Act,1956

1. The Company is availing IFST
2. The unit of the company at Kolhapur is eligible for tax free sales for sales upto Rs.9 Crores

Benefits available to Resident Shareholders under the Income Tax Act, 1961

1. Under sec 10(34) of the Act, dividend (whether interim or final) declared, distributed or paid by the company on or after April 1, 2004 is completely exempt from tax in the hands of the shareholders of the company.
2. Under sec10(32) of the Act, any income of the minor children clubbed with the total income of the parent under sec 64 (1A) of the act, will be exempt from tax to the extent of Rs.1500 per minor child.
3. As per the provisions of the section 112 (1) (B) of the Act, long term capital gains would be subject to tax at the rate of 20%(plus applicable sur charge and education cess). However as per the provisions to sec 112(1) (B), the long term capital gains resulting on transfer of listed securities or units(not covered by sec 10 (36) & 10 (38) would be subject to tax at the rate of 20% with indexation benefits of 10% without indexation benefits(plus applicable sur charge and education cess)as per the option of the assessee)
4. As per the provisions of Section 10(38) , long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity –oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2005 and the sale is subject to securities Transaction Tax.
5. As per the provisions of section 111 A Short term gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity –oriented mutual fund shall be subject tax @ 10 % provided such a transaction is entered into after the 1st day of October ,2005 and the transaction is subject to Securities Transaction Tax.
6. As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their ' eligible Equity share' in the company purchased during the period March 1, 2004 to February 29,2004 (both days inclusive) and held for a period of 12 months or more.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long –term specified asset is transferred of converted into money at any time within a period of three years from the date of its acquisition ,the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
9. In accordance with and subject to the conditions and to the extent specified the section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units (not covered by sections 10(36) and 10(38) ,to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
10. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the Act, the shareholder would be entitled to exemption from long term capital

gains on the sale of shares in the company (not covered by sections 10(36) and 10(38)),upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house ,then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction ,the amount of capital gains shall be charged to tax as long –term capital gains in the year in which such residential house is transferred.

Benefits available to Non-Resident Indian Shareholders

1. Under Section 10(34) of the Act, dividend (whether interim or final) declared, distributed of paid by the company on of after April 1, 2004 is completely exempt from tax in the hands of the shareholders of the company.
2. In accordance with the provisions of sec 10(32) of the act, any income of minor children clubbed with the total income of the parent under sec 64(1A) of the act will be exempt from tax to the extent of Rs.1500 per minor child per year.
3. In the case of share holders being an non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in sec 115D read with sec 115E of the act, long term capital gains arising from the transfer of an Indian company shares (not covered by sec 10(36) & 10(38)) will be subject to tax at the rate of 10% as increased by a surcharge and education cess at the appropriate rate on the tax so computed, without any indexation benefit with protection against foreign exchange fluctuation.
4. In case of a share holder being a non-resident India, and subscribing to the share in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in sec 115 F of the act, the non-resident Indian share holder would be entitled to exemption from long term capital gains(not covered by Sections 10(36) &10(38)) on the transfer of shares in the company upon investment of net consideration in modes as specified in sub section 1 of sec 115F.
5. In accordance with provisions of act sec 115G of the act, non-resident Indians are not obliged to file a return of income under sec 139(1)of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII B of the act.
6. In accordance with the provisions of sec 115H of the act, when the 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 sec 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.
7. As per the provisions of 115I of the act, a non-resident Indian may elect not to be governed by the provisions of the chapter XII A for any assessment year by furnishing return of income for that year under sec 139 of the act declaring therein that the provisions of chapter XII A shall not apply to him for that assessment year and accordingly his total income for the assessment year will be computed in accordance with other provisions of the act.
8. In accordance with and subject to the conditions and to the extent specified in sec 112(1) (B) of the act, tax on long term capital gains arising on sale on listed securities or units not covered by secs 10(36) & 10(38) will be, at the option of the concerned share holder, 10% of capital gains (computed without indexation

   Benefits) or 20% of capital gains(computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
9. As per the provisions of 10(38), long term capital gains arising from the sale of equity shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from income tax if such sale takes place after 1st October 2004 and such sale is subject to securities transaction tax.
10. As per the provisions of section 111 A, Short Term Capital gains arising from the transfer of Equity shares in any company through a recognized stock exchange of from the sale of units of equity –oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October ,2004 and the transaction is subject to Securities Transaction Tax.
11. As per the provisions of section 88E, where the business income of a assessee includes profits and gains from sale of

taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.

12. In accordance with and subject to the conditions and to the extent specified in section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Shares' in the Company purchased during the period March 1,2003 to February 29, 2004 (both days inclusive)and held for a period of 12 months of more.

13. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gains is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long –term specified asset is transferred of converted into money at any time within a period of three years from the date of is acquisition ,the amount of capital gains exempted would become chargeable to tax as long term capital gains in the year in which the specified asset is transferred or converted into money.

14. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital ' in the manner prescribed in the said section.

15. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38) in the sale of shares in the company upon investment of net consideration in purchase / construction of a residential house . If part of net consideration is invested within the prescribed in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further , if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction ,the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred .

16. As per the provisions of Section 90(2) of the Act, the provisions of the act would prevails over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

Benefits available to other Non -residents

Under Section 10(34) of the Act ,dividend (whether interim of final) declared , distributed of paid by the company on of after April 1, 2004 is completely exempt from tax in the hands of the shareholders of the company.

1. In accordance with the provisions pf Section 10(32) of the Act, any income of minor children clubbed with the total income of the parent under Section 64(1A) of the Act will be exempt from tax to the extent of Rs.1500 per minor child per year.

2. In accordance with the and subject to the conditions and to the extent specified in Section 112(1) (b) of the Act, tax on long term capital gains arising on sale on listed securities or units before 1st October 2004 will be, at he option of the concerned shareholder ,10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.

3. As per the provisions of Section 10(38) ,long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to securities Transaction tax.

4. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognized stock exchange or from the sale of units of equity –oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October ,2004 and the transaction is subject to Securities Transaction Tax.

5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities , a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of

income tax on such business income.

6. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax of their 'eligible Equity share' in the Company purchased during the period March 1,2003 to February 29,2004 (both days inclusive) and held for a period of 12 months or more.
7. In Accordance with and subject to the conditions and to the extent specified in Section 54EC of the Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)) if such capital gain is invested in any of the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquistion ,the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long –term specified asset is transferred or converted into money.
8. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the Act ,the shareholders would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section .
9. In case of a shareholder being an individual or a Hindu Undivided Family , in accordance with and subject to the conditions and to the extent specified in Section 54F of the Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38) on the sale of shares in the company upon investment of net consideration in purchase /construction of a residential house. If part of net consideration is invested within the prescribed in period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further ,if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
10. As per the provisions of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

Benefits available to Foreign Institutional Investors ('FII')

1. In case of a shareholder being a Foreign Institutional Investor (FII), in accordance with and subject to the conditions and to the extent in Section 115AD of the Act, tax on long term capital gain (not covered be sections 10(36) and 10(38)) will be 10% and on short term capital gain will be 30% as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case. However short term capital gains on sale of Equity Shares of a company through a recognized stock exchange or a unit of an equity oriented mutual fund effected on or after 1st October 2004 and subject to securities transaction tax shall be taxed @ 10% as per the provisions of section 111A. It is to be noted that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to FII.
2. As per the provision of section 90(2) of the Act ,the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.
3. In accordance with and subject to the conditions and to the extent specified in section 10(36) of the Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the company purchased during the period March 1,2003 to February 29,2004 (both days inclusive) and held for a period of 12 months or more.
4. As per the provisions of section 10(38) ,long term capital gain arising from the sale of Equity Shares in any company through a recognized stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to securities transaction tax.
5. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
6. In accordance with and subject to the conditions and to the extent specified in /section 54EC of the Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on

transfer of their shares in the company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long term specified assets is transferred or converted into money at any time within a period of three years from the date of its acquisition , the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long term specified asset is transferred or converted into money.

7. In accordance with and subject to the conditions and to the extent specified in section 54ED of the Act, the shareholders would be entitled to exemption from long term capital gain tax (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section .

Benefits available to Mutual Funds

1. In case of a shareholder being Mutual fund ,as per the provisions of section 10)23D) of the Act, any income of Mutual Funds registered under the securities and Exchange Board of India Act,1192 or Regulations made there under ,Mutual Funds set up by public sector banks financial institution and Mutual Fund authorized by the Reserve Bank of India would be exempt from income tax , subject to conditions as the Central Government may by notification in the official Gazette specify in this behalf.

Benefits available to Venture capital companies/ Funds

1. In case of a shareholder being a Venture capital company /Fund as per the provisions of section 10(23FB) of the Act, any income of venture capital companies /Funds registered with the securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.

Note:

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2005.
2. All the above benefits are as per the current tax law and will be available only to the sole / first named holder in case the shares are held by joint holders.
3. In respect of non –residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

However, a shareholder is advised to consider in his/ her/ its own case. The tax implications of investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislation may not have direct legal precedent or may have different interpretation on the benefits, which an investor can avail.

D. ABOUT THE ISSUER

INDUSTRY OVERVIEW

Indian Textile Industry- a broad perspective

The textile sector represents one of the most active and growth oriented segments of India's economy. One of the earliest to come into existence in India, it accounts for 14% of the total Industrial production, contributes to nearly 30% of the total exports and is the second largest employment generator after agriculture. India, the world's third-largest producer of cotton and second-largest producer of cotton yarns and textiles, is poised to play an increasingly important role in global cotton and textile markets as a result of domestic and multilateral policy reform.

The textile industry contributes to over 6 per cent of the gross domestic product of India and earns 18 per cent of the total foreign exchange earnings of the country. India's textile industry is also significant in a global context, ranking second to China in the production of both cotton yarn and fabric and fifth in the production of synthetic fibers and yarns.

In contrast to other major textile-producing countries, India's textile sector is characterized by mostly small- scale, nonintegrated spinning, weaving, cloth finishing, and apparel enterprises, many of which use outdated technology. The unique structure of the Indian textile industry is due to the legacy of tax, labor, and other regulatory policies that have favored small-scale, labour intensive enterprises, while discriminating against larger scale, more capital intensive operations. The structure is also due to the historical orientation towards meeting the needs of India's predominately low-income domestic consumers, rather than the world market. Policy reforms, which began in the 1980s and continued into the 1990s, have led to significant gains in technical efficiency and international competitiveness, particularly in the spinning sector.

On January 1, 2005, developed countries removed import quotas on textile products previously sanctioned by the 1974 Multi Fiber Arrangement (MFA). This change provides a major opportunity for India to expand production and exports of textiles and apparel to developed country markets. The elimination of MFA quotas induced Indian policymakers to relax investment restrictions and to adopt market liberalization measures in the textile sector, although these reforms have been slower than developments in some other key countries, most notably China. The Indian textile policy of 2000 aims at achieving the target of textile and apparel exports of US $ 50 billion by 2010 of which the share of garments will be US $ 25 billion. The main markets for Indian textiles and apparels are USA, UAE, UK, Germany, France, Italy, Russia, Canada, Bangladesh and Japan.

Impacts of the MFA

In 1974, MFA quotas governed most global trade in 105 textile and garment categories. The quota restraints limited shipments from exporters, mostly developing countries, to the United States, EU, Canada, and Norway. Key impacts were as follows:

- World textile and clothing production and trade became fragmented. The quotas supported production in developed country markets and in countries having quotas to ship to these markets. Production did not necessarily occur where costs were lowest.
- Prices were higher and consumption lower in developed-country markets than they would have been without the quotas.
- Impacts on developing countries were mixed. The quotas reduced production and exports by low-cost producers of textiles and clothing, such as China, India, and Pakistan. But in other low-income countries, like Bangladesh and Mauritius, and in higher income countries, like South Korea and Taiwan, quota access supported an export industry that otherwise would have been smaller or nonexistent.

The elimination of quota restriction will open the way for the most competitive developing countries to develop stronger clusters of textile expertise, enabling them to handle all stages of the production chain from growing natural fibres to producing finished clothing. The quota removal augurs well for the Indian cotton yarn industry, as it will benefit from higher derived demand from rising garment exports.

The OECD paper says that while low wages can still give developing countries a competitive edge in world markets, time factors now play a far more crucial role in determining international competitiveness. Countries that aspire to maintain an export-led strategy in textiles and clothing need to complement their cluster of expertise in manufacturing by developing their expertise in the higher value-added service segments of the supply chain such as design, sourcing or retail distribution.

India has natural advantages which can be capitalised on strong raw material base - cotton, man-made fibres, jute, silk; large production capacity (spinning – 23% of world capacity and weaving - 33% of world capacity but of low technology); vast pool of skilled manpower; entrepreneurship; flexibility in production process; and long experience with US/EU (European Union). At the same time, there are constraints relating to fragmented industry, constraints of processing, quality of cotton, concerns over power cost, labour reforms and other infrastructural constraints and bottlenecks. e.g., cost of power was Rs. 8 per garment in India whereas in China it was only Rs. 2 per garment.

It is expected that the demand for cotton yarn to increase at 6 per cent in the medium term (against a negative growth of around 2 per cent between 2000-01 and 2003-04). Cotton yarn exports are also expected to rise at 6 per cent due to higher offtake from non-quota countries like Bangladesh, Sri Lanka, Korea, Hong Kong, Italy, China and Japan, which import yarn and re-export value-added fabrics and garments.

India is one of the largest consumers of cotton in the world, ranking second to China in production of cotton yarn and fabrics and first in installed spinning and weaving capacity. Although domestic demand accounts for most Indian cotton consumption, growth in textiles and clothing exports is outpacing domestic demand and is an increasingly important determinant of overall cotton and fiber demand in India. India has the largest acreage under cotton in the world but is almost totally dependent on monsoon. The productivity of cotton as measured by yield has been lower than many developed countries. The average productivity is about 0.3 ton/ha. as against over 1.0 ton/ha. in China, Turkey and Brazil. In man made fibre segment, India is ranked fifth in terms of capacity.

The Union Budget 2004-05 provided a strong boost to the industry by removing the mandatory CENVAT, and allowing all cotton textile manufacturers (at the yarn, fabric and garment stage) to opt for complete excise exemption. In the Union Budget of 2005-06, the excise duties on polyester filament yarn (a substitute for cotton yarn) were reduced from 24% to 16% and that of and polyester staple fibre (a substitute for cotton) was left unchanged and attract excise duty of 16 per cent.

The abolition of excise duty on fabrics, made-ups and garments, from 10 per cent to 8 per cent, is expected to have a positive impact on composite mills and garment manufacturers.

Trends in Spinning

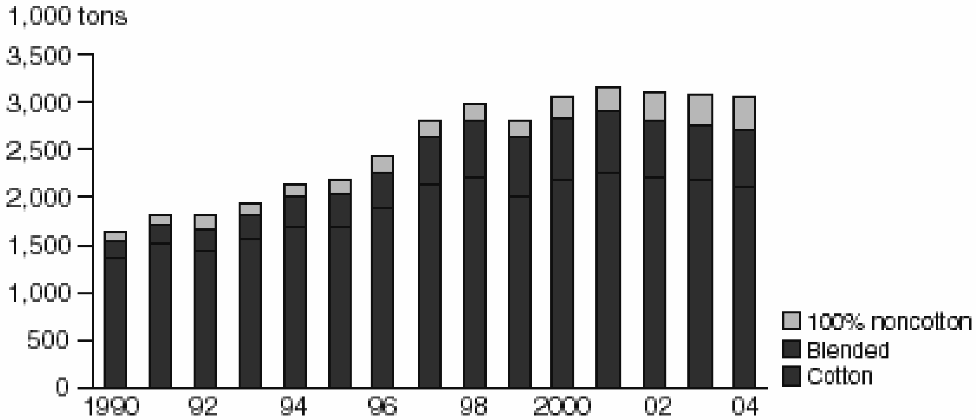
The spinning industry is the most modern and internationally competitive segment of India's textile industry. India has an installed capacity of 40 million spindles (23% of world), 0.5 million rotors (6% of world). The organized spinning sector recorded a significant growth during the last decade with number of spinning mills increasing from 873 to 1,574 by end March, 2004.

In yarns, the most rapid growth has been in the production of blended and 100-percent manmade yarns. Between 1990 and 2004, production of manmade and blended yarns grew at annual rates of 8.6 percent and 9.1 percent, respectively, compared with 3.2 percent annually for cotton yarn. As a result of this growth, the share of manmade and blended yarns in total production grew from 17 percent to 30 percent.

The domestic weaving sector absorbed most of the increase in yarn output, although exports became an increasingly important source of growth in yarn demand in the 1990s. Expanding from a small base, yarn exports grew rapidly and peaked at $2.5 billion in 1997. Since 1997, yarn exports have declined because of falling prices and faster growth in domestic weaving, but still average about $1.9 billion annually.

Yarn output by the composite mills has declined steadily, as has their share of spinning capacity. By 2003, independent spinning mills accounted for about 75 percent of capacity and 92 percent of production. Capacity use in the cotton-spinning sector averages near 80 percent, with higher rates among the independent spinners. Reflecting production and demand trends, growth in spinning capacity and capacity use has been highest for manmade yarns. Between 1990 and 2004, spinning capacity for manmade yarns grew about 7 percent annually, while capacity use averaged near 90 percen

India: Yarn production by type, 1990-2004

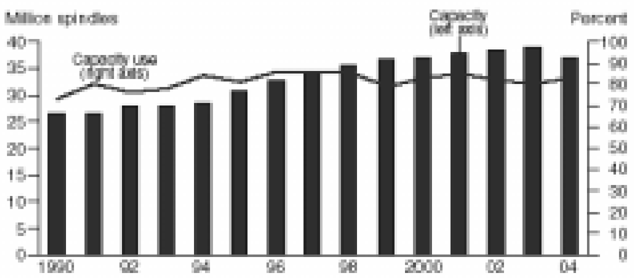


Source: Government of India, Ministry of Textiles, Office of the Textile Commissioner.

(Source: Growth prospects for India's cotton and textile industries, Electronic Outlook Report from from Economic Research Service, United States Department of Agriculture, June, 2005)

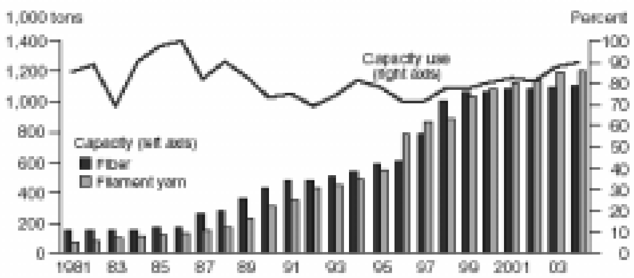
The performance of the yarn-spinning industry has been less affected by restrictive labor policies, capacity restrictions, and price controls, largely because it is inherently capital intensive. The modern spinning mills first appeared in response to the Textile Policy of 1985, which removed entry and exit barriers, encouraged the importation of modern machinery, and lowered duties on synthetic raw materials. Since 1985, additional reforms, including the 1991 Industrial Policy, the 1992 Textile Order, and the 1996 Tax Policy, aided the sector by removing restrictions on domestic and foreign investment, easing industry entry.

India: Capacity and use in the cotton-spinning sector, 1990-2004



Source: Government of India, Ministry of Textiles, Office of the Textile Commissioner.

India: Capacity and use in the manmade fiber industry, 1981-2004



Source: Government of India, Ministry of Textiles, Office of the Textile Commissioner.

(Source: Growth prospects for India's cotton and textile industries, Electronic Outlook Report from from Economic Research Service, United States Department of Agriculture, June, 2005)

Cotton Yarn Industry

Cotton Yarn Demand

Cotton Yarn demand can be classified into domestic demand and export demand. In the domestic market, cotton yarn demand is largely affected by the prices and availability of different yarns. In the export market, cotton yarn demand is largely affected by the cost-competitiveness of Indian cotton yarn, world trade flow and the regulations governing international textile trade.

The open end yarn is consumed by the domestic manufacturers who in turn manufactures home textiles which includes bed linens, table napkins, Hand gloves, curtains, floor mats etc. and meant for exports mostly to US and Europe. Karur, Chennimalai, Erode are the big centers for home textile manufacturers and GTL concentrates predominantly in this market.

GTL also focuses on woven market for the following products:-

- Towel
- Kids garments
- Grey fabrics
- Bed sheets
- Industrial Fabrics

Ichalkaranji, Solapur, Kishangad, Panipat, Patna, Calcutta are the main centers concentrated for manufacturing these products. GTL has positioned itself as a reliable supplier to all of its customers in these markets. Over the years GTL has developed excellent relationship with all of their clients. The customer base has been growing positively over the years.

Ring Spun:- Ring spun yarn is consumed by the manufactures of knitwears which includes T-Shirts, Hosieries and inner Garments and meant for exports mostly to US and Europe.

GTL also focuses on woven market for the following products:-

- Towel
- Kids garments
- Grey fabrics
- Bed sheets
- Industrial Fabrics

Tirupur, Ludhiana, Mumbai are the main centers concentrated for manufacturing for these products. GTL is aggressively planning to promote the ring yarn for exports the coming years.

Tibre:- The demand for tibre garments ha always been twice that of the supply and GTL is continuously growing with new product launch and additional capacities are being planned and for the current year the growth of tibre in value terms is 60% over last year.

Trends: These markets are rapidly growing at an average growth rate of about 10% and after the MFA quota free regime there is a spurt in the demand for these products and the demand for the Open end yarn will also increase multifold. GTL is already exporting their Open end yarn to countries like Nepal, Sri Lanka, Bangladesh and the company feels that the growth of exports in this segment will be slow.

Domestic Demand

Cotton Yarn is consumed by the apparel, industrial and home furnishing segments in the domestic market. Domestic demand is affected by fabric demand and the share of cotton fabric in total demand, which in turn is determined by the prices and availability of various yarns.

The historical trend of cotton yarn production is given below:

(Million Kg)

Year	1-10's	11-20's	21-30's	31-40's	41-60's	61-80's	80's & Above	Total
1997-98	503	508	427	542	144	52	37	2,213
1998-99	450	489	396	468	131	49	39	2,022
1999-00	509	504	455	524	131	44	37	2,204
2000-01	521	469	479	561	146	52	39	2,267
2001-02	524	439	456	548	147	61	37	2,212
2002-03	459	445	476	533	161	61	42	2177
2003-04	435	403	493	522	161	64	43	2121

Source: Compendium of Textile Statistics, 2004

India's major cotton yarn production is mostly in the count range of 1 to 40. The supply of 31'40's is highest.

Fabric production

Demand for apparel fabric is largely affected by per capita income, and the prices of different types of fabric. Demand for non-apparel fabric (industrial and home furnishing) is affected by the standard of living and use in industrial applications.

Between 1991-92 to 2002-03, the production of cotton fabric increased at a CAGR of 2.5 per cent to 19,300 million square metres. However, the share of cotton fabric in total fabric production fell from 65 per cent to 47 per cent, as cotton fabric was increasingly replaced by blended and non-cotton fabrics, which are more price-competitive, more durable, and also more available.

Prices of competing yarns

Cotton yarn demand is affected by the prices (including excise duties) of substitute yarns. During 1994-95 to 2003-04, the excise duty on PFY was cut, affecting the price-competitiveness of cotton yarn, and thus its demand. The shrinking gap between the excise duty on cotton yarn and other yarns further affected demand for cotton yarn. The excise duty on cotton yarn was increased from 5.75 per cent in 1994-95 to 9.2 per cent in 2003-04, even as the excise duty on all synthetic yarns was cut. After the cut in excise duty, PFY and PV/PC yarn have been replacing the medium and finer count cotton yarn. However, in coarser counts, cotton yarn scored over the synthetics, because the low value addition (especially in the 1-10 counts) meant that the lower excise duty on cotton yarn provided a significant cost advantage.

Cotton yarn and other yarns: Price comparison

(Rs/kg)	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	(Apr-Oct) CAGR1
60s Cotton yarn	115	126	122	131	124	134	145	127	125	137	1.1
80 d PFY	176	169	116	105	88	92	96	97	98	96	-7.0
34s Cotton yarn	97	98	89	93	93	93	99	94	87	89	-1.4
30s PV yarn	129	130	114	97	85	98	105	94	104	103	-2.6
30s PC yarn	133	146	133	132	125	125	125	125	120	112	-1.2
2/60s PV yarn	169	180	166	165	153	164	180	174	177	176	0.5

Compounded annual growth rate during the 1994-95 to 2002-03 period

Note

Figures are market prices.

Source: CRIS INFAC

Exports of Cotton Yarn

From 1997-98 to 2002-03, cotton yarn exports to quota markets increased at a CAGR of 3.4 per cent and 5.4 per cent in rupee value and volume terms, respectively. The increase was due to lower production costs in India, the superior quality of Indian cotton yarn, and the increased availability of man-made fibres in domestic market at competitive prices, which is forcing producers to increasingly explore export markets.

During 1996-97 to 2002-03, the Asian region remained a major market for Indian cotton yarn exports.

Cotton Yarn Supply

During 1991-92 to 2002-03, domestic production of cotton yarn increased at a CAGR of 3.7 per cent to 2,171 million kgs, while synthetic yarns increased at a much higher 10.8 per cent. Cotton yarn production faced constraints in the domestic availability of cotton, and a shift to the production of blended and non-cotton spun yarns. Imports of cotton yarn are marginal, as domestic consumers prefer to import fabrics or value-added products.

Cost structure

In the cotton yarn industry, the cost structure depends on raw material, machines, processes used, energy cost and capital expenses.

Trends in Domestic Consumption

Domestic fiber demand has accelerated along with stronger growth in the Indian economy. Major reforms in domestic and trade policies during 1991-93 have led to faster growth in per capita incomes in India, helping boost annual growth in fiber consumption to 4.9 percent since 1990. Relatively rapid growth in consumption of manmade fibers, particularly since 1990, has also been an important trend in Indian fiber demand. During 1990-2001, per capita demand for manmade and blended fabrics grew 6.8 percent annually, compared with negligible growth in demand for 100- percent cotton fabrics.

Despite the rapid growth in use of manmade fibers, cotton continues to account for a relatively large share of total consumption in India, compared with other developing countries, as well as with developed and transition economies.

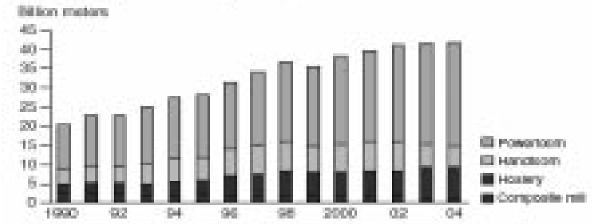
Demand for manmade and blended textile products in India is strong in both urban and rural households due to their durability and ease in maintenance (washability, fewer wrinkles, etc.), compared with 100-percent cotton textiles, factors very important in the Indian tropical and subtropical weather. Demand is, however, strongest in rural households, which account for about 78 percent of India's population. As of 2002, the share of manmade and blended products in household cloth purchases was 61 percent in rural areas and 54 percent in urban areas. In rural households, where average incomes are about half those in urban areas, and in urban low-income households, manmade fabrics are preferred because of their durability, as well as their generally low cost.

Overall growth in fiber consumption in India is also affected by the large share of household income allocated to textile purchases. According to government data, Indian households spent an average of 17 percent of their income on textiles in 1997, a share that has increased from 12 percent since 1990 . Urban households spent about 22 percent of income on textiles in 1997, compared with 15 percent for rural households. The higher urban share partly reflects larger purchases of higher value fabrics and readymade goods in urban households, compared with rural households.

Trends in Weaving

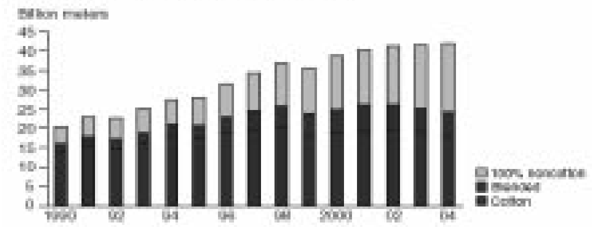
In contrast to the spinning sector, the weaving industry remains highly fragmented and small scale and characterized by the use of outdated technology. Growth in fabric output, however, has been strong, with output expanding about 5.5 percent per year between 1990 and 2003. The small-scale, independent powerloom sector, which now accounts for about 78 percent of cloth production, grew about 7 percent annually and the relatively small hosiery subsector grew nearly 10 percent annually during this period. Meanwhile, high growth among powerloom and hosiery units offset a 4-percent annual contraction of output from composite mills and the relatively slow 3- percent expansion of handloom fabric production. Reflecting trends in spinning and final demand, output of 100-percent manmade (9 percent) and blended cloth (6 percent) led annual growth since 1990, while annual growth in output of 100-percent cotton cloth was only about 0.6 percent.

India: Cloth production by sector, 1990-2004



Source: Government of India, Ministry of Textiles, Office of the Textile Commissioner.

India: Cloth production by type, 1990-2004



Source: Government of India, Ministry of Textiles, Office of the Textile Commissioner.

The proliferation of powerlooms stemmed largely from the ability of small-scale operators to avoid or evade government-imposed labor restrictions and excise taxes and, in some cases, payment for electrical power. Over the years, however, government regulations, coupled with credit constraints among small-scale operators, led to a sector characterized by the use of obsolete technology and the lack of backward or forward integration with spinning or finishing. India remains internationally competitive in the production and export of low- and medium-quality “grey” (or unfinished) fabrics in relatively small production runs.

Fabric Finishing

As in the weaving sector, most fabric finishing, or processing, is conducted by small-scale, nonintegrated firms in the unorganized sector using outmoded technology. Only about 200 of the roughly 2,300 processors are integrated with weavers or apparel firms. **The current structure allows India to be competitive in the production and export of “grey” fabrics and relatively small lots of medium-quality finished textiles, but not in supplying high-quality product or in meeting the needs of large international buyers.** Tough environmental standards, in addition to the tax and power cost benefits that small-scale finishers receive, have affected modernization in the cloth-finishing sector. Fabric finishing involves use of dyes and chemicals that are hazardous pollutants unless properly treated. In some areas, including the intensive textile zone in Tamil Nadu, regulations that include zero or very low emission tolerances discourage the entry of small-scale firms to adapt to these changes.

Apparel Manufacturing

The garment industry in India is a $23 billion industry (at the current rate of exchange of Rs.45/- = $). This industry also comprises the organized and unorganized sector. The unorganized sector largely consists of job workers who carry out jobs given by their principals, under their supervision. The organized sector generally consists of units having a minimum of 10 sewing machines under one roof. This sector also covers large brands having in the vicinity with overseas partners. The organized sector is, by and large, update with modern technology, has economies of scale, is cost-competitive and is in a position to execute orders on time.

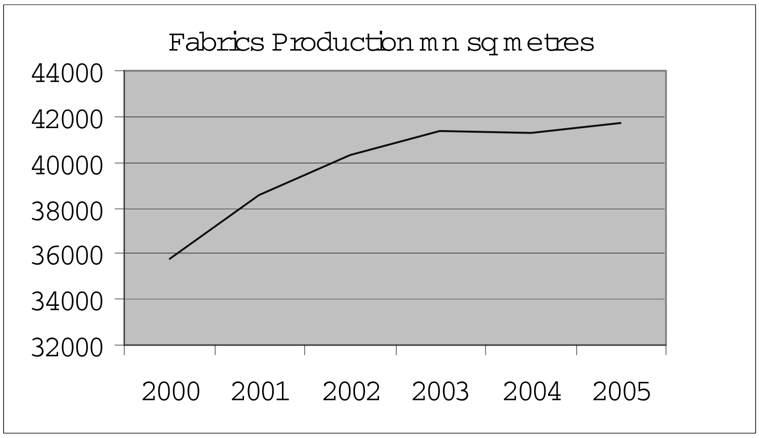
The garment industry produces over 100 varieties of garments for different end-uses. Additionally, a section of the industry concentrates on manufacture of ethnic garments, or what are traditionally called “India Items”.

Unlike the other segments of the textile industry, the apparel sector is relatively new because, traditionally, most Indian garments were made in the home or on a custom basis by local tailors.

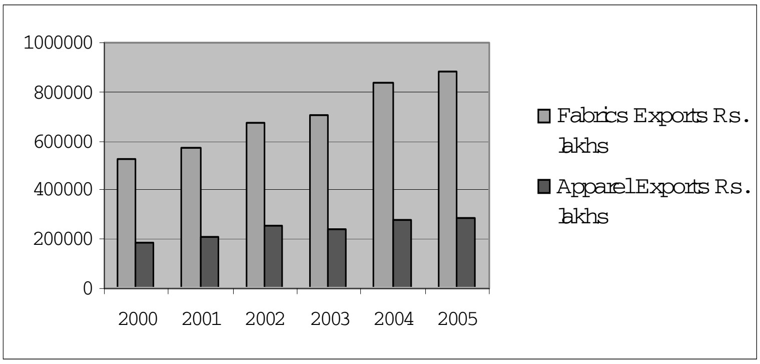
According to a 2002 study, the average Indian garment exporter had about 119 machines, compared with 698 in Hong Kong and 605 in China. Because of the predominance of very small-scale fabricators in the apparel sector, most apparel is produced on a contractual basis for large manufacturers/ exporters. The fabricators specialize in low-wage, labor-intensive sewing and have the flexibility to meet small custom orders but are much less competitive with large orders and those typically involving high levels of automation. It is not clear if the current structure of the Indian industry, with many small-scale firms that are not suited to meeting the needs of large international buyers in a timely manner, will remain competitive in the post- quota removal market.

Indian apparel producers are increasingly cognizant of emerging challenges and opportunities. Some firms, including a number of the largest firms in the textile business, are increasing investment in larger scale apparel enterprises, as well as in integrated operations involving some combination of spinning, weaving, finishing, and apparel making. But domestic and foreign direct investments to build capacity and strengthen competitiveness in the apparel sector have been small, compared with investments in some other countries, particularly China. Fabric production and the exports, including exports of apparel, have been rising over the years and it is expected to maintain the trend in the future also.

Fabric Production



Exports of fabrics and apparel



Competitiveness of Spinning and Weaving

Yarn and fabric cost of production data for selected major producing countries indicate that India is a highly competitive producer of yarn and cloth, despite the small-scale, low- technology, and nonintegrated structure of the industry. Based on 2003 data, India is particularly competitive in the production of yarns and fabrics based on both the “Ring” and “Open-ended (O-E)” spinning methods—two standard manufacturing technologies. Ring spinning is an older, relatively labor-intensive method that produces a smooth yarn, while the O-E technology produces a less smooth yarn at a faster speed with less labor intensity. India’s cost advantages stem from its comparatively low costs of labor and raw materials, as well as low wastage. These advantages are partially offset by relatively high power costs. Compared with China, India’s most important competitor, India has significantly lower raw material and wastage costs and similar labor costs but higher costs of power and capital. The cost competitiveness of the Indian spinning and weaving industries, even with the current scale and state of technology, suggests that India will continue to be a highly competitive global player. Access to low-priced supplies of domestically produced cotton appears to be a significant advantage currently not matched by other key countries with competitive labor costs, including China and Brazil. Advantages in raw material and labor costs provide a foundation for India to maintain and even increase competitiveness, especially if complemented with investments to improve technology, scale, integration, and quality.

MFA Quota Removal and Indian Textile Exports

In the world market, bilateral quotas sanctioned under the MFA restricted developed-country imports from India in various product categories until the quotas were eliminated in January 2005. In India, the lowering of these trade barriers is viewed as an opportunity as well as a threat. It is an opportunity because markets will no longer be restricted and a threat because markets will no longer be guaranteed by quotas and even the domestic market will be open to competition.

Demand for cotton and manmade fibers in India is expected to rise as a result of strong growth in incomes in India, as well as increased Indian exports of textiles and apparel associated with the end of MFA quotas. The pace of demand growth for cotton will depend heavily on implementation of reforms in the domestic textile industry, including taxes that discriminate against the use of manmade fibers and the array of past and current regulations that have affected the scale, technology use, and export competitiveness of the textile and apparel industry. Imports of raw cotton have increased in concert with rising demand in recent years, but future growth will depend on the extent to which India can boost chronically low cotton yields and improve cotton quality. Low per capita use and the significant shares of income devoted to textile consumption indicate that fiber demand will continue to respond to the now rapid growth in rural and urban incomes. Fiber demand will, however, also be responsive to changing prices, so further reductions in the relatively high excise taxes on manmade fibers, coupled with strong rural demand for durable manmade fiber products, will likely continue to slow relative growth in domestic consumer demand for cotton fiber. The end of MFA quotas is likely to result in significantly faster growth in India's exports of cotton-based textiles and apparel. India's fundamental cost competitiveness in cotton-based textiles and its large share of exports destined for the historically quota-constrained U.S. and EU markets support prospects for significant export growth even without major reforms in the domestic textile industry. Growth in export-based cotton demand would, however, be substantially higher with implementation of measures to boost investment and improve technology, scale, and integration in the weaving, finishing, and apparel sectors to levels of efficiency achieved by China and other major producers. The recent trend in government policy has been to reform the sector that accounts for a large share of industrial employment. India has the agronomic potential to meet much, if not all, of its future growth in cotton demand domestically. However, it is unclear if and when the necessary productivity gains will be achieved. The advent of Bt cotton, which appears to be yield enhancing and is being adopted rapidly, should lead to significant gains in production in the medium term. The combination of erratic moisture conditions in rain fed producing areas and weak institutions for delivery of seed, technology, and other inputs seem equally likely to slow the pace of productivity growth. In addition, meeting rising demand for quality cotton—particularly contamination-free cotton—will require changes in the cotton supply chain that are unlikely to be implemented quickly. To the extent that textile and apparel exporters, such as India, can meet rising export demand with domestically produced cotton, the elimination of MFA quotas is likely to lead to diminished prospects for net cotton exporters, such as the United States. Recent yield increases in India, due in part to Bt technology, may signal slower growth in cotton imports in the medium term as the technology is more widely adopted. However, the quality needs of India's export-oriented textile firms will likely sustain a market for quality cotton for the foreseeable future. Market shares for the Indian cotton market appear to be sensitive to both price and quality.

OUR BUSINESS

GTL has been promoted by Shri Manoj Kumar Tibrewal, who started his business as waste-cotton re-cycler and trader in the late 1980s in Kolkata. In 1987, he alongwith his cousin Shri Ramesh Kumar Tibrewal promoted Jagannath Textile Company Ltd. (JTCL) at Coimbatore, to engage in the business of waste cotton processing and trading. Subsequently in July 1989, both of them also promoted GTL as a private limited company to conduct the business of manufacturing low-count/coarse yarn made from cotton and recycled waste using OE spinning. Subsequently, GTL was converted into a public limited company in January 1993.

The first project undertaken by GTL was for setting up 4 Open End spinning machines at Palladam Taluk in Coimbatore (Unit I) at an investment of Rs. 4.76 Crs. GTL had availed finance from SIPCOT, Tamil Nadu Indl. Invt. Corpn. (TIIC) and South Indian Bank for the above project. GTL's Unit I became operational in August 1993, with an installed capacity of 768 rotors.

In July 1994, GTL made a public issue of equity shares at par for an amount of Rs. 2.1 crores to part-fund the expansion of Unit I to 1,152 rotors. The commercial production from the expanded facility commenced in July 1994. The second expansion came with the setting up of Sri Dwarka Textiles (Unit II) at Avinashi Taluk, Coimbatore with 7 open end spinning machines (1,344 rotors), which started commercial production in March,1995. The above expansion was funded by Industrial Development Bank of India (IDBI).

During the period 1997-99, GTL expanded its facilities at Unit I, purchased an existing open end spinning unit at Kolhapur, Maharashtra (Unit III), to cater to the yarn markets in Maharashtra and Gujarat, and expanded its facilities at Unit III. Most of GTL's output (grey cotton yarn) is sold to the handloom segment of the domestic weaving industry; the balance is sold in the standard cheese/cone form for consumption by the powerloom/mill sector.

In March 2000, GTL acquired a 7 years old 16,800 spindle ring-spinning unit (Unit IV) from Palani Andavar Cotton & Synthetics Ltd. located in the textile-belt of Udumalpet, at Village Pushpathur near Coimbatore. Later in FY2002, a modernization program was taken up at the above unit. Post modernization, the unit is working at full capacity from FY2003.

During FY 2000, GTL had ventured into the ready-made-garments (RMG) market through its division - Gangotri Apparels, by launching its 'Tibre" brand of cotton trousers in Coimbatore; the garment unit is located at its present registered office in Peelamedu, Coimbatore. GTL has slowly increased the geographical coverage for marketing its trousers and presently the "Tibre" brand is present in 12 (Twelve) states.

GTL currently has an installed capacity of 5,904 rotors, which makes it a large-sized player in the organised segment of the OE spinning industry. GTL's business model is thus spread among home textiles (through open-ended yarn and ring spun yarn), knitting (hosiery yarn) and garments (Tibre brand trousers). GTL had also installed and commissioned 2 wind mills of aggregate capacity of 3.30 MW in 2004-05 at Vill. Anthiyur and Vill. Kongalnagaram in Udumalpet Distt. in T.N.

During FY 2004, GTL had set up a furnace oil based power generation plant of 2 MW capacity at Udumalpet adjacent to the ring spinning plant. The power generated from the power plant caters to the entire requirement of the ring spinning unit.

Our Manufacturing Facilities

Our existing manufacturing facilities broadly comprise:

Unit (location)	OE Spinning (Rotors)	Ring Spinning (Spindles)	Washing (Pieces)	Garment (Pieces)	Wind Mills	Fiber Recovery plant
Unit I- Palladam, Kitttampalayam, Coimbatore	2,496	-	-	-	-	
Unit II – Avinashi Taluk, Ponnandampalayam, Coimbatore	2,064	-	-	-	-	

Unit (location)	OE Spinning (Rotors)	Ring Spinning (Spindles)	Washing (Pieces)	Garment (Pieces)	Wind Mills	Fiber Recovery plant
Unit III – Kolhapur, Maharashtra	1,344	-	-	-	-	15 Tons / day
Unit IV - Vill. Pushpathur, Dindigul Distt.	-	17,376	-	-	-	
Unit V-SIPCOT, Perundurai	-	-	3,000		-	
Unit VI-PKD Nagar, Peelamedu, Coimbatore				1,000	-	
Unit VII Ponnanda-mpalayam, coimbatore	-	-	-	-	-	25 Tons/day
Wind mills Anthiyur & Kongalnagaram, Udumalpet	-	-	-	-	3.30 MW (2 X 1.65 MW)	
TOTAL	**5,904**	**17,376**	**3,000**	**1,000**	**3.30 MW**	-

Manufacturing Process

Manufacturing Process for Existing Open End Spinning UNITS(I&II)

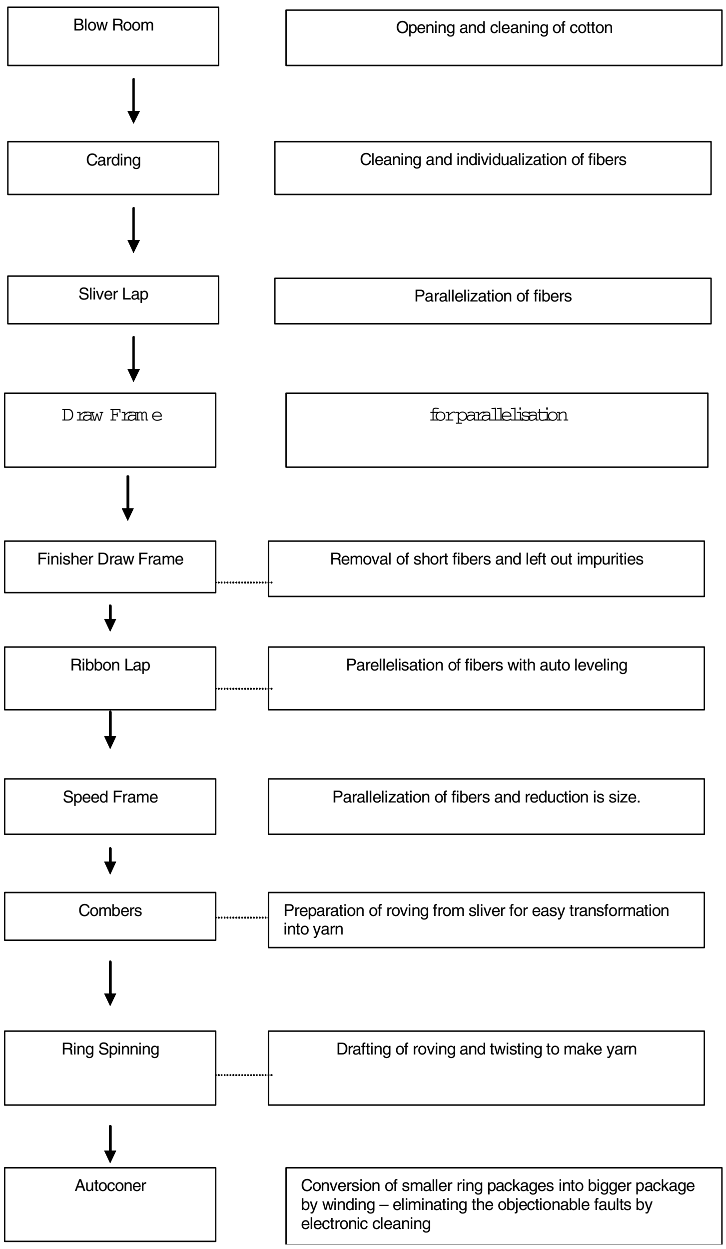
The open end spinning is one of the most modern method in spinning technology. Waste Cotton(comber Noil) received in bales, are opened manually as well as through machines. Waste Cotton along with Flat Strips,Droppings and other ingredients are mixed according to the Specified proportion to arrive at the necessary material namely Processed Cotton. The mixing varies depending upon the count required. Mixing is done using blending machines. The blended cotton is fed into the Blow Room machine. This machine opens the cotton mixing by use of air pressure resulting into all trash getting separated in the form of droppings. The clean cotton is automatically transferred to Carding machines. Carding machine further purifies by removing any left-over impurities and makes sliver from the cotton. The sliver is taken to Draw Frames, which is essentially used for drawing and doubling of sliver to reduce variation in mass per unit length of this sliver. The sliver is then fed into the OPEN END SPINNING machine where the final Yarn(Count) is produced. The yarn in Cheeses are packed based on weight and then despatched.

Manufacturing Process for Existing Ring Spinning

Ring spinning is normally favoured for finer counts of yarn. Different varieties of Cotton received in bales, are opened manually as well as through machines. Cotton comes in different varieties are mixed based on the quality, type and application of the yarn required to be produced. Mixing is done using blending machines. The blended cotton is fed into the Blow Room machine. This machine opens the cotton by use of air pressure resulting into all trash getting separated in the form of droppings. The clean cotton is automatically transferred to Carding machines. Carding machine further purifies by removing any left-over impurities and makes sliver from the cotton. The sliver is taken to Draw Frames, which is essentially used for drawing and doubling of sliver to reduce variation in mass per unit length of this sliver. The sliver is then taken to another machine that makes sliver lap by bringing together several slivers to form a bedding of sliver. This is called Sliver Lap. The Sliver Lap is further processed on Ribbon Lap machine, which is finally fed to the combing machine to produce combed sliver (if combed yarn is required to be produced). The combing machine is used to separate all cotton fibers that are shorter than the desired length. It holds the lap at one end and then literally combs through a fixed distance of fiber fringe. Those fibers that are shorter than this fixed length get dropped and the lap having the remaining fibers of the desired length is accepted. The process is repeated for the entire length of the lap. The combed sliver is taken to a draw frame again so that the sliver could be made of the requisite fineness, which is determined by the count of the yarn required to be produced. This is called the Finisher Draw Frame. The drawn sliver is taken to the Speed Frame to produce Roving. Since the final output of the yarn on Ring Spinning machine would be of finer counts, it is necessary to literally spin the yarn by increasing the fineness of the sliver (which naturally increases the length) before it can be taken for final spinning. This action is performed by Speed Frame. Roving produced on Speed Frame is taken to Ring Frames for spinning into yarn of the requisite count.

Winding and Doubling: Doubling, as the name suggests means, plying of two yarns. This results in improvement of yarn uniformity and strength as well as reduction in yarn hairiness. For doubling the yarn, a parallel winding of the yarn is done on parallel winder and the same is then fed into Two-for-One-Twister (TFO). While a normal Ring Doubler would just ply the two yarns together, a TFO, imparts two turns in yarn for every one rotation of the spindle, thus increasing the production. Further, the package prepared on TFO has uniform package density, which helps during warping, knitting and weaving. Thus doubling adds value to the yarn.

The process flow diagram for ring spinning can be shown as follows



Warping:

Yarn on cones or cheeses would be taken for warping process which would rewind the set of yarn from individual cones to measured length on beams. These direct warping machines normally run at 800-1200 m/min. speeds and hence the quality of warp yarn should be good in strength and evenness.

The warped beams are taken to the next process of sizing where the yarn is given strength by adding starch to it. This addition of strength is required to facilitate better weaving. The sheet of yarn is washed with soap solution to remove any dirt and oil substances. The sized, dried yarn sheet is wound on beam known as weavers beam. The water requirement would be 150 Cu.m./day. The warped yarns are drawn through healed wires and through reeds as per sequence.

Weaving

Weaving is carried out to form the fabric. The warped, sized/drawn in ends are gaited knotted at the weaving machines. Weft yarn are passed through the warp yarn with the help of air jets and the weaving machine open the warp shed to facilitate the entry of weft yarn through the width of the warp yarn sheet. The reed closes the shed and thus the fabric is formed. The felled fabric is taken off the loom to a batching motion and the fabric roll is wound. The air jet weaving machines run at around 900-950 rpm and the entire weaving shed is climate controlled. The fabric rolls are then inspected for any faults.

Wet Processing:

The grey fabric has short fibres protruding on the surface, which is called “hairiness”. This is burnt using a full width LPG fired burner on both sides of the fabric. This would remove the protruding fibres. The fabric is then taken to a de sizing bath where chemicals are added and starch from the fabric is removed. The de sized fabric is taken to the process of bleaching. Here Chemicals are added and the fabric is passed through the bath and continuous washing is done to remove the excess chemicals from the fabric and then it is dried on a vertical dryer. The bleached fabrics are taken to a continuous mercerizing range where the fabric is passed through high concentrated caustic solution and the fabric is allowed to dwell and then the fabric is washed in a series of wash boxes. The mercerized fabric is taken through a continuous dyeing range through a process of pad dry process. The e-control dyeing range is the most modern dyeing machine available that has the flexibility of dyeing wide varieties of fabric. After dyeing, it is washed and then taken to a stentering machine to give width stability to the fabric. Normal Cotton or cotton mix fabric would have a tendency to shrink when it is washed. The sanfroiser would shrink the fabric to the required levels with the help of dampening and rubber belt shrinking. The dyed pre shrunked fabric would then be taken for inspection and washing.

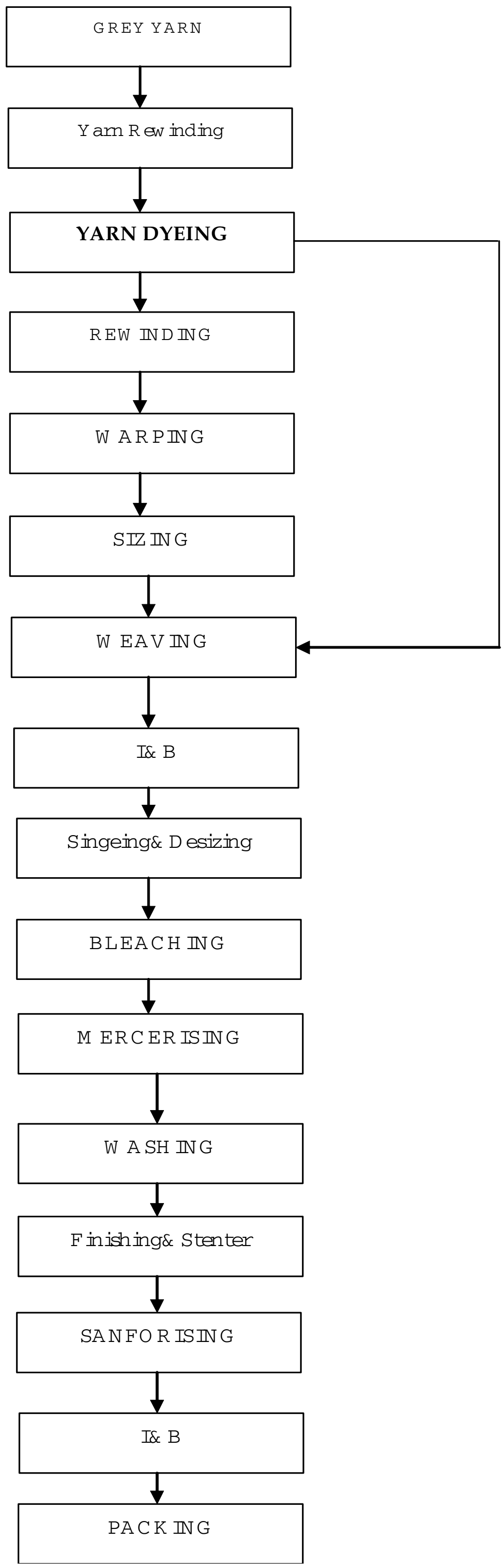
Stitching

The fabric after finishing would be sent to the Garment unit where it would be stitched in the stitching unit into Trousers for different sizes.

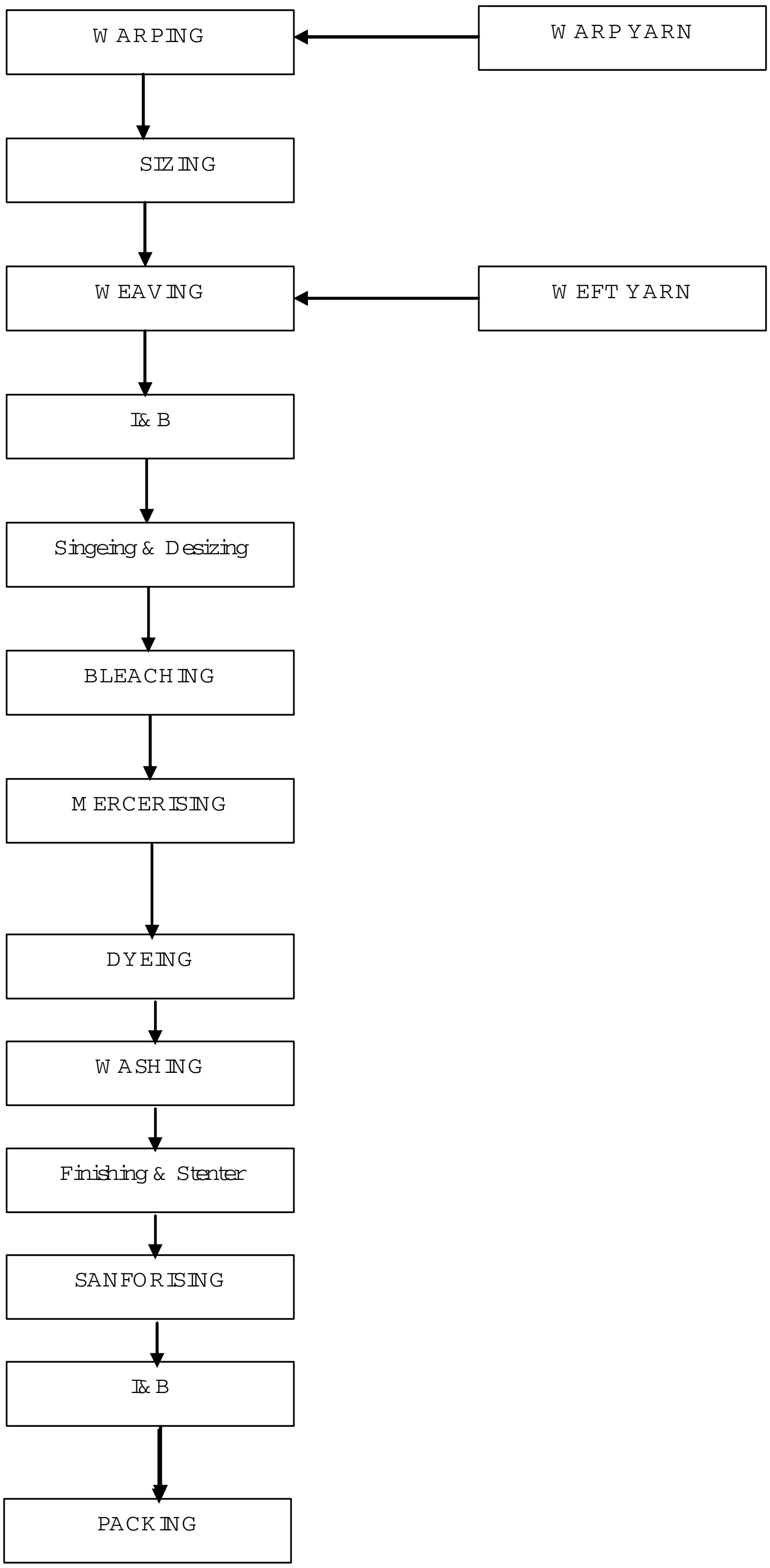
Washing

The stitched garments will be washed in a Industrial Washing Machine and then dried and finished depending upon the customers requirement.

Manufacturing Process(Flow) for Shirting



Manufacturing Process(flow) for Bottom Weights



INPUTS FOR PRODUCTION

RAW MATERIALS

For Spinning

- **Existing Open End Spinning - Unit I , Unit II and Unit III**

  GTL uses mainly processed waste, besides virgin cotton, as raw material for spinning yarn of varying counts from 2s to 20s. Yarn and cotton waste are available throughout the year; besides, GTL sources its raw material from a large base of spinning mills. The total raw cotton and cotton waste consumed in FY05 was 275 lakhs Kgs.

- **Existing Spinning Unit at Pushpathur Village, Palani Taluk, Dindigul Distt- Unit IV**

  Cotton is the largest and the most important cost element in the cost structure of cotton yarn, accounting for 55-60 per cent of net sales. Cotton prices normally move in line with production of cotton crop. Procurement of cotton at the right time, from a cheap market that provides good quality cotton is very important for cotton yarn manufacturers.

  GTL has been generally buying raw cotton during the arrival season; contracting cotton at competitive rates and of the desired quality and consistency which has a significant impact on the profitability of a spinning mill. Waste generally trades at a significant discount to virgin cotton prices, and the price gap also increases during the cotton off-season period. Besides, competition for waste comes mainly from the non-textile sector. The volatility in the prices of waste is lower than that in cotton, which lends a greater degree of stability to GTL's existing operating cash flows.

  GTL has established its brand name among the end-users of its yarn and built up strong linkages with yarn traders. This has ensured steady off-take besides maintenance of very high capacity utilisation levels.

  GTL's existing OE operations are capable of handling multiple yarn and cotton waste varieties, thus ensuring that the company does not have any risk in respect of sourcing of raw material. GTL's yarn sells at prices comparable with the prices of yarn spun from virgin cotton in the count range it caters to, while its established brand name among handloom weavers ensures ready offtake. In the cheese/cone segment of the yarn market, however, GTL remains exposed to price and offtake risks like any other player in the organised segment.

- **Proposed spinning unit of 19,200 Spindles to make 30/2s polyester cotton yarn and 31,200 Spindles to make 40/2s Cotton yarn at Village : Pushpathur & Midappadi, Dindigul Distt.,T.N.**

  For the proposed project, GTL would be sourcing cotton during arrival season as is being done for the existing unit. At 100% capacity utilization, the total annual requirement of raw cotton (assuming 350 days working) is estimated at 68.65 lakhs kgs. (19,200 Spindles : 16.64 lakh kgs and 31,200 spindles: 52.01 lakh kgs) that of Polyester Staple Fibre (PSF) for 19,200 spindle plant would be 30.90 lakh Kgs. The PSF is proposed to be purchased from Reliance Industries Ltd. and the average prices are currently around Rs.72/kg. The yarn from the spinning unit would be doubled and twisted in a TFO (Two for one twister) and sent to weaving and processing section.

For Weaving

- **Weaving and processing unit at SIPCOT, Perundurai**

  The above facility has an average fabric production capacity of 51,000 metres/day. The capacity is computed based on production of 4 types of fabric with average counts ranging between 30 and 50.

  The Spinning facility of 19,200 spindles would produce total Polyester cotton yarn (of average count 30) of 10,205 gs/day. The other spinning unit of 31,200 Spindles would produce Cotton of average count 40 of 10,112 Kgs/day. The entire cotton and PC yarn would be sent to Weaving and processing facility at Perundurai. A part of the PC yarn (small portion) would be surplus and available for sale in domestic market.

  Subsequent to the implementation of the proposed project, at 100% capacity utilization , the requirement of cotton yarn and PC yarn would be as follows:

Cotton Yarn	12.04 Tons/day
PC Yarn	9.04 Tons/day

As may be seen from above, the requirement of PC yarn would be met inhouse and the additional requirement of cotton yarn would be sourced from outside. However, during FY 2007 (till commencement of PC spinning unit), the requirement of PC yarn would be procured from outside.

For Garments

- **Garment unit at Perundurai, T.N.**

  The installed capacity is 3,000 pieces/day, which would require about 4,200 metres of processed fabric. The above requirement would be met in house.

UTILITIES

Power

For Spinning Units in Tamilnadu

- **Existing arrangement**:

  The total power consumption of the spinning units situated in the state of Tamilnadu are met through the supply of power from the state grid. Besides this the requirement of Unit IV are met through one existing 2 MW Generator power plant run on heavy furnace oil. Since we propose to install windmills against which we can draw equivalent power from TNEB, this generator is now proposed to be shifted to Unit VI at Perundurai for meeting the power requirements of weaving and processing plant.

  Post transfer of the HFO power plant, the spinning unit would draw its power from Tamil Nadu Electricity Board (TNEB) grid through "Thalyuthu" sub station of TNEB that has a 16 MVA capacity. The sub station is located at a distance of 1.5 Km. from the site.

  The total annual power consumption in the unit has been averaging around 140 lakh units. Our Company has a connected load of 1,950 KVA from TNEB grid which would now meet the requirements of the present facility.

- **Proposed project**:

  Spinning unit at Village : Pushpathur & Midappadi, Dindigul Distt.,T.N.

  The estimated annual consumption of the proposed spinning units at 100% capacity utilization is given below:

19,200 Spindles – PC yarn	163.1 lakh units
31,200 Spindles- cotton yarn	235.3 lakh units
Total	398.4 lakh units

  The above would translate to a load requirement of around 6 MW.

  Since we are also setting up wind mills of aggregate installed capacity of 9.90 MW, the generated power would be wheeled to TNEB against which it would be eligible to draw equivalent units of power. As per NEG MICON (India) Pvt. Ltd., the Plant Load Factor is 35.5% and the generation from each wind mill would be about 54 lakh units per annum and the wheeling charges to TNEB would be 5% of the above. However based on our experience with the 2 existing Wind Energy Generators at the proposed location, the gross generation is assumed at 48.75 lakh units/annum and the net generation after taking into account 5 % wheeling charges and 1% transmission loss at 45.8 lakh units/annum. Hence the total power generated from each wind mill of 1.65 MW would be 45.8 lakh units per annum. The total units from the 8 wind mills (Existing: 2, Proposed : 6) is estimated at about 366.4 lakh units. We propose to enter into a Power Purchase agreement with TNEB in respect of the proposed six Wind Energy Generators.

For Weaving

- **Weaving and processing facility at SIPCOT, Perundurai**

  The estimated power requirement is 5 MW. As mentioned earlier, we have an existing 2 MW Generator run on heavy furnace oil for our existing spinning unit at Unit IV. This generator is proposed to be shifted to the new weaving unit at Perundurai. The balance requirement of 3 MW would be met from TNEB. GTL proposes to make an application to TNEB for the required load in this regard.

  At 100% capacity utilization, the total annual power consumption is estimated at 283 lakh units.

Water

For Spinning unit at Village : Pushpathur & Midappadi, Dindigul Distt.,T.N.

The proposed ring spinning plant requires water mainly for humidification purpose. We have estimated the total requirement of water at 15 Cu.m./day comprising 10 Cu.m./day for Humidification and 5 Cu.m./day for washing and domestic purpose.

Our existing spinning plant has a borewell which is supplying 300 Cu.m./day. Two additional borewells are proposed to be sunk in the proposed site. Emergency water requirements is proposed to be purchased from vendors @ Rs. 10/Cu.m.

For Weaving and processing facility and Garment unit at Perundurai

Our company has assessed the requirement of water for the above facility at 1,500 Cu.m./day. The SIPCOT complex has an uninterrupted water supply from the nearby Bhavani river which is charged @ Rs. 25/Cu.m. GTL would be entering into an agreement with SIPCOT for the above.

We propose to install a Reverse Osmosis plant at their Effluent Treatment plant thereby reusing 70% water. The make up water requirement would therefore be around 500 Cu.m./day.

Compressed Air

For Spinning unit at Village : Pushpathur & Midappadi, Dindigul Distt.,T.N.

The requirement of Compressed air for the spinning unit has been assessed at 500 Cfm, which would be met by 5 nos. air compressors.

For Weaving and processing facility and Garment unit at Perundurai

We have assessed the compressed air requirement at 6,500 Cfm. Our company proposes to install 2 Nos'CENTAC' Centrifugal air compressor of 'Ingersoll Rand" make suitable to deliver a flow of 3,267 ACFM @ 7.0Kgs/Sq.cm. Two nos. of the above air compressor are proposed to be purchased which would ensure 100% requirement. Ingersoll Rand is one of the reputed suppliers of air compressors and their installations account for 95% market share in this segment.

Steam

For Spinning unit at Village : Pushpathur & Midappadi, Dindigul Distt.,T.N.

No steam requirement is envisaged.

For Weaving and processing facility and Garment unit at Perundurai

We have assessed the steam requirement at 16 tons/Hr., which would be met by 2 boilers of 8 Tons/Hr. capacity. We propose to install boilers of "Thermax" make who are reputed in the field.

Manpower

The total manpower of our company is around 1,600 at present at various locations. The proposed project envisages additional manpower requirement of 2,520 as per details given below:

	Spinning Plant		Weaving & processing	Garment	TOTAL
	31,200 Spindles	19,200 Spindles			
Location	Udumalpet		Perundurai	Perundurai	
Skilled Labour	300	332	250	400	1,282
Unskilled Labour	89	100	137	200	526
Staff	102	103	129	36	370
Others/trainees	50	50	50	100	250
Total	541	585	658	736	2,520

Our company's manpower availability (skilled) in the above locations should be sufficient to meet our requirements; however we propose to recruit labour from other states, in case of short supply. It is however observed that both Udumalpet and Perundurai have more than 20 spinning mills which provides a pool of skilled manpower. Our company's salary and wage structure are competitive in nature and also incorporates a production and quality incentive scheme. Considering the above, we do not envisage any problems in hiring the necessary manpower.

INSURANCE

Our Company has in place an Insurance Policies from Bajaj Allianz, which covers all perceivable risks that hamper operations.

Our Company proposes to take necessary policies relating to risk during Construction of Building, Transportation of Machine & Equipments, and erection & Commissioning of Plant & machinery. The above policy will also be taken for the new units once the new projects are implemented and the operations commence.

MARKETING & SELLING ARRANGEMENTS

For OE Yarn:

Our company at present manufactures Open-end yarn for home textile segment and ring spun for knitwear industry. The open-end yarn is in the count range of Ne2s to Ne20s and we produce approximately 50-55 tonnes per day and this is sold

(a) Directly to weavers

(b) Sold through dealer and then to weavers

We have been in the business of selling this quality yarn since 1993 and its quality is well accepted and is sold at a premium compared to its competitors

For Ring Spun Yarn:

Our company produces approximately 12 to 14 tonnes of yarn per day in the count range of Ne20s to Ne40s and it is also sold directly to customers, dealer network and this mill's quality is very well accepted in the market and the mill is ranked within the top 5 by the South India Textile Research Association's (SITRA) survey.

The 'TIBRE' Brand

We launched the 'TIBRE' brand in the year 2000 with a focus on Men's trouser segment and have carved a niche in its category. Since its launch 'TIBRE' has launched more than 100 New Styles in the market and is present in twelve (12) States (Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Uttar Pradesh, Gujarat and Goa, Delhi, Punjab and West Bengal). Most of the above launches have been well accepted by the market in view of its economical pricing in relation to the quality of product offered.

We have a total in-house facility for Design, Development, Stitching, Washing and finishing and ensure total quality control in our own house of manufacturing. The comfort of cotton has always been regarded as "the thing" in trousers. Through the Tibre brand of cotton trousers we offer a comfortable wear to the customers without compromising the formal look.

Our wash / finishing facility at the unit can deliver the following range of products:

- Enzyme washed
- Acid Washed
- Stone Washed
- Bleaching
- Wrinkle free
- Super Grease etc..

Our branded trousers are available in the following product categories: -

- Club Khakis Classic

- Ultra lights
- Colarado
- Premium
- Puricots
- Senator
- Feather Touch
- Freedom
- Top Brass
- Midas
- Honcho
- Matrix

Our Advertisement Campaigns are meticulously planned to take the advantage with a higher recall value among the customers.

OUR FUTURE PLANS

We plan to add 10 to 20 new products to our existing range within the 'TIBRE' brand and propose to improve our market share in the various categories . This will be adequately supported by the Advertisement Campaigns and versatile quality additions.

Beside this, we propose to export 30% of our fabric production through export agents. The fabric would also be sold to foreign distributors who have huge warehouses for the fabrics. We also propose to sell fabrics to branded garment manufacturers. The balance would be sold domestically. As regards domestic sales, our company markets it through its agents as also its chain of retailers.

For the "TIBRE" brand garments, we would be selling the same through its network of around 750 retailers in various states in India. We also propose to set up distribution network in all regions of India who would distribute fabric to garment exporters as well as garment manufacturers.

Market

Demand for cotton and manmade fibers in India is expected to strengthen in response to rising consumer demand in India and increased exports of textiles and apparel following the removal of the Multifiber Arrangement quotas. India is one of the largest consumers of cotton in the world, ranking second to China in production of cotton yarn and fabrics and first in installed spinning and weaving capacity . India is also an important global producer and consumer of synthetic fibers, ranking fifth in global production of synthetic fibers.

Although domestic demand accounts for most Indian cotton consumption, growth in textiles and clothing exports is outpacing domestic demand and is an increasingly important determinant of overall cotton and fiber demand in India. Cotton-based exports accounted for about 42 percent of mill use of cotton in 2000 and about 80 percent of the growth in Indian consumption of cotton fiber between 1992 and 2000.

There is a huge demand for dyed cotton and Poly Cotton fabrics as the demand for Ready made garments is increasing in India and also foreign Brands are looking India as the manufacturing hub for their Branded garments the demand for such fabrics is in the upswing.

India traditionally is a strong player in Spinning but at the same time, India's share in processed fabric is less than 5% of world production. This gap provides further opportunities for the manufacture-processed fabrics.

Gangotri Textiles Ltd's own brand Tibre is sourcing dyed fabrics from the various manufacturers with a lead time of 60 – 90 days which clearly indicates that there is a huge demand supply gap in the dyed fabric segment.

Export Possibilities

GTL is looking at both Indian and International Markets for the supply of Processed Fabrics to garment manufacturers apart from its own garment operations for Domestic and Export Markets.

GTL has envisaged 30% of its Fabrics Production for Direct exports and the balance for domestic supply, which will include domestic garment production as well as for Exporters of garments.

Business Strategy

Some of the strategies which have helped GTL in maintaining a competitive edge are:

1. Over a period of time we have developed an expertise in Cotton Waste Recycling and OE Spinning. This provides a competitive edge over competitors in this segment.
2. Cost of Power is one of the critical factors having a bearing on the profitability. We have planned installation of Wind Turbines to get Wind Energy as a strategy to reduce this cost.
3. The Company is in Spinning of Yarn and in Garment manufacturing. The new Project of Fabric manufacturing will be a forward and backward integration of the Existing Unit. Bridging the gap between spinning and garmenting by entering into weaving is a strategic step for the Company to increase its profitability.
4. In the Branded Wear Segment, we consistently introduce new range of products in order to have an edge over the competitors.
5. We have an established marketing and distribution network for selling our branded products.

COMPETITION

Gangotri Textiles Ltd plans to produce 18million meters p.a of dyed fabrics both in bottom weight & in shirting. These fabrics are proposed to be produced from the state of Art Technology from Euro on a continuous dying process ensuring quality and economies of operation. The markets for these fabrics are the garment manufacturers for domestic brands as well as for garment manufacturers for exports.

Presently, this segment is dominated by the following manufacturers:

Arvind Mills
Ashok Textiles
Nahar Spinning
Vardhaman
Ramkumar
KG Denim
JCT

Apart from these established players the Company will face competition from the piece dyed manufacturers.

Competitive Strengths:

Our company faces competition from large and integrated players. Further, smaller producers of yarn may also pose a competition. However, after completion of the proposed projects, we will be in a position to consolidate our position in the market and also to improve upon our margins.

The following inherent strengths should help our company to face competition:

Experience: We have been in the business for close to two decades and the promoters have substantial experience in the field.

Established Customer base: By virtue of our presence in the industry for a considerable period of time, our company has been able to develop a customer base which can be leveraged for our expanded operations.

Established Marketing & Distributing Network: Our company has well-established marketing and distribution network.

Quality Produce: We have consistently focussed on quality and confirms to the quality standards of its customers

Human Resources: Our manufacturing locations being located in the heart of the textile producing zone is not expected to face any problems for attracting proper manpower. Moreover, the cordial relations between the employers and employees will help to attract the requisite talent and also improve productivity.

CAPACITY UTILISATION

Installed Capacity

Particulars	**Six mnths ended 30/09/2005**	**2004-05**	**2003-04**	**2002-03**
Spinning				
Rotors	5904	5904	5904	5904
Spindles	17376	17376	17376	17328
Readymade Garments (per day)	1000	1000	1000	1000

Capacity Utilisation for the existing units for the past 3 years and during the six months ended 30/09/2005 is as under:

UTILISATION (%)	**Six mnths ended 30/09/2005**	**2004-05**	**2003-04**	**2002-03**
Spinning	98	96	94	90
Readymade garments (per day)	42	33	33	33

Proposed Capacities after comletion of the Project

Particulars	**Enhanced Capacity**
Spinning	
Rotors	5904
Spindles	67776
Weaving (Mtrs Per day)	51000
Readymade Garments (per day)	4000

During the six months ended 30/09/2005 the Company has already reached an optimum capacity utilisation of 98% in respect of its spinning facilities. The capacity utilisation in respect of RTW facilities is at 33% on an average. This is the optimum capacity utilisation since the stitching unit can be run only in two shifts during the day owing to the fact that it predominantly employs women and the process can be completed efficiently in daylight.

In view of the fact that the Company has been utilising the installed capacities to the optimum levels, the management is confident of achieving similar levels of capacity utilization in respect of the enhanced capacities to be installed pursuant to the expansion project.

ENVIRONMENTAL COMPLIANCE

National environmental standards in India are drafted by the Central Pollution Control Board and the Ministry of Environment and Forests, Government of India and are enforced by various pollution control boards and pollution control committees.

In order to keep pace with changing environmental regulation norms and to ensure compliance with statutory requirements in the field of pollution control, we undertake renovation, modernisation, retrofitting and upgradation of pollution monitoring and control facilities in our manufacturing units.

All our manufacturing units are currently in compliance with the applicable environmental regulations. All manufacturing units have valid approvals for complying with water and air pollution norms.

CORPORATE SOCIAL RESPONSIBILITY

The promoters and the Company understand their responsibility towards the society. Not only are they actively implementing measures to conserve the environment but also undertaking welfare measures not only for employees but also for the common public residing in the villages near the factories of the company.

The welfare measures to the public at large includes the following :

- The Company is providing an ambulance vehicle at the disposal of the general public for their emergency purposes.
- The Company is periodically conducting medical camps like free eye camps & Blood donation camps & to create awareness about Deaddiction etc.,
- The Company is distributing notebooks etc., for the children of the adjoining villages,
- The Company is providing computer training programmes to the students.
- The Company is distributing sweets clothes etc., to orphanages during festival times,
- The Company is liberally donating during natural calamities time.
- The Company is donating books for the library to help improve the literacy of village people.
- The Company is also sponsoring school uniforms for the needy village students,
- The Company is distributing plants samplings for afforestation programmes.
- The Company is sponsoring village students for improving their computer skills.

PROPERTY

Existing Manufacturing Units:

Set forth below is a brief summary of our immovable properties related to our manufacturing units:

Sl. No.	UNIT	LOCATION	LEASEHOLD/ FREEHOLD	AREA (ACRES)
1.	I	MopperipalayamVillage, Coimbatore – District, Tamilnadu	Free Hold	10.32
2.	II	NaranapuramVillage, Coimbatore – District, Tamilnadu	Free Hold	6.87
3.	III	Alate Village, Kolhaput District, Maharastra	Free Hold	23.01
4.	IV	Puspathur & Mittapadi Village, Coimbatore – District, Tamilnadu	Free Hold	41.71 3/4
5.	Washing Unit	Perundurai – Taluk, Erode District, Tamilnadu.	Lease Hold	5.33
6.	Stitching Unit	473/2, P.K.D. Nagar, Peelamedu, Coimbatore - 641 004	Lease Hold	2.29
7.	VII	MopperipalayamVillage, Coimbatore – District, Tamilnadu	Free Hold	8.28
8.	Windmill – I	Anthiyur Village, Coimbatore District, Tamilnadu.	Free Hold	4.40
9.	Windmill – II	Jallipatty Village, Coimbatore District, Tamilnadu.	Free Hold	4.54

Details of Offices and Other Properties:

Set forth below are the details of our offices and other properties:

Sl. No.	DESCRIPTION	ADDRESS	PROPERTY RIGHTS	AREA (ACRES)
1.	Unit II Canteen	MopperipalayamVillage, Coimbatore – District,Tamilnadu	Free Hold	9.59
2.	Future Expansions	Narayana Cheetipalayam, Coimbatore – District, Tamilnadu.	Free Hold	25.03
3.	Proposed Spinning Unit	Muduvelampatty, Coimbatore – district, Tamilnadu	Free hold	26.49 1/2
4.	Proposed Corporate Office	Avanashi Road, Coimbatore District, Tamilnadu.	Free hold	0.35 1/2
5.	Proposed Spinning Unit	Puspatur & Mitapadi Village, Coimbatore District, Tamilnadu.	Free Hold	19.64 1/2
6.	Proposed Weaving and Processing Unit	Perundurai – Taluk, Erode District, Coimbatore.	Leased	41.73

Purchase of Property:

Property proposed to be purchased to be paid wholly or partly out of the proceeds of the issue:

Property	Purpose/Date Of Transaction	Names And Adresses Of Vendors	Consideration (Rs. In Lacs)	Whether Owned /Leased	Interest Of Directors/ Promoter
SIPCOT Industrial Growth Centre -Perundurai	Proposed weaving and processing unit 08/08/2005	SIPCOT, CHENNAI	333.84	Leased	NIL
Medapadi Village, Palani District, Tamil Nadu (0.77 Acres)	Proposed spinning Unit Sale deed dated 04/08/2005	N. Angusamy Gounder A Kumar Swamy Selvakumar	2.36	Owned	NIL
Medapadi Village, Palani District, Tamil Nadu (0.85 Acres)	Proposed spinning Unit Sale deed dated 04/08/2005	K Chinadurai	2.14	Owned	NIL
Medapadi Village, Palani District, Tamil Nadu	Proposed spinning Unit Sale deed dated 04/08/2005	N Kumar Swamy Gounder	4.31	Owned	NIL
Myvadi village / S.F.No. 315/3.91 Acres Udumalpet Taluk, Coimbatore District, Tamilnadu	Proposed Wind mill Sale Deed dated 17/03/2006	P. Sivaraj	0.78	Owned	NIL
Thungavi village / S.F.No. 204/4.00 Acres Udumalpet Taluk, Coimbatore District, Tamilnadu	Proposed Wind mill Sale Deed dated 17/03/2006	P. Sivaraj	0.80	Owned	NIL

The above land purchased is free from all encumbrances and has a clear title.

KEY INDUSTRY- REGULATIONS AND POLICIES

Over the past five years, the Indian government has removed many of the barriers hindering various sectors growth. But to fulfill the potential of the country's apparel industry, the government needs to eliminate the remaining restrictions that perpetuate the lack of scale and poor operational and organisational performance of local manufacturers which discourage investment, particularly foreign direct investment.

Regulations still protect small-scale garment industry in a number of ways. While the production of ready-made garments is no longer reserved for small-scale manufacturers, a few product markets, such as hosiery, still are. In addition, Indian manufacturers often choose to set up several small plants, instead of a single big one, to take advantage of labour laws. As a result, Indian apparel/garment making units typically have less number of machines than its counterparts in other countries. In order to encourage upgradation of textile sector and to give a fillip to exports of textile products, some of the important initiatives taken by the Government of India are as follows:

Announcement of New Textile Policy:

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

Technology Up-gradation Fund Scheme:

In view of the urgent need for stepping up the process of modernisation and technology upgradation of the textile industry in India, Ministry of Textiles launched a Technology Upgradation Fund Scheme (TUFS) for the textile and jute industry for a five years time frame w.e.f. April 1, 1999 to March 31, 2004 providing for 5% interest reimbursement in respect of loans availed under the Scheme from the concerned financial institutions for investment-benchmarked technology for the sectors of the Indian textile industries specified thereunder.

Liberalization of FDI Policy:

Government has allowed foreign equity participation upto 100%, through automatic route, in the textile sector with the only exception in knitwear/knitting sector, which is still reserved for SSI. SSI investment limit for the knitwear/knitting sector has been increased from Rs.1 crore to Rs. 5 crore.

Export Promotion Capital Goods (EPCG) Scheme:

The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods is allowed under the EXIM Policy as announced on March 31, 2003.

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.

Duty Exemption Pass Book (DEPB) Scheme:

DEPB credit rates have been prescribed for textiles and clothing products.

Duty Drawback Scheme:

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

Human Resource Development:

Attention has also been paid to Human Resource Development in the textile sector. National Institute of Fashion Technology (NIFT) which is imparting training to Fashion Designers and Fashion Technologists to cater to the human resource requirements of garment industry has 7 branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar. Ministry of Textiles has established a Nodal Centre for Upgradation of Textile Education at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles.

Construction of Apparel International Mart:

Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from Government.

Apparel Park for Exports Scheme:

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

Textile Centres Infrastructure Development Scheme (TCIDS):

Development of infrastructure facilities at pre-dominantly textile/apparel sector areas is one of the thrust areas of National Textile Policy, 2000. For attaining this objective, a new scheme (TCIDS) has been launched for upgrading infrastructure facilities at important textile centers.

The WTO 2005 Initiative

Protection of the textile and clothing sector has a long history in United States and Europe. In the 1950s, Japan; Hong Kong, China; India and Pakistan agreed to voluntary restrain export for cotton textile products to the United States. In 1962 a Long Term Agreement regarding International Trade in Cotton Textiles (LTA) was signed under the auspices of the GATT (replacing a 1-year short-term agreement). The LTA was renegotiated several times until it was replaced by the MFA, which extended restrictions on trade to wool and man-made fibers in addition to cotton. Since 1947, when the General Agreements on Tariff and Trade (GATT) was first signed, an increasing proportion of international trade was regulated by the international agreements, designed to ensure countries could erect or maintain barriers to international trade only under mutually agreed terms. Apparel / readymade garments were not included in GATT provisions. In 1947, the Multi-Fibre Agreement (MFA) was signed, without reference to GATT, essentially ratifying countries right to impose quotas on textiles and apparel/readymade garment imports from each other. This was intended to be a temporary measure allowing developed countries time to restructure their apparel / ready-made garments and textile industries before opening them up to competition from developed countries. In practice the MFA was frequently renewed. In 1994, GATT signatories signed the Agreement on Textiles and Clothing (ATC), committing to phasing out MFA and replacing it by the general systems for agreeing trade barriers and disputes that the GATT has laid down. Almost simultaneously, the GATT was replaced by the World Trade Organisation (WTO).

The most important underlying principles of the ATC are:

- The quotas would be phased out to an agreed timetable (16% of imports quota-free by January 1, 1995, a further 17% by January 1, 1998, a further 18% by January 1, 2002 and the remaining 49% by January 1, 2005);
- There would be no extension date;
- The ATC would be binding only on trade between WTO member states;
- There would be no temporary provisions while the ATC was in force for monitoring progress and managing duties.

Accordingly, quota restrictions have been removed with effect from January 1, 2005. This removal of world trade quota restrictions is expected to bring a change in the global apparel trade. Productivity, labour costs, quality and creativity will determine which countries will eventually emerge as winners.

HISTORY AND CORPORATE STRUCTURE

INCORPORATION

The Company was incorporated on July 26, 1989 as Gangotri Textiles Private Limited. The Company was converted into a public limited company on January 1, 1993 and received a fresh certificate of incorporation consequent to the change of name to Gangotri Textiles Limited dated January 1, 1993.

Shri Manoj Kumar Tibrewal, Managing Director of the Company along with Shri Mohanlal Tibrewal, his brother, and Shri Ramesh Kumar Tibrewal, his cousin brother, have promoted the Company.

HISTORY AND MAJOR EVENTS

Gangotri Textiles Ltd. (GTL) is an existing listed textile company engaged the business of manufacturing textiles by way of open-ended (OE) spinning, ring spinning and garment manufacturing.

GTL was promoted by the Shri. Manoj Kumar Tibrewal, who started his business as waste-cotton re-cycler and trader in the late 1980s in Kolkata. Subsequently, in July 1989, he promoted GTL as a private limited company.

Later, GTL was converted into a public limited company in January 1993. The first project undertaken by GTL was to set up 4 open end spinning machines at Palladam Taluk in Coimbatore (Unit I) at an investment of Rs.4.76 Crores. GTL's Unit I became operational in August 1993. In July 1994, GTL made a public issue of equity shares at par for an amount of Rs.2.10 crores to part-fund the expansion of Unit I.

The second expansion came with the setting up of Sri Dwarka Textiles (Unit II) at Avinashi Taluk, Coimbatore, which started commercial production in March 1995.

During the period 1997-98, GTL purchased an existing open end spinning sick unit at Kolhapur, Maharashtra (Unit III) and managed to make it a viable profitable unit. In March 2000, GTL acquired a 7 years old 16,800 spindle ring-spinning sick unit (Palani Andavar Cotton & Synthetics Ltd.) located in Udumalpet, and also managed to make it a viable a profitable unit. Later in FY2002, a modernization program was taken up at the above unit. Post modernization, the unit is working at full capacity from FY2003.

In the year 2000, GTL had ventured into the ready-made-garments (RMG) market through its division - Gangotri Apparels, by launching its "Tibre" brand of cotton trousers in Coimbatore. GTL has slowly increased the geographical coverage for marketing its trousers and presently the "Tibre" brand is present in the following cities and small towns of the country.

Gangotri had a 100% subsidiary by the name of Gangotri Textile Processor Limited (GTPL), which was incorporated in the year 1999. In the year 2001, the merger of the two companies was proposed by their Board of Directors and was to be given effect in accordance with the appropriate provisions of the Companies Act, 1956.

The Scheme has been passed under Section 395 of the Companies Act through a special resolution passed at the EGM and GTPL was amalgamated with its parent company, Gangotri, with effect from April 1, 2001. While the appropriate provisions of the Companies Act, 1956 governing the above arrangment would be Sections 391 – 394, the Company has completed the said arrangement under the provisions of Section 395 of the Companies Act, 1956.

Subsequently the Company received a letter No. JP/F-35A/C/8952 dated April 1, 2002 from RoC requiring the Company to intimate the RoC about the completion of the process and to put up a proposal to have the company's (GTPL) name struck off under Section 560 of the Companies Act. Accordingly, GTPL made an application (vide letter No. GTPL/2002/1240 dated April 12, 2002) under Section 560 of the Companies Act to strikeout or de-register its name from the register of companies maintained by the ROC.

ROC has by a letter dated January 23, 2006 informed GTPL about its intention to strikeout or de-register GTPL's name from the register of companies under sub-section 3 of section 560 of the Companies Act on the expiry of 3 (three) months from the date of the letter resulting in its dissolution without any further act or deed.

Cities and small towns in which our trousers under the Tibre Brand are available:

State	Cities
Andhra Pradesh	Amalapuram, Beemavaram,Chirala, Chitoor, Cuddapah, Hydrabad, Eluru, Guntur, Hanamkonda, kakkinada, Karimnagar, Kurnoou, Machulipattam, Nandyal, Nellore, Nizamabad, Ongole, Proddatur, Punjagatta, Rajmundri, Secendrabad, Tirupathi, Venukonda, Vijayavada, Visakapattinam, Vizianagaram, West kodhawari.
Goa	Goa, Margoa, Panjim, Ponda
Gujarat	Ahemadabad, Bhuj, Dahod, Gandhidham, Godhra, Jamnagar, Morbi, Navsari, Porbondar, Rajkot, Silvassa, Surat, Vadodara
Karnataka	Bagalkot, Bangalore, Belgaum, Bidar, Bijappur, Chickmahalur, Chitguppa, Dhavanagiri, Dharwad, Gokak, Gonikopal, Gulparga, Haveri, Hospet, Hubli, K.G.F, Kodagu, Kolar, Madikeri, Mangalore, Mysore, Nippani, Raichur, Ranebennur, Shimoga, Tumkur
Kerala	Adoor, Alappzha, Aluva, Alwaye, Angamally, Calicut, Chalakudy, Changanacherry, Chavakkad, Cochin, Edappal, Ernakulam, Ettumannur, Guruvayur, Edukki, Kaduvandara, Kalpetta, Kanhangad, Kanmchirapplly, Kannur, Karunkapally, Kattappana, Kodunkallur, Kollam, Kottarakara, Kottayam, Kozhicode, Kunnamkulam, Mazhappuram, Mangeri, Mannarkad, Ottapalam, Palakkad, Panoor, Payanur, Perundhalamanna, Thalacherry, Tamaracherry, Tiruvalha, Trichur, Tiruvendrum, Vadakara,
Maharastra	Pune, Dist Latur, Ichalkarangi, Jalgaon, Jalan, Kolhapur, Kothrud – Pune, Nagpur, Nashik, Parbhani, PCMC, Pimpri, Pradikaran, Nigidi, Pune, Sangamner, Sangli,Satara, Solapur, Mumbai
Tamilnadu	Chennai, Coimbatore, Coonoor,Dharmapuri, Dindugul, Erode, Gobichettipalayam, Gudalur, Karikal, Karur, Kovilpatti, Kumbakonam, Madurai, Myladudurai, Mettupalaym, Mylapoor, nagapattinam, Namakkal, Ooty, Pattukottai, Pollachi, Pondicherry, Pudukottai, Rajapalayam, Salem, Tanjaur, Tirunelveli, Tirupur, Tiruvannamalai, Trichy, Tuticorin, Udumalpet, Vellore, Vizhupuram.
Uttar Pradesh	Azamgarh, Aligarah, Ballia, Firozabad, Hathrash, Jaunpur, Lucknow, Mirzapur, Mugalsarai, Pratapgarh, Shantinagar, Sonbhadra, Varanasi,
Delh	Delhi
Punjab	Ludhiana
West Bengal	Howrah

GTL currently has an installed capacity of 5,904 rotors, which makes it a large-sized player in the organized segment of the OE spinning industry. GTL's business model is thus spread among home textiles (through open-ended yarn and ring spun yarn), knitting (hosiery yarn) and garments (Tibre brand trousers).

GTL had also installed and commissioned 2 windmills of aggregate capacity of 3.30 MW in the FY2004-05 at Village Anthiyur and Village Kongalnagaram in Udumalpet District in Tamil Nadu.

GTL has consistently grown over a period of time, and has also rewarded its shareholders by declaring a Bonus of equity shares in the ratio of 1:1 on November 3, 2005.

GTL has now embarked upon an integration and expansion project estimated to cost around Rs.351 Crores and plans to set up weaving & processing facilities and expanding garment making facilities from 1000 pieces a day to 3000 pieces a day. It is also planning to put up windmills to reduce the cost of power so as to increase profitability.

MILESTONES ACHIEVED BY THE COMPANY

Year	Milestones
1989	Gangotri Textiles Limited was incorporated on July 26, 1989 as a private limited company
1993	Converted into a public limited company
1993	Unit I commenced production with 4 O.E frames
1994	Initial Public Offering of GTL involving 21,00,000 Equity shares of Rs.10/- each
1994	Unit I expanded with 2 more O.E. Frames
1995	Unit II commenced its production with 7 O.E Frames
1997	Took over sick unit viz., M/s. Arihant Spinning Mills – Kolhaphur District, Maharastra and managed to make a viable profitable unit.
1998	Unit III expanded with 3 more O.E Frames
2000	Launched “TIBRE” brand trousers at Bangalore and other cities.
2000	Took over a sick unit viz. Palani Andavar Cotton & Synthetic Ltd. at Udumalpet – Dindugal District, Tamil Nadu and made it one of its units. GTL successfully turned around this unit into a viable profit making unit (Unit – IV)
2000	Expanded Unit II with 3 more O.E Frames
2001	Processing Unit V for garments at Perundurai –SIPCOT Complex
2002	Modernisation scheme implemented in Unit – IV
2003	Awarded ISO 9001:2000 quality certification for Unit I & II
2004	Installed a captive power generation plant at Unit IV
2005	Two Wind Mills of 1.65 M.W each installed at Udamalpet for captive consumption of power
2005	Established cotton waste recycling unit (Unit VII) at Coimbatore

MAIN AND OTHER OBJECTS OF THE COMPANY

The main objects of the Company as stated in the Memorandum of Association are:

1. To carry on the business of spinning or manufacturing and dealing in cotton or other fibrous substances and the preparation of dyeing or coloring of any of the said substances and artificial silk, rayon, nylon or any similar substance and the sale of yarn or other manufactured products made from the said substances of other similar materials.
2. To carry on all or any of the trades or business of preparing spinning, doubling, weaving, combing, scouring, sizing, bleaching, coloring, dyeing, printing and finishing, working or manufacturing in any way whatever, cotton, wool, silk, flax, hemp, jute, artificial silk, rayon, nylon and other fibers or textile substances, whether animal, vegetable or mineral in any state and whether similar to the foregoing substances or not and to treat and utilize and deal in any waste arising from any such operations, whether carried out by the company or otherwise and also of makers of vitriol and of bleaching dyeing and finishing materials and the buying, selling and dealing in all or any of the aforesaid substances.
3. To enter into contracts in India or elsewhere for purchase or sale of Indian or any foreign variety cotton, cotton seeds, cotton waste, cotton yarn and other yarns.
4. To carry on the business of agents in all its branches and kinds and specially in cotton, cotton yarn, cotton waste and other fabrics, silk, wool terylene, Teri-cotton, linen and all fibrous articles.

The main objects clause of the Memorandum of Association enables the Company to undertake the activities for which the funds are being raised from the issue and also the activities, which the Company has been carrying on till date.

CHANGES IN THE MEMORANDUM AND ARTICLES OF ASSOCIATION

Since its incorporation the following changes have been effected to the Memorandum and Articles of Association:

Date of Shareholder Approval	Details
Oct 26, 1992	Company name changed from Gangotri Textiles Private Limited to Gangotri Textiles Limited
Oct 26, 1992	Authorised capital increased in Rs.10,00,000 to Rs. 1,00,00,000
Oct 26,1992	Substitution of new Articles of Association.
Dec 21, 1992	Authorised capital increased in Rs.1,00,00,000 to Rs. 2,00,00,000
Dec 10, 1993	Authorised capital increased in Rs.2,00,00,000 to Rs.10,00,00,000
Aug 31, 1995	The Company passed a resolution-dated 31.08.1995 under Section 149(2A) to undertake the business of power generation and distribution.
Sep 23, 2000	Articles amended to include dematerialization of shares
September 25, 2004	To delete qualification shares requirement for Directors.
August 25, 2005	Authorised capital increased in Rs.10,00,00,000 to Rs.25,00,00,000
Sep 24, 2005	Spilt of face value of shares of Rs. 10/- each to Two shares of face value of Rs. 5/- each.

The details of the capital raised by the Company are given in the section entitled "Capital Structure" on **page No.14** of this Red Herring Prospectus.

Subsidiaries of the Company

The Company has no subsidiaries.

Strategic Partners

The Company does not have any strategic partners.

FINANCIAL PARTNERS

The Company does not have any financial partners.

MANAGEMENT

As per the Articles of Association, the Company must have a minimum of three (3) and a maximum of twelve (12) Directors. As of April, 2006, the Company has five (5) Directors of which the Company has two full time directors. The full time directors have been allocated the following designations and responsibilities:

- Shri. Manoj Kumar Tibrewal (Managing Director) is responsible for overall management of the affairs of the Company.
- Shri Mohanlal Tibrewal (Executive Director) is responsible for administration of factories and manufacturing activities.

BOARD OF DIRECTORS

The following table sets forth details regarding the Board of Directors:

Name, Age, Designation, Address and Occupation	Date of Appointment	Qualifications	Other Directorships
Shri. Manoj Kumar Tibrewal 46 Years Managing Director 10, Amarjyothi Apartments, 93, West bashyakaralu Road, R.S.Puram, Coimbatore – 641 002. Business	July 26, 1989 and was reappointed on September 28, 2002	B.com, A.C.A	Nil
Shri Mohanlal Tibrewal, 55 Years Executive Director 12, Amarjyothi Apartments, 93, West bashyakaralu Road, R.S.Puram, Coimbatore – 641 002. Business	April 01, 2006	Matriculation	Nil
Shri S. Palanisamy 58 Years Director 3/3,Raghavendra Avenue, V.K.Road, Coimbatore – 641 035 Business	January 31, 2003	D.M.E	Jaganath Textiles Limited.
Shri C.R. Swaminathan 57 Years Director 112 & 113, G.V.Residency, Sowripalayam, Coimbatore – 641 028. Business	January 31, 2002	B.Sc (Agri) M.B.A	Pricol Limited Chandra Textiles Limited Udaya Semi Conductors Ltd Pongalur Pioneer Textiles (P) Ltd Micro Instruments Ltd
Shri Shri T.A. Ganesh (Nominee of IDBI) 48 Years Director B-18, Avinash Apartments, Bharathy Colony Road, Peelamedu, Coimbatore – 641 004. Service	March 9, 2005	B.com BGL JAIIB	Cheter Foodoil Ltd., - Trichy Venture Lighting India Ltd., - Chennai

Brief Profile of the Directors (Promoters):

Shri Manoj Kumar Tibrewal and Mr. Mohanlal Tibrewal being the Promoters of the Company, their profile is mentioned under the head 'Promoters'. Please refer to page No.78 of this Prospectus for further details.

Brief Profile of the other Directors

Shri S. Palanisamy is 58 years of age and is the Non-Executive Independent Director of the Company. He holds a diploma in mechanical engineering. He has also served the Indian Air Force for 20 years. He has a sound knowledge of the textile industry. He has been associated with our Company since inception and was also working as the General Manager of our Company from 1994 to 2002.

Shri C.R. Swaminathan is 57 years of age and is the Non-Executive Independent Director of our Company. He holds a bachelor's degree in Science in the filed of in Agriculture and also has an M.B.A degree. He is working as the chief executive of PSG, a leading and renowned educational institution situated in Coimbatore. He actively involved in the development of education and industry by serving as Director of several companies and in the Governing Council of several Educational Institutions. He is presently a member of the Planning Commission of the Government of Tamil Nadu.

Shri T.A. Ganesh, is 48 years old and is an Independent Nominee Director of IDBI. He holds a bachelors degree in Commerce and is also a Bachelor of General Law (BGL). He also holds a degree from JAIIB. He has wide experience in banking and finance and has been the deputy general manager of IDBI, Coimbatore. He was nominated to the Board by IDBI. He is having more than 25 years experience in the corporate sector.

DETAILS OF BORROWING POWERS

The Board of Directors is authorized raise or borrow from time to time at its discretion either from the Company's bankers or from elsewhere on such terms and conditions as to repayment, interest or otherwise as it thinks fit and at such sums as may be necessary for the purposes of the Company up to a limit of not exceeding Rs.500 crores.

TERMS OF APPOINTMENT & COMPENSATION OF MANAGING DIRECTOR

The shareholders in the Extraordinary General meeting held on September 28, 2002 approved a 5-year term for the Managing Director under the following terms:

Shri Manoj Kumar Tibrewal, as a the Managing Director

A. **Salary**: 5% of the Net Profits of the Company computed under the relevant provisions of the Companies Act, 1956.

B. **Perquisites** : The Managing Director shall not be entitled to any perquisites over and above the salary stated above.

C. Provision of company's car with driver for use on Company's business and telephone facility at residence will not be considered as perquisites. However, personal long distance calls on telephone and use of Company's car for personal purposes shall be billed by the Company to the Managing Director.

TERMS OF APPOINTMENT & COMPENSATION OF EXECUTIVE DIRECTOR

The shareholders in the Extraordinary General meeting held on February 15,2006 approved a 5-year term for the Executive Director on a consolidated salary of Rs. 75000/- per month.

CORPORATE GOVERNANCE

The Company stands committed to the principles of Corporate Governance – transparency, disclosure and independent supervision to increase the value of our stakeholders. The Guidelines issued by SEBI in respect of the Corporate Governance have since inception been applicable upon the Company. Accordingly, the Company has always complied with the SEBI Guidelines on Corporate Governance. The Corporate Governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and the constitution of the Board Committees, majority of them comprising of independent directors.There are three independent directors in the Company

The constitution of the Board of Directors is as follows:

Name	Category of Director
Mr. Manoj Kumar Tibrewal	Non Independent Executive
Mr. C.R. Swaminathan	Independent Non Executive
Mr. Mohanlal Tibrewal	Non Independent Executive
Mr. S. Palanisamy	Independent Non Executive
Mr. T.A. Ganesh	Independent Non Executive

Committees of the Board have been constituted in order to look into the matters in respect of compensation, shareholding, audit, etc, details of which are as follows:

Audit Committee:

The Audit Committee was constituted on January 31, 2002. The Audit Committee consists of three non-executive directors and one Executive Director. The terms of the Audit Committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchange.

The following are the members of Audit Committee.

- Shri T.A.Ganesh – Chairman
- Shri .C.R.Swaminathan – Member
- Shri.S.Palanisamy - Member

The scope of Audit Committee shall include but shall not be restricted to the following:

1. It shall have authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and may also seek external professional advice, if necessary.
2. To investigate any activity within its terms of reference.
3. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
4. Reviewing with management the annual financial statements.
5. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
7. It shall have discussion with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.
8. To seek information from any employee.
9. To obtain outside legal or other professional advice.
10. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Remuneration Committee

The Remuneration Committee was constituted on 31.03.02. The Remuneration Committee consists of non-executive directors, with the Chairman being an independent director. The following are the members.

- Shri C.R.Swaminathan – Chairman
- Shri T.A.Ganesh – Member
- Shri.S.Palanisamy - Member

Shareholders / Investor Grievance

As part of its Corporate Governance initiative, the Company constituted the Shareholders/Investors Grievance Committee on 31.01.02. The following are the members of the reconstituted committee.

- Shri C.R.Swaminathan – Chairman
- Shri T.A.Ganesh – Member
- Shri.S.Palanisamy - Member

The Committee is formed to specifically look into matters relating to shareholders grievance such as approval of transfer /

transmission / demat / remat of shares, issue of duplicate, split–up, consolidation, renewal of share certificate, non-receipt of Annual Report, non- receipt of declared dividends and such other issues.

SHAREHOLDING OF DIRECTORS IN THE COMPANY

The Articles of Association of the Company do not require the Directors to hold any equity shares in the Company as qualification shares. The following table sets out the shareholding of the Directors who hold shares either in their personal capacity or as joint holder, as at the date of this Red Herring Prospectus.

Sr. No.	Name of the Directors	Number of Equity Shares
1	Shri Manoj Kumar Tibrewal	2192596
2	Shri Mohanlal Tibrewal	2000
3	Shri C.R.Swaminathan	Nil
4	Shri T.A.Ganesh	Nil
5	Shri S.Palanisamy	Nil
	TOTAL	**2194596**

INTEREST OF DIRECTORS (OTHER THAN PROMOTER DIRECTORS)

Except as stated in "Related Party Transactions" on page No.104 of this Red Herring Prospectus, and to the extent of shareholding in the Company, the Directors do not have any other interest in the business. Except to the extent of their compensation as mentioned on page 74 of this Red Herring Prospectus, and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also Directors, do not have any other interest in the Company.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations.

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

CHANGES IN THE DIRECTORS

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

Name of Director	Date of Appointment	Date of Resignation	Reason for Change
Shri M.Padavattan	24.10.2003	09.03.2005	Nomination withdrawn by IDBI
Shri Ramesh Kumar Tibrewal	18.10.1991	25.08.2005	Resigned
K.N.Sreedharan	11.11.1994	27.07.2005	Resigned
Shri V.R.Raghavan	15.11.1999	10.10.2003	Nomination withdrawn by IDBI
Shri Mohanlal Tibrewal	01/04/2006	-	Appointed as Executive Director

KEY MANAGEMENT PERSONNEL

At present the Company has a total strength of about 451 employees who are the permanent employees of the Company.

The details of the key managerial personnel of the Company are as follows:

1. **Mr. T.Govindharajan**, is the G.M. (Admn.) cum Company Secretary of the Company. He is a Bachelor of Commerce (B.com) and is qualified Company Secretary. He has vast knowledge in the field of Administration, Legal Compliances and Finance and has worked for various companies such as ELGI Equipments Ltd., ELGI Finance Ltd., The Lakshmi Mills Company Ltd. since the past 25 years. He has joined our Company on September 14, 2005 and draws a salary of Rs. 4.80 Lakhs per annum.

2. **Mr. S. Althaf Khan** is the General Manager (Technical) of our Company. . He is a Diploma holder in Textiles Technology and holds a Bachelor of Business Administration degree. He has vast knowledge in the field of Production & Technology in Textile Mills and has worked for various Mills such as Thanjavur Textiles -Thanjavur, Soundaraja Mills Ltd – Nedungadu, Vijayashree Spinning Mills Ltd., - Dindigul, Sasha Industries Ltd., Dindigul since the past 17 years. He has joined our company on June 6, 2001 and drawn a salary of Rs.3.00 Lakhs per annum.

3. **Mr.V.Sriram** (General Manger (Finance) of our Company. . He is a Post Graduate Diploma holder in Finance management and holds a Master of Commerce degree. He has vast knowledge in the field of Finance, Accounts, Costing, Taxation, and MIS and has worked for various Companies such as SSD Oil Mills Company Limited – Chennai, Fine Impression Private Limited – Chennai, Polyflex India Limited – Sriperumbudhur, Personal Care Private Limited – Chennai etc., since the past 10 years. He has joined our Company on January 25, 2006 and his salary is fixed at Rs.4.20 lakhs per annum.

4. **B. Ravikumar -** (General Manager - Weaving) of our Company. He is a Post Graduate Diploma holder in Finance management and holds a Master of Commerce degree. He has vast knowledge in the field of Finance, Accounts, Costing, Taxation, and MIS and has worked for various Companies such as SSD Oil Mills Company Limited - Chennai, Fine Impression Private Limited - Chennai, Ployflex India Limited - Sriperumbudhur, Personal Care Private Limited - Chennai etc., since the past 10 years. He has joined our company on January 25, 2006 and is drawing a salary of Rs. 4.20 lakhs per annum.

5. **R.Jayaprakash** – (Manager Procurement) of our Company. He holds a Degree in Mechanical Engineering. He has vast knowledge in the field of Procurement and Material Management. He has worked for various Companies such as L.G. Balakrishnan & Bros Ltd., Textool Co. Ltd., Lakshmi Automatic Loom Works Ltd., Coimbatore and Prime Textiles Ltd., Tirupur since the past 20 years. He has joined the Company on July 18, 2005 and is drawing a salary of Rs.1.80 lakhs per annum.

6. **Antony Prakash** - is (Manager, HRD) of our Company. He holds a Masters degree in Arts specializing in Human Resources Management and also holds a post graduate degree in Philosophy (Labour Studies). He has good knowledge in the field of Human Resources Management and has worked for various Companies such as Vindhya Spinning Mills P Ltd and Sabare International Ltd., since the past 6 years. He is expected to join the Company on January 16, 2006 and his salary is fixed at Rs.2.75 lakhs per annum.

7. **Subramanian Olagappan – (**Regional Marketting Manager (South)). He is a Diploma holder in Business Management and holds a Master Degree in Business Administration. He has good knowledge in the field of Marketting and worked for Madura Coats - Madurai for the past 8 years. He has joined the Company on December 12, 2005 and his salary is fixed at Rs.4.00 lakhs per annum.

8. **Surinder Singh Dhaliwal** – (Regional Marketting Manager (North) He holds a Bachelors (Hon.) Degree in Arts (Economics) and holds Diploma Systems Management. He has good knowledge in the field of Marketting and worked for both domestic and multinational companies which include Landmark Group of Companies – Kuwait, New Book International – Dubai and Creative International Private Limited for the past 10 years. He has joined our company on December 14, 2005 and his salary is fixed at Rs.4.20 lakhs per annum.

9. **Sunil C. Keshkar** –(Marketting Manager (Maharastra). He holds a Bachelor of Commerce degree. He has good experiance in the field of Marketting and has worked for Companies like Marwell Ltd, Cliff Apparels, Sumoer Distributors and Indus leasve since the past 10 years. He has joined our company on June 15, 2004 and drawn a salary of Rs.1.80 lakhs per annum. He is in charge of the marketing of the garments of the Company in the state of Maharashtra.

10. **A. Chellappan** - (Chief Engineer - Electrical). He holds Diploma in Electrical Engineering. He has about 30 years of experience in various textile mills such as Sri Meenakshi Mills - Madurai, Kwality Mills, Loyal Textiles Limited and KG Denim Limited in the Electrical Department. He has joined our company on January 23, 2006 and drawn a salary of Rs. 2.40 lakhs per annum.

All the key management personnel are on the payrolls of the Company as permanent employees.

Shareholding of Key Managerial Personnel

The shareholding of the key employees of the Company as on the date of the Red Herring Prospectus is as given below:

Name	Shares
T.Govindharajan	Nil
S.Althaf khan	Nil
V.Sriram	Nil
B.Ravi Kumar	Nil
R.Jayaprakash	Nil
Antony Prakash	Nil
Subramanian Olagappan	Nil
Surinder Singh Dhaliwal	Nil
Sunil C Keshkar	Nil
A.Chellappan	Nil
Total	Nil

Bonus or Profit Sharing Plan for the Key Managerial Personnel

There is no Profit Sharing Plan for the Key Managerial Personnel. The Company makes bonus payments to the employees based on their performances, which is as per their terms of appointment.

CHANGES IN KEY MANAGERIAL PERSONNEL

Following have been the changes in the key managerial personnel during the last three years

S.No	Name	Department	Designation	DOJ	DOL	Unit
1	Gunasekaran.K (WPU)	Production	Factory Manager	15.05.2000	31.07.2004	WPU
2	Thatchinamoorthi Rao.S	Production	Production Manager	07.04.2003	03.01.2004	SDT
3	Selvamm.M.E.V	Admin	Company secretary	11.02.2004	26.08.2004	HO
4	VPJ Sushil	IT	Manager IT	01.10.2004	31.01.2005	HO
5	Sunil cyriac mamachen	Marketing	Area sales Manager	01.04.2003	22.05.2004	GAP
6	Jacob Daniel	Marketing	RSM	21.05.2001	30.11.2004	GAP
7	Jayanthipriya.V *	Admin	GM Marketing & Admin	18.07.1994	31.03.2005	HO
8	Ganga Rathna.K *	Admin	GM Operations	23.01.1995	31.03.2005	BO
9	Meiyappan.S.M *	Production	GM Production & Personnel	28.11.1994	31.03.2005	HO
10	Narendran.K	Production	GM Technical	01.12.1995	31.03.2005	BO
11	Jayanthi.V *	Accounts	GM Finance	01.04.2001	31.03.2005	HO
12	Ramesh.R	Production	Manager Technical	04.07.2001	31.03.2005	SDT
13	Jeyaraguraman.C	Production	Factory Manager	01.06.2000	31.10.2005	GTL III
14	Manikandan	Admin	Factory Manager	06.06.1989	31.03.2005	SRT
15.	Chellappan A.	Electrical	Chief Engineer - Electrical	23.01.2006	-	ALL
16.	Ravikumar B.	Weaving	General Manager – Weaving	16.01.2006	-	WVG

* Transferred to then Associate Company Jagannath Textile Company Limited.

EMPLOYEE STOCK OPTION SCHEME

The Company has not issued an shares to its employees and does not have a scheme of Employee Stock Option Plan (ESOP).

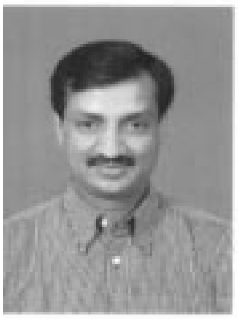
PAYMENT OR BENEFIT TO OFFICERS OF THE COMPANY (NON SALARY RELATED)

There has been no such payment or benefit to the Officers of the Company. There has been no benefit paid or given within the two proceeding years or intended to be paid or given to any officer and no consideration shall be made for payment of giving of the benefit.

PROMOTERS

The Company has been initially promoted by Mr. Manoj Kumar Tibrewal, Mr. Mohanlal Tibrewal and Mr. Ramesh Kumar Tibrewal. However, Mr. Ramesh Kumar Tibrewal has disassociated himself from the Company with effect from December, 2005 and is no longer the Promoter and Director of the Company. Mr. Manoj Kumar Tibrewal and Mr. Mohanlal Tibrewal are now the Promoters of the Company. (For details please refer to para under " Dissassociation" on page no 106 of this Red Herring Prospectus)

A brief profile of the Promoter is given herewith:



Shri Manoj Kumar Tibrewal

He is 46 years of age and is the Managing Director of the Company. He has vast experience in the textile sector. He started trading in cotton waste in the year 1975. In 1982, he expanded business link in South India. He promoted Gangotri Textiles Limited in 1989 along with Mr. Ramesh Kumar Tibrewal and Mr. Mohanlal Tibrewal. He has been the director of Gangotri Textiles since incorporation. He was instrumental for the growth of the Company and played a major role in making the Company go public in the year 1994.. He was appointed as the Managing Director in the year 2002. He played a crucial role in the in the expansion /modernization programs of the Company over the years which fueled the growth of the Company. From a meagre turnover of Rs.4.62 crores (pre issue) in 1994, the Company has progressed impressively to achieve a Turnover of Rs.178.5 crores for the year ending 2005 due to his untiring efforts.

Passport No.: A 0926723

PAN: ABUPT 5456C

Driving License No.: R/TN/038/008220/1998

Voter I.D. No.: TN/20/105/0198234

Mr. Mohanlal Tibrewal

He is 55 years of age and is the Executive Director of our Company. He has vast experience in the textile sector. He started trading in cotton waste in the year 1975. In 1982, he expanded business link in South India. He was one of the promoters of Jagannath Textiles Company Ltd., Coimbatore, which has one of the leading cotton waste recycling plants in India. He has served Jagannath Textile Company Ltd., as a Whole Time Director. Since inception, he has been incharge of factories and instrumental in maintaining the quality of the yarn produced in them. He has been the director of the Company since incorporation.

Passport No.: A0925836

PAN: ABSPT 1468J

Driving License No.: 01773/NL/CBN/96

Voter I.D. No.: TN/20/105/0198235

Details of PAN, Bank Account Number and Passport Number have been submitted to the stock exchanges where the Equity Shares of the Company are listed and to NSE.

COMMON PURSUITS

There are no common pursuits in the business of the Company and its subsidiaries as described in the Prospectus. There are no other group companies.

INTEREST OF THE PROMOTERS

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits arriving from their holding directorship in the company.

The Promoters are not interested in any property acquired by the Company within two years from the date of the Prospectus.

The Promoters are not interested in any loan or advance given by the Company, neither are they beneficiary of any such loans or advances.

Except as disclosed above and Related party transaction on page no. 104, the Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits, if any.

PAYMENT OR BENEFIT TO PROMOTERS OF THE COMPANY

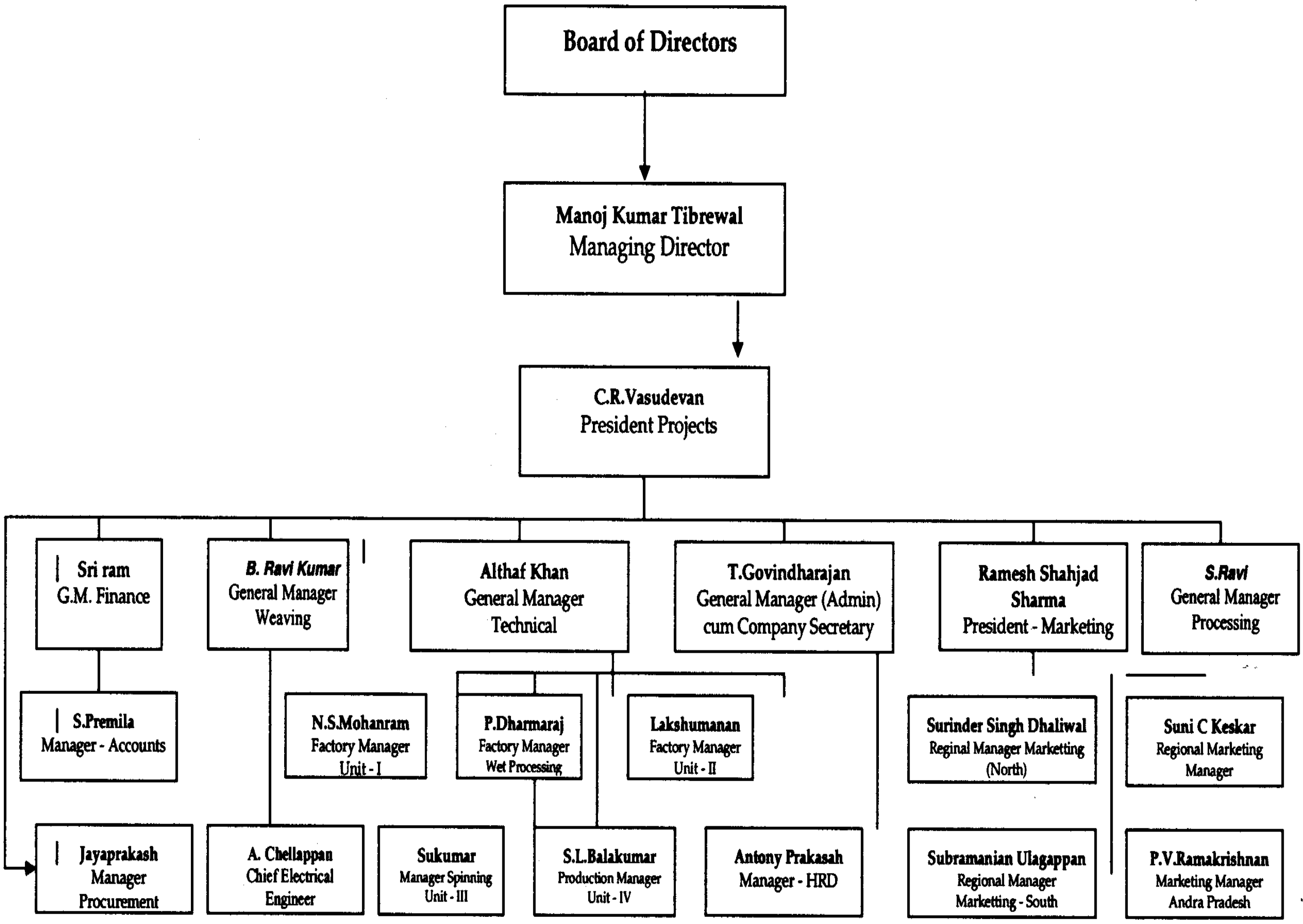
Except as stated otherwise in this Draft Prospectus, no amount or benefit has been paid or given within two years or is intended to be paid or given to any of our promoters or officers except the normal remuneration for services rendered as directors, officers or employees.

RELATED PARTY TRANSACTIONS

The details of related party transactions please refer to Auditors Report on Page No. 104 of this Red Herring Prospectus.

MANAGEMENT ORGANISATION STRUCTURE

ORGANISATION STRUCTURE



Conversion of foreign currency amounts into equivalent rupee amounts has been done as per Accounting Standard 11 i.e. "Effects of changes in foreign exchange rates" issued by the Institute of Chartered Accountants of India.

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

All references to "Rupees" and "Rs." in this Red Herring Prospectus are to the legal currency of India.

DIVIDEND POLICY

The declaration and payment of dividends on our equity shares is recommended by the Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the profits, capital requirements and overall financial condition. The dividend and dividend tax paid by the Company during the last five fiscal years is presented below.

Financial year	Dividend %	Dividend per share	Dividend Amount (Rs.)	Dividend Tax (Rs. in lacs)	No. of shares (Rs. in lacs)	Class of Shares
2000-2001	20%	2	96	9.79	48,00,000	Equity shares of Rs. 10 each
2001-2002	15%	1.5	72	——	48,00,000	Equity shares of Rs. 10 each
2002-2003	25%	2.5	120	15.37	48,00,000	Equity shares of Rs. 10 each
2003-2004	30%	3	144	18.45	48,00,000	Equity shares of Rs. 10 each
2004-2005	30%	3	144	18.82	48,00,000	Equity shares of Rs. 10 each
2005-2006	15% #	0.75	144	18.82	1,92,00,000	Equity shares of Rs. 5 each

Interim Dividend declared

Dividend is paid after obtaining due approvals from the lending financial institutions/banks.

FINANCIAL INFORMATION OF THE COMPANY

AUDITOR CERTIFICATE

Date: 24.03.2006

The Board of Directors
Gangotri Textiles Limited
473/2, PKD Nagar
Coimbatore – 641 004

Ladies and Gentlemen,

We have audited in accordance with the auditing, standards generally accepted in India

("Indian GAAS") the financial statements of Gangotri Textiles Limited,(the "Company"), which have been prepared by the Company in accordance with the accounting standards issued by the Institute of Chartered Accountants of India ('Indian GAAP') for the financial years ended March 31, 2002, 2003, 2004, 2005 and the period ended December 31, 2005.

We have **audited** in accordance with **Indian** GAAS the financial statements of Gangotri Textiles Limited, which have been prepared by the Company in accordance with Indian GAAP for the financial years ended March 31, 2001, 2002, 2003, 2004, 2005 and the period ended December 31, 2005.

The financial statements as stated above, present fairly, in all material respects, the financial position of the Company as at March 31, 2002, 2003, 2004, 2005 and December 31, 2005. The statement of assets and liabilities and profits and losses, as restated have been prepared in accordance with the requirements of Part II of Schedule II of the Companies Act, 1956 (the "Act"), the Securities and Exchange Board of India ("SEBI") - Disclosure and Investor Protection Guidelines, 2000 (as amended vide Circular No.11 on August 14, 2003 ("the guidelines") issued by the Securities and Exchange Board of India ("SEBI") on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992, and related clarification and present fairly, in all material respects, the financial position of the Company as at March31, 2002, 2003, 2004 and 2005; and in accordance with instructions dated 18/04/2006, received from the Company requesting us to carry out work in connection with the offer document being issued by Gangotri Textiles Limited in connection with its Follow on Public Offering of Equity Shares (referred to as "the issue"), comprising the issue of Equity Shares to the extent of Rs. 55 Crores of Rs 5 each; we have reported on the Company's statement of assets and liabilities and profits and losses, as restated including certain other financial information as more fully described in our Report for the financial years ended March 31, 2001, 2002, 2003, 2004, 2005 and December 31,2005, as applicable to the relevant financial statements, all included in the Red herring prospectus dated 02/05/2006— (the "Prospectus").The financial information has been prepared by the Company and has been approved by the Board of Directors of the Company. In our opinion, the financial statements audited by us, comply to form in all material respects with the Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and related rules and regulations.

This letter is being furnished at the request of the Company in reliance upon the representation of [BRLMs] (together the "Book Running Lead Managers") to us that _

a) The Book Running Lead Managers are knowledgeable with respect to the due diligence review process that would be performed if this placement of Securities were being registered pursuant to the United States Securities Act of 1933, as amended (" the Securities Act")

b) In connection with the offering, the review process the Book Running Lead Managers have performed is substantially consistent with the due diligence review process that the Book Running Lead Managers would have performed of this placement of Securities were being registered pursuant to the Securities Act.

In connection with the Prospectus:

1) We are Independent chartered accountants with respect to the Company pursuant to the rules promulgated in Clause 4, Part I, The Second Schedule, and The Code of Conduct of the Institute Chartered Accountants of India and within the meaning of India's Companies Act, 1956, as amended.

2) We have conducted an audit for the years ended March 31, 2001, 2002, 2003, 2004, 2005 and December 31, 2005, the purpose (and therefore the scope) of the audit was to enable us to express an opinion on the financial statements as on March 31, 2001, 2002, 2003, 2004 and 2005.

3) For purposes of this letter we have read the minutes of meetings of the Board of Directors any Committee of the Board and Shareholders of the Company, thereof as set forth in the minute books as of Gangotri Textiles Limited, officials of the Company having advised us that the minutes of all such meetings through that date were set forth therein.

4) We have inquired of certain officials of the Company who have responsibility for financial and accounting matters whether as at 31.12.205, there was any change in share capital, or long term indebtedness of the Company as compared with amounts shown in the Statements of assets and liabilities, are restated and included in the Prospectus. On the basis of these inquiries and our reading of the minutes as described in 3, nothing came to our attention that caused us to believe that there was any such change, increase, or decrease, except in all instances for changes, increases, or decreases that the Prospectus discloses have occurred or may occur.

5) For purposes of this letter, we have also read the items identified by you on the attached copy of the Prospectus and have performed the following procedures, which were applied as indicated with respect to the symbols explained below;

   A) Compared the Rupee amounts, number of shares, percentages, or per share amounts, to the amounts, percentages or numbers included in or derived from the Company's March 31, 2001, 2002, 2003, 2004 and 2005, audited financial statements prepared in accordance with Indian GAAP, for the periods indicated and found them to be in agreement.

   B) Compared the Rupee amounts, number of shares, percentages, or per share amounts, to the amounts, percentages or numbers included in or derived from the Company's Statements of assets and liabilities and Statement of profits and losses, as restated and other financial information included in the financial statements; included in the Prospectus, for the years / periods indicated therein, and found them to be in agreement .

   C) Compared the Rupee amounts, number of shares, percentages or per share amounts with a schedule or report prepared by the Company and found them to be in agreement. We compared the amounts on the schedule or report to corresponding amounts appearing in the Company's accounting records for the respective financial years / periods, and found such amounts to be in agreement. We also proved the mathematical accuracy of the schedule or report. We make no representation as to the appropriateness of such calculations.

   D) Compared the Rupee amounts, number of shares, percentages, or per share amounts with a schedule or report prepared by the Company and found them to be in agreement. We also proved the mathematical accuracy of the schedule or report. However, we make no representation to the appropriateness of such calculations.

   E) Proved the mathematical accuracy of conversion of foreign currency amounts into equivalent Rupee amounts computed on the basis described in the Prospectus. We make no representation to the appropriateness of such calculations.

We make no representation regarding the number of shares or the price at which they may be sold, and we make no representation regarding the reasonableness of "Use of Proceeds" or whether such users will actually take place.

With respect to the above procedures, in those situations where one or both of the compared numbers, Rupee or other reporting currency amounts, number of shares or percentages when rounded or qualified by the word "approximately" were noted to be in agreement when the rounding was within two decimal points except when the rounding resulted in 0.00, where it was rounded within three decimal points (for percentages and Rupee or other reporting currency amounts). We make no representation as to whether this method of rounding is appropriate. In instances where the foreign currency amounts are reflected in thousands or millions, the conversion into equivalent rupees amounts has been done based on absolute foreign currency amounts. Further, rupees equivalent increase / decrease of foreign currency amounts is calculated by comparing the converted equivalent rupees amounts as appearing in the Prospectus. We make no representation to the appropriateness of such calculations. Also, as used herein, the phrase "a schedule or report prepared by the Company" is defined as being prepared by and / or reviewed by an official of the Company who has the responsibility for financial and accounting natures.

6) Our audit of the financial statements for the periods referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein or any other period, did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated

above and, accordingly, we express no opinion thereon.

7) It should be understood that we make no representations as to questions of legal interpretation or as to the sufficiency for your purposes of procedures enumerated in 5 above; also, such procedures would not necessarily reveal any material misstatement of the information identified in 5 above. Further, we have addressed ourselves solely to the foregoing data as set forth in the Prospectus and make no representations regarding the adequacy of disclosures or regarding whether any material facts have been omitted.

8) This letter is solely for the information of the addressees and to assist the Managers in conducting, documenting or where relevant, demonstrating their investigation of the affairs of the Company in connection with the offering or sale of Securities as part of the Prospectus, and it is not be used, circulated, quoted, or otherwise referred to for any purpose, including but not limited to the registration, listing, purchase or sales of securities, except that reference may be made to it in the underwriting agreement or in any list of closing documents pertaining to the offering of the securities covered by the Prospectus.

For THAKKER & SANGHANI
Chartered Accountants

ASWIN C
Partner
Membership No. 22204

For SRIKISHEN & CO
Chartered Accountants

K MURALI MOHAN
Proprietor
Membership No.14328

Place: Coimbatore

Date: 24.03.2006

ANNEXURE – I

STATEMENT OF PROFIT AND LOSS FOR LAST FIVE YEAR AND LATEST PERIOD (RESTATED)

Rs. in Lakhs

Particulars	Year ended /Period ended on					
	31.12.2005	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**	**31.03.2001**
Income						
Sales:						
Of products manufactured by the Company	10985.53	17559.78	17721.92	14325.09	13512.77	12788.65
Of products traded by the Company	144.44	323.57	238.34	187.29	157.06	103.90
Other income	59.77	61.68	202.81	110.23	29.33	13.98
Increase (decrease) in inventory	706.75	542.87	-424.01	-255.98	341.42	76.54
Total Income	**11896.50**	**18487.89**	**17739.05**	**14366.62**	**14040.57**	**12983.06**
Expenditure						
Raw materials & goods consumed	7200.51	12096.01	11068.17	8506.98	9024.48	7862.30
Staff costs	339.36	567.44	706.74	520.20	434.25	360.42
Other Manufacturing expenses	1748.51	2973.93	2896.48	2683.40	2526.83	2354.25
Selling & distribution expenses	659.05	858.23	753.66	633.27	585.12	526.97
Interest	476.76	527.93	576.45	655.98	721.48	742.81
Depreciation	787.27	944.58	849.71	774.64	702.88	557.23
Total Expenditure	**11211.46**	**17968.13**	**16851.20**	**13774.46**	**13995.05**	**12403.98**
Net Profit before tax and extraordinary items	**685.04**	**519.77**	**887.85**	**592.16**	**45.52**	**579.08**
Provision for taxation	57.00	70.00	230.00	47.00	5.00	50.00
Provision for Deferred Tax	0	124.50	1.76	50.42	19.15	-
Net profit after tax & before extraordinary items	**628.04**	**325.27**	**656.09**	**494.74**	**21.37**	**529.08**
Extraordinary items (Net of tax)		-0.65	-0.55	-0.90	5.08	3.17
Net profit after extraordinary items	**628.04**	**324.62**	**655.54**	**493.84**	**26.44**	**532.26**
Earlier year adjustments		0.46	7.34	6.23	13.83	-4.74
Surplus from previous year	61.74	149.48	49.05	9.36	48.55	26.83
Amount available for Appropriation	689.78	474.56	711.94	509.43	88.82	554.34
Appropriations						
Transfer to general reserve	-	250.00	400.00	325.00	7.46	400.00
Proposed dividend	-	144.00	144.00	120.00	72.00	96.00
Tax on proposed dividend	-	18.82	18.45	15.38	-	9.79
Balance carried to Balance sheet	689.78	61.74	149.48	49.05	9.36	48.55
Total	689.78	474.56	711.93	509.43	88.82	554.34

Notes:

The Deferred tax liability /asset for the period ended 31.12.2005 has not been provided for and would be provided when the financial statements for the full year are considered.

ANNEXURE – II

SUMMARY OF ASSETS AND LIABILITY RESTATED

Rs. in Lakhs

	Particulars	Year ended /Period ended on					
		31.12.2005	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**	**31.03.2001**
A.	**Assets**						
	Fixed Assets-gross block	14276.01	12780.98	11265.49	10244.63	9425.24	7984.15
	Less: Depreciation	6055.68	5255.91	4304.06	3462.09	2728.13	2008.54
	Net Block	**8220.33**	**7525.07**	**6961.43**	**6782.54**	**6697.11**	**5975.61**
	Capital Work in Progress	379.42	**14.01**	**13.52**	**12.56**	**43.73**	**508.53**
	Total	**8599.75**	**7539.08**	**6974.95**	**6795.10**	**6740.85**	**6484.14**
	Less: Capital Reserve/ others	291.82	308.23	330.07	355.54	398.00	428.51
	Net Block after adjustment for Capital Reserve	8307.93	7230.85	6644.88	6439.56	6342.85	6055.63
B.	Investments	1,500.66	1500.66	0.76	1.16	1.16	21.16
C.	**Current assets, loans and advances**						
	Inventories	2706.39	3111.11	3401.13	2552.43	2807.31	2862.36
	Receivables	1760.88	2017.88	2377.29	1298.62	1086.88	1534.57
	Cash & bank balances	353.24	471.80	60.84	640.82	106.15	69.05
	Other current assets						
	Loans and advances	2623.63	1132.62	1536.01	907.90	915.36	551.92
	Total	**7444.14**	**6733.40**	**7375.26**	**5399.78**	**4915.70**	**5017.90**
D.	**Gross Total (A+B+C)**	**17252.72**	**15464.92**	**14020.91**	**11840.49**	**11259.70**	**11094.69**
E.	**Liabilities & Provisions Loan funds**						
	Secured loans	10832.77	8272.94	7499.31	6456.06	6962.23	6459.89
	Unsecured loans	1492.93	2660.87	2091.59	1704.20	1271.96	1463.57
	Current liabilities & provisions						
	Sundry liabilities	474.98	473.62	492.90	497.62	407.52	386.65
	Provisions	158.98	232.82	392.45	182.38	77.00	155.79
	Total	12959.66	11640.25	10476.25	8840.25	8718.71	8465.91
	Add :Deferred Tax	963.29	963.29	838.79	837.04	786.61	
	Total	13922.95	12603.54	11315.04	9677.29	9505.32	8465.91
F	**Net worth (D-E)**	3329.77	2861.38	2705.86	2163.21	1754.38	2628.79
	Represented by:						
	Share Capital	960.00	480.00	480.00	480.00	480.00	480.00
	Reserves & surplus	2836.87	2705.25	2564.84	2090.38	1768.13	2597.85
	Less: Capital Reserve	-291.82	-308.23	-330.07	-355.54	-398.00	-428.51
	Less: Miscellaneous expenditure not written off	-175.28	-15.64	-8.91	-51.63	-95.76	-20.56
	Net worth (D-E)	3329.77	2861.38	2705.86	2163.21	1754.38	2628.79

ANNEXURE – III

Statement Of Other Income

Particulars	for the year ended /period ended					
	31st Dec 2005 (9 Months)	31st March 2005	31st March 2004	31st March 2003	31st March 2002	31st March 2001
Scrap Sales	16.63	25.28	18.21	23.74	18.71	13.23
Insurance Receipts	1.42	2.38	5.53	20.6	-	0.73
Interest Receipts	2.18	18.8	91.62	20.69	3.32	-
Dividend Receipts	31.32	0.01	0.01	0.01	0.03	0.02
Miscellaneous Receipts	8.22	15.21	87.44	45.19	7.27	-
Total	**59.77**	**61.68**	**202.81**	**110.23**	**29.33**	**13.98**

Annexure – IV

NOTES ATTACHED TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31st DECEMBER 2005

A. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

i) The financial statements are prepared on the basis of historical cost convention based on the accrual concept and in accordance with applicable Accounting Standards referred under Section 211 (3C) of the Companies Act, 1956. The accounting is on the basis of going concern concept.

ii) Income and expenditure are recongnized and accounted on accrual basis. Revenue for sale transaction is recognized as and when the property in the goods sold is transferred to the buyer for a definite consideration.

iii) CENVAT is accounted for by reducing the purchase cost of the related items.

(b) INVENTORIES

Inventories are valued as under

(As Furnished, valued and certified by the Management)

i)	Raw Materials	-	At identified Cost
ii)	Process Stock	-	At Average Cost
iii)	Finished goods	-	At lower of cost or net realised value
iv)	Waste	-	At net realisable value
v)	Stores and Spares	-	At weighted average cost

(c) FIXED ASSETS

Fixed Assets are stated at cost and includes all expenditure of capital nature including the cost of borrowings and net of Cenvat credit wherever applicable.

(d) DEPRECIATION

Depreciation has been provided on Straight Line Method in accordance with the rates specified under schedule XIV of the Companies Act, 1956. Depreciation on additions during the year is provided on pro-rata basis with reference to the date of installation and period of use. In respect of assets upto Rs 5000/- each, the policy of the Company is to charge 100% depreciation in the year in which such assets are installed or put to use.

(e) INVESTMENTS

Investments are meant to be long term investments and are stated at cost. Diminution in the value of investments, other than temporary in nature, are provided for.

(f) RETIREMENT BENEFITS

Company has taken out a Master policy with LIC of India under the “Cash Accumulation Scheme” to cover the gratuity liabilities of the employees of the Company. The premium paid / payable to the LIC on the said policy is charged to profit and loss account of the year.

(g) FOREIGN CURRENCY TRANSACTIONS

i) Transactions arising in foreign currency for import of raw materials, spares and fixed assets and for exports during the year are converted at exchange rates prevailing on the date of transaction.

ii) Liabilities payable in foreign currencies as on the date of the Balance Sheet are restated at year end exchange rates in such cases where the fluctuations result in losses or at the rates at which foreign currency forward covers have been obtained. All exchange differences arising from conversion are included in the Profit and Loss account except relating to specific borrowings and other liablities attributable to the fixed assets, which are capitalised

(h) INTEREST ON BORROWINGS

Borrowing cost is charged to the Profit and loss account for the year in which it is incurred except for capital assets which is capitalised till the date of the asset is put to commercial use.

(i) TAXES ON INCOME

Deferred tax is recognized, subject to consideration of prudence on all timing differences between taxable income and accounting income that originate in one period and are capable of being reversed in one or more subsequent periods. The accumulated deferred tax liability is adjusted by applying applicable tax rates under relevent tax laws. However deferred tax liability for the period ended 31.12.05 has not been provided for and would be when the financial statements for the full year are considered.

(j) CONTINGENT LIABILITIES

Contingent liabilities are not provided for and are disclosed by way of notes.

B OTHER NOTES ON ACCOUNTS

(1) Secured loans from Banks and Financial Institutions have been guaranteed by the Manging Director and a Director of the Company. No guarantee commission has been paid to any director in this connection. Security details of the said loans are :

i. TERM LOANS

(A) TUF LOAN - Rs. 150 Million

(B) PFS - Rs 199 Million

(C) TUF LOAN - Rs. 95 Million

Above term loans sanctioned by IDBI are secured by extension of first charge on all assets of the Company, present and future, subject to the prior charge created / to be created (i) on specific assets covered by loans from other financial institutions and banks (ii) on specified movables (Current Assets) in favour of the Company's Bankers for working capital borrowings.

(D) TUF Loan - Rs 17.8 Million & NON TUF Rs.4.2 million

The Term Loan availed from State Bank of India is secured by way of exclusive charge over the Company's properties located in SIPCOT Industrial Growth Centre, Perundurai.

(E) TUF Loan - Rs 76.10 Million

The Term Loan availed from Corporation Bank is secured by way of exclusive charge over the assets created out of the said loan.

(F) TUF Loan Rs.190 Million & Non TUF Loan - Rs. 15 Million

The Term Loan sanctioned by State Bank of India is secured by exclusive first charge over the assets financed under the Term Loan and Second charge on the entire current assets of the Company on pari passu basis and extension of charge on the fixed assets at Perundurai.

(G) Corporate Loan - Rs.100 Million

The Corporate Loan sanctioned by IDBI is secured by extension of first charge on Pari Pasu basis except the assets which are exculsive charged to SBI and Corporation Bank. First charge by way of Hypothication in favour of IDBI of all assets of the company's movable (save and except book debts), including movable machinery, machinery spares, tools and accessories, present and future, subject to the prior charge created/to be created in favour of company's bankers on the company's stocks of raw materials, semi finished and finished goods, consumable stores and such other movable as may be agreed to by IDBI for securing the borrowings for working capital requirements in the ordinary course of business.

(H) FSL LOANS - Rs. 150 Million

The Term Loan sanctioned by The South Indian Bank Ltd is secured by exclusive first charge on the fixed assets including EM of the land to be acquired out of the loan proceeds and manchineries to be hypothecated for which the advance is being made and collecteral secured by first pari passu charge on the entire fixed asstes of the company.

(I) TERM LOAN - Rs. 150 Million

The Term Loan sanctioned by State Bank Of Indore is secured by second charge on all the present fixed assets of the company

ii. WORKING CAPITAL LOANS

(J) Fund based limits - Rs. 350 Million: Non fund based Rs 50 Million The working capital facility sanctioned by State Bank of India is secured by hypothecation of entire current assets and movable assets of the Company and a second charge over entire fixed assets of the Company on pari passu basis with other commercial bankers under consortium agreement.

(K) Fund based limit - Rs 50 Million

The working capital facility sanctioned by State Bank of Hyderabad is secured by hypothecation of entire current assets and movable assets of the Company and a second charge on fixed assets of the Company.

(2) Amount outstanding for more than 30 days to small scale industrial undertakings - Nil (Previous year ended 31.03.2005 - Nil)

(3) Contingent liabilities not provided for in the accounts :

a. Estimated amount of Contracts remaining to be executed on capital accounts - Rs 4867.34 lacs (Previous year ended 31.03.2005- Rs 488 lacs).

b. The Company has export obligations for value Rs.5826 lakhs under EPCG Scheme against which exports aggregating Rs.747 lakhs have been made as on 31.12.2005. Balance obligations required to be fulfilled as per various schedules, culminating on 28.01.2013.

c The Counter guarantee given by the Company for the guarantees issued by the Bankers/ financial institution is Rs.NIL (previous year ended 31.03.2005- Rs.NIL)

d The Company has replied against a show cause notice for a demand towards Excise Duty and penalty of Rs 4.86 lakh made by the Deputy Commissioner, Central Excise, Coimbatore Districy. The Company is confident of a favourable order. The Company has preferred an appeal

e. The Company has preferred appeals against the demand of Sales Tax, AST and penalties amounting to Rs.172.86 lacs for years from 1998 -99 to 2003-04 made by the Sales Tax Department for the Stock transfer of Garments and other issues

(4) The amount falling due within one year in respect of secured loans are as follows:

Term Loans - Rs.1121 lakh (Previous year ended 31.03.2005- Rs.906.54 lakh)

IFST Dues - Rs. 187.15 lakh (Previous year ended 31.03.2005- Rs 173.89 lakh)

(5) In the opinion of the Board of Directors, Current Assets, Loans and Advances will fetch the amounts stated, if realised in the normal course of business.

(6) The provision for all liabilities is neither inadequate nor more than what is reasonably necessary.

(7) The borrowing cost capitalised during the year in respect of the qualifying assets is Rs NIL (previous year ended 31.3.2005- Rs.0.41 lakh)

ANNEXURE - V

Statement of Dividends Paid / Proposed

Rs. in Lakhs

Details	As at the year / period ended					
	31st December 2005	31st March 2005	31st March 2004	31st March 2003	31st March 2002	31st March 2001
Face Value per Equity Share (Rs.)	5*	10	10	10	10	10
Paid -Up Equity Share Capital	960**	480	480	480	480	480
Dividend Paid	-	144	144	120	72	96
Tax on Dividend	-	19	18	15	-	10

* Face value of Shares is Rs.5/- per share w.e f 31.10.2005

** after Bonus Issue of 1:1 w.e.f 0 3.11.2005

Annexure – VI

Statement of cash flow, as restated

(Rs. In lakhs)

Particulars	As at the year / period ended					
	31st December 2005	31st March 2005	31st March 2004	31st March 2003	31st March 2002	31st March 2001
Cash Flow from Operating Activities						
Net Profit before tax and before	685.04	519.77	887.85	592.16	45.52	579.08
extraordinary items						
Adjustments for :						
Depreciation	787.27	944.58	849.71	774.64	702.88	557.23
Loss on sale of Assets	-	2.65	9.54	19.36	9.47	12.98
Profit on sale of Assets	-1.13					
Interest	476.76	527.93	576.45	655.98	721.48	742.81
Operating Profit before working	1,947.94	1,994.93	2,323.55	2,042.15	1,479.35	1,892.10
Capital changes						
Adjustment for changes in working capital						
Trade & Other receipts	(1,241.79)	762.80	(1,706.77)	(204.28)	84.25	(996.43)
Inventories	404.72	290.02	(848.69)	254.88	55.05	(789.97)
Trade payable	-72.47	(178.91)	179.68	146.47	(35.42)	123.63
Cash generated from operation	1,038.40	2,868.84	(52.23)	2,239.22	1,583.23	229.33
Direct Taxes paid	49.22	88.82	248.45	62.38	5.00	56.52
Interest paid	476.76	527.93	576.45	655.98	721.48	742.81
Miscellaneous expenses		-	-	-	-	15.67
Cash Flow before extraordinary items	512.42	2,252.09	(877.13)	1,520.86	856.75	(585.67)
Extra Ordinary Items		(0.21)	6.62	5.35	18.90	-
Net Cash from Operation Total (A)	512.42	2,251.88	(870.51)	1,526.21	875.65	(585.67)
Cash Flow From Investment Activities						
Purchase of fixed assets (less revaluation amount)	1866.97	1,537.56	1,099.18	989.24	1,014.82	(2,025.84)
Purchase of Investments		-	-	-	-	(0.06)

Particulars	As at the year / period ended					
	31st December 2005	31st March 2005	31st March 2004	31st March 2003	31st March 2002	31st March 2001
Sale of Fixed Assets	(2.73)	(5.85)	(34.60)	(98.52)	(15.23)	70.97
Sale of Investments	0	1,499.90	(0.06)	-	(20.00)	-
Miscellaneous expenditure	159.63	6.73	(42.72)	(44.13)	75.20	-
Net Cash from Investing Activities (B)	2,023.87	3,038.34	1,021.80	846.59	1,054.79	(1,954.93)
Cash Flow From Financial Activities						
Proceeds /Repayment of borrowings	1392.89	1,343.52	1,434.01	(77.89)	312.41	2,649.51
Proceeds /Repayment of financers/lease liabilities	0	(0.60)	(3.35)	3.95	(1.68)	(4.46)
Total (c)	1,392.89	1,342.92	1,430.66	(73.94)	310.73	2,645.05
Dividend Paid	0	(145.50)	(118.33)	(71.00)	(94.50)	(96.00)
Net Cash From Financial Activities (C- D)	1,392.89	1,197.42	1,312.33	(144.94)	216.23	2,549.05
Net Increase In Cash and Cash Equivalents(A+E-B)	(118.56)	410.96	(579.98)	534.68	37.09	8.45
Cash and Cash Equivalents-Opening balance						
Cash & Bank Balances	471.80	60.84	640.82	106.15	69.05	60.60
Cash and Cash Equivalents-Closing balance						
Cash & Bank Balances	353.24	471.80	60.84	640.82	106.14	69.05

Annexure - VII

Capitalization Statement

Rs. in Lakhs

Particulars	**31.12.2005**	**31.03.05**
Equity Share Capital	960	480
Reserves & Surplus	2837	2705
Less:Miscellaneous Expenditure to the extent not written off	175	16
Less: Capital reserve	292	308
Total Shareholders' Funds	3330	2862
Borrowings-Secured		
Short Term Debts	3602	3359
Add : Due within one year out of Long Term Borrowings	1308	1081
Total (A)	4910	4440
Long Term Debts	7229	4914
Less : Due within one Year	1121	907
Total (B)	6108	4007
Borrowings-Unsecured		
Unsecured Debts	1493	2660
Less: Due within one year	187	174
Total (C)	1306	2486
Long Term Borrowings (B+C)	7414	6493
Total Borrowings (A+B+C)	12324	10933
Long Term Debt/Equity Ratio	2.23	2.27
Total Debt/Equity Ratio	3.70	3.82

Annexure - VIII

Accounting Ratios

Rs. in Lakhs

Particulars	For the year/ period ended					
	31.12.2005	31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
Networth (Rs.) (A)	3329.77	2861.38	2705.86	2163.21	1754.38	2628.79
Adjusted Profit after Tax (Rs.)(B)	628.04	325.08	662.88	500.07	40.27	527.52
No. of Shares outstanding at the end - C	192.00	48.00	48.00	48.00	48.00	48.00
Weighted average number of shares outstanding -D	192.00	48.00	48.00	48.00	48.00	48.00
Earning per Share (EPS) (Rs.)	3.27	6.77	13.81	10.42	0.84	10.99
Return on Net worth (%)	18.86	11.36	24.50	23.12	2.30	20.07
Net Asset Value per Share (Rs.) (A/C)	17.34	59.61	56.37	45.07	36.55	54.77
Cash Earnings per Share (Rs.)	7.37	26.45	31.51	26.56	15.88	22.40

Notes:

1. Face value of Shares is Rs. 5/- per share w.e.f 31.10.05
2. The paid up capital of the company of the company has increased from Rs 480 lakhs to Rs. 960Lakhs due to isssue of Bonus shares in the ratio of 1:1 on 3.11.05

Annexure - IX

Statement of Secured Loans as on 31st December 2005 & 31st March 2005

Rs. in Crores

	Particulars	Amount as on 31.12.05	Amount as on 31.3.05	Rate	Security	Repayment Terms
1	TERM LOANS					
	IDBI- Rs.15 Crores	7.50	9.38	7.5%*	Note 1	Quarterly Installments from March 2003
	IDBI- Rs.9.5 Crores	5.54	6.73	7.5%*	Note 1	Quarterly Installments from September 2003
	IDBI- Rs.19.9 Crores	1.91	4.81	9%	Note 1	Quarterly Installments
	SBI - TUF- 1.78 Crores	0.38	0.72	7.75%*	Note 2	Half Yearly Installments
	Non TUF -Rs. 0.42 Crores					
	SBI- TUF- 19 Crores		11.49	2%*	Note 3	Quarterly Installments
	Non TUF-Rs. 1.50 Crores	19.59				
	Corporation bank					
	TUF Loan- Rs.7.61 Crores	5.07	6.02	4%*	Note 4	Quarterly Installments from March 2004
	IDBI- Corporate Loan Rs.10 Crores	8.50	10	8.79%	Note 5	Quarterly Installments from June 2005
	South Indian Bank FSL Rs.15 Crores	8.81	-	4%	Note 6	Bullet payment at the end of one year or date of availament of syndication of term loan for the expansion of project whichever is earlier.
	State Bank of Indore Term Loan - Rs.15 Crores	15.00	-	8.00%	Note 7	Quarterly Installments from March 2007
2	WORKING CAPITAL LOANS					
	State Bank of India Fund based- 34 Crores	34.00	29.29	6%	Note 8	N.A
	Cash Credit					
	State Bank Of India Fund Based - 1 crore	-0.58	0.9	10.25%	Note 8	N.A
	Non Fund Based - 5 crores				Note 8	N.A
	State Bank Of Hyderabad Fund based- 5 Crores	2.60	3.39	10.25%	Note 9	N.A
	Total	108.32	82.73			

* effective rate after subsidy

Notes:

1. The Term Loans sanctioned by IDBI are secured by first charge on all assets of of the company, present and future, subject to prior charge created / to be created (I) on specific assets covered by loans from financial institutions and banks (ii) on specified movables (Current Assets) in favour of the company's bankers for working capital borrowings.

2. The Term Loan availed from State Bank Of India is sanctioned by way of exclusive charge on the Company's property located in SIPCOT, Industrial Growth Center, Perundurai.
3. The Term Loan sanctioned by SBI is secured by exclusive first charge over the assets financed under the Term Loan and second charge on the entire current assets of the Company on paripassu basis and extension of charge on the fixed assets at Perundarai.
4. The Term Loan availed from Corporation Bank is secured by way of exclusive charge over the assets created out of the said loan.
5. The Corporate Loan sanctioned by IDBI is secured by extension of first charge on pari passu basis except the assets which are exclusively charged to SBI and Corpration bank.First charge by way of Hypothecation in favour of IDBI of all assets of the company's movables both present and future subject to the prior charge created / to be created in favour of Company's bankers on the company's stock of raw materials , semi finished and finished goods , consumable stores and such other movables as may be agreed to by IDBI for securing the borrwings for working capital requirements in the ordinary course of business.
6. The FSL Loan sactioned by South Indian Bank is secured by exclusive first charge on the fixed assets including EM of the land to be acquired out of the loan proceeds and machineries to be hypothecated for which the advance is being made and further secured by first *pari passu* charge on the entire fixed assets of the company.
7. The Term Loan sanctioned by The State Bank Of Indore is secured by second charge on all present fixed assets of the company.
8. The working capital Loan sanctioned by SBI is secured by hypothecation of entire current assets and movable assets of the company and a second charge over entire fixed assets of the company on *pari passu* basis with other commercial bankers under consortium agreement.
9. The working capital Loan sanctioned by State bank of Hyberabad is secured by hypothecation of entire current assets and movable assets of the company and a second charge over entire fixed assets of the company on a *pari passu* basis

Annexure 10

Statement of Unsecured Loans

Rs. in Lakhs

S.No:	Name of the Lender	31.12.2005	31.3.2005	Repayment Schedule of loans existing as on 31.03.05 Date	Amount
1	IndusInd Bank Ltd	0.00	1000.00	21.12.05	250.00
	(Amount borrowed from others)			31.12.05	250.00
				06.01.06	250.00
				15.01.06	250.00
2	Interest Free Sales Tax Loan from Government of	1097.20	1231.13	2005-06	173.89
	Tamil Nadu			2006-07	168.85
	(Amount borrowed from others)			2007-08	136.15
				2008-09	113.17
				2009-10	124.11
				2010-11	141.26
				2011-12	147.04
				2012-13	138.52
				2013-14	88.14
3	**Trade Deposits**	378.74	383.54		
	Repayment within one year				280.68
	Repayment after 1 year within two years				102.86
4	**Fixed Deposits**	16.99	46.21		
	Promoters & Family				
	Repayment within one year				33.68
	Repayment after 1 year within two years				10.53
	Outsiders				
	Repayment after 1 year within two years				2.00
	Grand Total	1492.93	2660.87		2660.87

Annexure 11

Age-wise analysis of Sundry Debtors

Rs in Lakhs

Particulars	As at the year ended/period ended					
	31.12.2005	**31.3.2005**	**31.3.2004**	**31.3.2003**	**31.3.2002**	**31.3.2001**
Debts considered good for which the co. holds no security other than the Debtors personal security						
a) more than six months	**60.54**	1.33	0.00	0.00	0.00	1.70
b) Less than six months	**1700.34**	2016.55	2377.29	1298.62	1086.88	1532.87
Total	**1760.00**	**2017.88**	**2377.29**	**1298.62**	**1086.88**	**1534.57**

Note: No amount is due from the Promoters/ Promoter Group/ Group Companies/ Directors/ Relatives of Directors.

Annexure 12

Loans and Advances

Rs in Lakhs

	Particulars	for the year/ period ended					
		31.12.2005	**31.3.2005**	**31.3.2004**	**31.3.2003**	**31.3.2002**	**31.3.2001**
1.	Advances recoverable in cash or in kind or for value to be received	2140.19	828.43	617.28	320.08	698.63	242.78
2.	Advances to staff and Operatives	79.02	8.98	109.54	11.86	10.20	6.50
3.	Sundry Deposits	195.33	133.61	475.00	312.23	95.21	72.58
4.	Tender Deposits	4.05	3.95	4.68	2.95	2.80	2.80
5.	Prepaid Expenses	51.92	70.21	3.62	44.92	10.06	29.65
6.	Prepaid Taxes	153.13	87.43	325.89	215.86	98.45	197.61
	Total	2623.63	1132.62	1536.01	907.90	915.36	551.92

Note: No amount is due from Promoters/ Promoters' group/ Group Companies/ Directors/ Relatives of Directors except Rs. 52.26 Lakhs as on 31/03/2004 and Rs. 0.63 Lakhs as on 31/03/2002 from the then associate public limited company.

Annexure 13

Tax Shelter Statement

(Rs. In Lakhs)

Particulars	As at the year / period ended				
	31st March 2005	31st March 2004	31st March 2003	31st March 2002	31st March 2001
Tax Rate	35%	35%	35%	35%	35%
Surcharge	2.50%	2.50%	5%	2%	13%
Educational Cess	2%	-	-	-	-
Net Profit after tax & Deferred Tax	325.00	656.64	494.74	21.37	529.08
Tax at Notional rate	118.93	235.57	181.82	7.63	209.2511
Net Profit As Per Profit & Loss Account	519.76	887.85	592.16	45.52	579.08
Tax at Notional rate (A)	190.19	318.52	217.62	15.93	208.258
Adjustments:					
Permanent Differences					
Deductions u/s 80G, 80HHC, 80IA	-5.78	-141.06	-187.48	0	-201.2
Other adjusments	15	-11.13	41.64	47.61	10.21
Total Permanent Differences	9.22	-152.19	-145.84	47.61	-190.99
Timing Differences					
Difference Between Tax Depreciation	-315.14	-96.5	-209.49	-279.55	-259.9
and Book Depreciation					
Brought Forward Losses Adjusted			-186.42	-	-
Total Timing Difference	-315.14	-96.5	-395.91	-279.55	-259.9
Net adjustments	-305.92	-248.69	-541.75	-231.94	-450.89
Tax saving thereon (B)	-111.94	-89.22	-199.09	-81.18	-157.8115
Total taxation(A+ B)	78.25	229.30	18.53	-65.25	50.45
Less adjustment for MAT	-		-	-	-1.93
Total Tax	78.25	229.30	18.53	-65.25	48.52
Taxable Income	213.84	639.15	504.09	(186.42)	128.18
Taxable Income As per MAT	520.23	67.13	597.52	59.31	572.49
Tax as per Income Tax Return	78.25	229.30	47.05	4.53	48.52
			under MAT	under MAT	

Annexure 14

Commitments and Contingent Liabilities

Rs. In Lakhs

Sr.No:	Particulars	9 months ended 31.12.2005	for the year ended 31.3.2005	31.3.2004	31.3.2003	31.3.2002	31.3.2001
A	**COMMITMENTS**						
1	Estimated amount of contracts remaining to be executed on Capital accounts	4867	488	-	159.46	555	550
B	**CONTINGENT LIABILITIES**						
2	Export obligations as per EPCG Scheme	5826	3796	3955	2194	1714.37	-
3	The company has replied against the show cause notice for demand toward excise duty and penalty made by Deputy Commissioner, Central Excise, Coimbatore Dist	4.86	4.86	-	-	-	-
4	Appeal against the demand of Sales Tax & Penalty for the Stock transfer of Garments and other issues	172.86	4.54	-	-	-	-
5	Redeemable points under customers loyalty scheme, Howrah Branch	-	6.44	4.34	2.09	-	-
6	The counter guarantee given by the company for the guarantees issued by the bankers /Financial Institutions	-	-	161	134	-	-
7	Appeal against the demand towards Excise Duty & Penalty made by Deputy Commissioner, Central Excise, Kolhapur	-	-	12.51	-	-	-

Annexure 15

Related Party Disclosures (AS18):

Year	Particulars	Associates	Key Management Personnel	Relatives Of Key Management Personnel	Total
Transactions for the year ended 31st December 2005	1. Finance				
	a) Loans accepted	-	-	2.8	2.8
	b) Interest paid	-	-	0.69	0.69
	2. Managerial Renumeration		24.16	0.45	24.61
	3. Outstanding Balance				
	Debits	-	-	-	-
	Credits	-	-	8.11	8.11
Transactions for the year ended 31st March 2005	1. Services Availed	331.79	-	-	331.79
	2. Finance				
	a) Loans accepted	-	-	0.7	0.7
	b) Interest paid	-	0.25	1.85	2.1
	3. Managerial Renumeration	-	58.18	1.08	59.26
	4. Rental Payments	9.6	-	-	9.6
	5. Outstanding Balance				
	Debits	-	-	-	-
	Credits	134.74	-	11.86	146.6
Transactions for the year ended 31st March 2004	1. Services Availed	288.35	…..	…..	288.35
	2. Finance				
	a) Loans accepted	……	…..	1.95	1.95
	b) Interest paid	…..	1.38	4.16	5.54
	3. Managerial Renumeration	…..	100.6	1.18	101.78
	4. Rental Pyaments	27.75	….	….	27.75
	5. Outstanding Balance				
	Debits	52.26	….	….	52.26
	Credits	….	11.5	40.03	51.53
Transactions for the year ended 31st March 2003	1. Services Availed	189.42	-	-	189.42
	2. Finance				
	a) Loans accepted	-	3.5	5.2	8.7
	b) Interest paid	-	1.08	3.98	5.06
	3. Managerial Renumeration	-	68.72	0.03	68.75
	4. Rental Pyaments	25.35	-	-	25.35
	5. Outstanding Balance				
	Debits	-	-	-	-
	Credits	-	13.74	34.13	47.87
Transactions for the year ended 31st March 2002	1. Services Availed	182.59	-	-	182.59
	2. Finance				
	a) Loans accepted		9.65	17.63	27.28
	b) Interest paid		0.56	3.45	4.01
	3. Managerial Renumeration		12.6	-	12.6
	4. Rental Pyaments	25.35	-	-	25.35
	5. Outstanding Balance				
	Debits	0.63	-	-	0.63
	Credits		10.18	35.43	45.61

Names of related parties and description of relationship upto 31.3.2005	
Associate	Jagannath Textiles Company Ltd.
Key Management Personnel	Shri.Manoj Kumar Tibrewal, Managing Director
	Shri.Ramesh Kumar Tibrewal, Whole -time Director

List of Relatives of key Management Personnel upto 31.3.2005

	Relatives	Relationship
Shri .Manoj Kumar Tibrewal, Managing Director	Smt. Anitha Tibrewal	Wife
	Mr. Mayank Tibrewal	Son
	Min.Umang Tibrewal	Son
	Shri Mohanlal Tibrewal	Brother
Shri .Ramesh Kumar Tibrewal Director	Smt. Saraswatidevi Tibrewal	Mother
	Smt. Usha Tibrewal	Wife
	Min. Abishek Tibrewal	Son
	Min. Anbhav Tibrewal	Son
	Min. Anurag Tibrewal	Son
	Shri. Gowri Shankar Tibrewal	Brother

Names of related parties and description of relationship after 31.3.2005

Key Management Personnel	Shri.Manoj Kumar Tibrewal, Managing Director

List of Relatives of key Management Personnel after 31.3.2005

	Relatives	Relationship
Shri.Manoj Kumar Tibrewal, Managing Director	Smt. Anitha Tibrewal	Wife
	Mr.Mayank Tibrewal	Son
	Min.Umang Tibrewal	Son
	Shri Mohanlal Tibrewal	Brother
Shri. Mohan Lal Tibrewal, Director	Smt. Lakshmi Devi Tibrewal	Wife
	Km. Suman Tibrewal	Daughter
	Km. Neha Tibrewal	Daughter

Annexure 16

NET TANGIBLE ASSETS

Rs. In Lakhs

Particulars	As at the year / period ended					
	31 st December 2005	31st March 2005	31st March 2004	31st March 2003	31st March 2002	31st March 2001
Net Fixed Assets	8220	7525	6961	6782	6697	5976
Capital Work In Progress	379	14	13	13	44	509
Investments	1,501	1501	1	1	1	21
Inventories	2706	3111	3401	2552	2807	2862
Trade Debtors	1761	2018	2377	1299	1087	1534
Cash & Bank Balances	353	472	61	641	106	69
Loans & Advances	2624	1132	1536	908	915	552
	17545	15773	14350	12196	11657	11523
Less: Capital Reserve	292	308	330	356	398	428
Investment Fluctuation Reserve				1	1	1
Net Tangible Assets	**17253**	**15465**	**14020**	**11839**	**11258**	**11094**

Notes:

- All the notes to the accounts, significant accounting policies as well as the auditors' qualifications as set out in their Report dated March 24, 2006 have been incorporated.
- No amount is due from Promoters/ Promoters' group/ Group Companies/ Directors/ Relatives of Directors except Rs. 52.26 Lacs as on 31/03/2004 and Rs. 0.63 Lacs as on 31/03/2002 from the then associate public limited company.
- No amount is due from Promoters/ Promoters' group/ Group Companies/ Directors/ Relatives of Directors.
- The transactions by GTL in the form of Processing Charges with M/s Jagannath Textiles Co. Ltd., are made at normal market rates. Further, the processing which was done by M/s Jagannath Textiles Company Limited is now undertaken by the Company and there has been no adverse effect on the financials of the Company since then. Rent payments made to Jagannath Textiles Company Limited are at normal market rates and are not prejudicial to the interest of the Coampny. Same has been certified by the Statutory Auditors of the Company, M/s Thakker & Sanghani, vide their certificate dated April 20, 2006

DISASSOCIATION WITH JAGANNATH TEXTILES COMPANY LIMITED

Our Company was promoted by Mr. Manoj Kumar Tibrewal alongwith Mr. Ramesh Kumar Tibrewal and Mr. Mohanlal Tibrewal in 1989. However, Mr. Manoj Kumar Tibrewal and Mr. Ramesh Kumar Tibrewal have decided to separate their business interests and towards this end Mr. Ramesh Kumar Tibrewal has already disassociated himself from the Company. Mr. Ramesh Kumar Tibrewal has resigned from the Board of Directors of our Company w.e.f. August 8, 2005. As per the settlement reached between Mr. Manoj Kumar Tibrewal and Mr. Ramesh Kumar Tibrewal on December 29, 2005, Mr. Ramesh Kumar Tibrewal has ceased to be the promoter of our Company and the same is reflected in the shareholding pattern filed by us with the stock exchanges as on December 31, 2005. In view of the said developments, w.e.f December 29, 2005, Jagannath Textiles Company Limited, promoted and managed by Mr. Ramesh Kumar Tibrewal , has ceased to be our group company.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All the figures used in this section, unless stated otherwise, have been derived from the financial statements of Gangotri Textiles Limited)

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in the Prospectus. You should also read the section titled "Risk Factors " beginning on page no. [vii] of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to Gangotri Textiles Limited on a standalone basis. These financial statements have been prepared in accordance with Indian GAAP, The Companies Act, 1956 and the SEBI (DIP) Guidelines (as amended from time to time) and restated as described in Auditor's report of M/s.Thakker & Sanghani and SriKishen & Co. dated March 24, 2006.

The following discussion is based on our restated financial statements for the years ended March 31,2002: March 31,2003; March 31,2004 ; March 31, 2005 which have been prepared in accordance with Indian GAAP , The Companies Act , 1956 and the SEBI (DIP) Guidelines (as amended from time to time) and on information available from other sources.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements, which materially and adversely affect the profitability of our Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

Overview of the Business of the Company:

Gangotri Textiles Limited commenced manufacturing operations in the year 1993. We have evolved to be a significant player in cotton yarn spinning in South India, commanding a premium in the market for our products. We have a strong domestic presence in Tirupur, Karur, Madurai, Ichalkranji, and Kolhapur and we have exported our products to few countries including Nepal.

All our manufacturing facilities are located in South India .As on March 31, 2005, we have following Spinning and garment divisions :

DESCRIPTION OF UNITS	ADDRESS	INSTALLED CAPACITY
Spinning Division – Unit – I	SF No. 496A/497, Kittampalayam, Kaduvettipalayam Post, Coimbatore – 641 659 Tel : 91-421-2362344, 2362343 Fax: 91-421-2362609	2,496 Rotors
Spinning Division – Unit – II Sri Dwarka Textiles Limited.	3/161, Ponnandampalayam, Kaniyur Post, Karumathampatty, Avinashi Taluk, Coimbatore – 641 659 Tel: 91-421-2362324 Fax:91-421-2362209	2,064 Rotors
Spinning Division Unit III	Kumbhoigiri Road, Village Alate, T.K. Hatkanangale, Kolhapur District, Maharastra – 416 109 Telefax:91-230-2483118, 2483477	1,344 Rotors
Spinning Division Unit Iv	Pushpathur Village, Plani Taluk, Dindigul District – 624 618 Tel : 91-4252-252366, 252367,252492 Fax: 91-4252	17,376 Spindles

DESCRIPTION OF UNITS	ADDRESS	INSTALLED CAPACITY
Garments Division Unit V Stitching Unit	473/2, P.K.D. Nagar, Peelamedu, Coimbatore – 641 004 Tel : 91-422-4332100,2571253,2576643 Fax : 91-422	1,000 Pieces/day
Garments Division Unit VI Washing Unit	Plot No.L4,L5 & L6, 5th Cross Road, SIPCOT Industrial Growth Center, Perundurai, Erode District. Tel : Fax :	3,000 Pieces/day

Significant development subsequent to the last financial year

In our opinion there are no such circumstances since the date of the last financial statements as disclosed in this Prospectus, which materially or adversely affect or is likely to affect the trading or profitability of our Company, or the value of its assets or its ability to pay its liabilities within the next 12 months.

Factors that may affect results of the operations

- Prices of cotton
- Competition
- Government rules and regulations relating to textile industry
- Non- receipt of pending government approvals for the proposed projects.

Particulars	Period ended on							
	31.12.2005		31.03.2005		31.03.2004		31.03.2003	
Income								
Sales:								
Of products manufactured by the Company	10985.53	98.70%	17559.78	98.19%	17721.92	98.67%	14325.09	98.71%
Of products traded by the Company	144.44	1.30%	323.57	1.81%	238.34	1.33%	187.29	1.29%
	11129.97	**100.00%**	**17883.35**	**100.00%**	**17960.26**	**100.00%**	**14512.38**	**100.00%**
Other income	59.77	-	61.68	-	202.81	-	110.23	-
Increase (decrease) in inventory	706.75	-	542.87	-	-424.01	-	-255.98	-
Total Income	11896.50		18487.89		17739.05		14366.62	
Expenditure								
Raw materials & goods consumed	7200.51	64.69%	12096.01	67.64%	11068.17	61.63%	8506.98	58.62%
Staff costs	339.36	3.05%	567.44	3.17%	706.74	3.93%	520.20	3.58%
Other Manufacturing expenses	1748.51	15.71%	2973.93	16.63%	2896.48	16.13%	2683.40	18.49%
Selling & distribution expenses	659.05	5.92%	858.23	4.80%	753.66	4.20%	633.27	4.36%

Particulars	Period ended on							
	31.12.2005		31.03.2005		31.03.2004		31.03.2003	
Cost Of Goods Sold	9947.43	89.38%	16495.61	92.24%	15425.05	85.88%	12343.84	85.06%
PBDIT	1949.07	17.51%	1992.28	11.14%	2314.00	12.88%	2022.78	13.94%
Interest	476.76	4.28%	527.93	2.95%	576.45	3.21%	655.98	4.52%
Depreciation	787.27	7.07%	944.58	5.28%	849.71	4.73%	774.64	5.34%
PBT & Extraordinary Items	**685.04**	**6.15%**	**519.77**	**2.91%**	**887.85**	**4.94%**	**592.16**	**4.08%**
Less : Provision for taxation	57	-	70.00	-	230.00	-	47.00	-
Less : Provision for Deferred Tax 50.42 -			0	-	124.50	-	1.76	-
Prior Year Adjustments	-	-	0.46	-	7.34	-	6.23	-
Extraordinary items (Net of tax)		-	-0.65	-	-0.55	-	-0.90	-
PAT	**628.04**	**5.64%**	**325.08**	**1.82%**	**655.54**	**3.69%**	**500.07**	**3.45%**

Comments on financials of 9 months ending as on 31/12/05

Income:

Sales for 9 months ending 31/12/2005 is Rs. 1129.97 Lacs. The percentage composition of Sales of manufactured products and traded products is similar to historical sales data.

Expenses:

The operating expenses for 9 months ending 31/12/2005 is Rs. 9947.43 Lacs constituting 89.38% of the total sales.

PBDIT

The PBDIT during the nine months period ended on 31/12/2005 was Rs. 1949.07 Lacs.

Profit After Tax

The profit after tax for the 9 months period ending 31/12/2005 of the year 2005-06 was Rs. 628.04 Lacs constituting 17.51% of the Gross Sales.

Comparison of year ended 31st March 2005 with year ended 31st March 2004

Income

Sales for year ended March 05 was Rs.17883.35 lacs as compared to Rs.17960.26 lacs to year ended March 04. The drop in sales revenue was on account of a fall in volume of sales. There was a drop in sales volume of 5.66% While their has been a increase in realization cost per Kg. The realization cost increased by 3.97% per kg.

Other Income includes scrap sales, Interest receipts, Dividend Income and miscellaneous receipts.

Expenses

Operating expenses for year ended March 2005 were Rs.16495.61lacs (92.24 % of total sales) as compared to Rs.15255.05 lacs (84.94% of total sales) for the previous year. The increase in expenses is mainly because of increase in marketing and advertising costs to promote sales of garments manufactured by us.

PBDIT

The PBDIT reported for the FY 2005 was Rs. 1992.28 Lacs which was 13.90% lower than the PBDIT reported for the previous year.

Profit After Tax

During the period under review, the profit decreased to Rs.325.08 lacs from Rs. 662.88 lacs. The fall in profit is due fall in sales.

Comparison of year ended 31st March 2004 with year ended 31st March 2003

Income

Sales increased by 23.76% from Rs.17960.26 lacs in year-ended 31.3.2004 to Rs.14512.38 lacs in year ended March 2003. The increase in sales was because of Improved market conditions, better operating efficiency and off take of finished goods in domestic markets.

Other Income includes scrap sales, Interest receipts, Dividend Income and miscellaneous receipts.

Expenses

Operating Expenses for year ended March 04 was Rs. 15255.05 lacs (84.94% of total sales) as compared to Rs. 12343.84 lacs (85.06 % of total sales) for the previous year. The cost was higher mainly on account of an increase in cost of cotton.

PBDIT

ThePBDIT for the FY at Rs. 2314 Lacs was 14.40% higher than Rs. 2002.78 Lacs reported in the previous year.

Profit After Tax

During the period under review, the profit increased to Rs.662.88 Lacs from Rs. 500.07 Lacs.

Comparison of year ended 31st March 2003 with year ended 31st March 2002

Income

Sales increased by 6.16% to Rs.14512.38 lacs in year-ended 31.3.2003 from Rs.13669.83 lacs in year ended March 2002. The increase in sales was because of good market conditions.

Other Income includes scrap sales, Interest receipts and dividend Income.

Expenses

Operating Expenses for year ended March 03 was Rs. 12343.84 lacs (85.06 % of total sales) as compared to 12570.68 lacs (91.96 % of total sales) for the previous year. The cost was lower mainly on account of fall in the prices of cotton. Interest cost was lower by 10% on account of regular repayments

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that has significantly affected the business of the Company.

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

There are no changes in the economic policy that has significantly affected the business of the company.

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

- Availability of Raw Material in future
- Volatility in the raw material prices i.e. cotton

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

Not Applicable

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

Please refer the heading "Income" under chapter "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page no. 107 of this Prospectus.

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

Rs in million

Primary	31.12.05	31.3.05	31.3.04	31.03.03
External Revenue				
Yarn	10,036	16,792	17,159	13,919
Garment	1,094	1,091	801	593
WindMill	716	575	170	-
Less: Inter segment Revenue	-716	-575	-170	-
Net Income Operators	**11,130**	**17,883**	**17,960**	**14,512**
Profit Before Interest & Tax				
Yarn	**837**	**954**	**1323**	**1210**
Garment	136	10	-103	-66
WindMill	129	22	48	-
Total	1,102	986	1268	1144
Other un-allocable Income	60	62	203	110
Total	**1,162**	**1048**	**1471**	**1254**
Less: Interest	477	528	576	656
Total Profit /(Loss) Before Tax	685	520	895	598

Status of any publicly announced new products or business segment

Our Company has not announced any new products

The extent to which business is seasonal

The Business of our Company is not seasonal in nature.

Any significant dependence on a single or few suppliers or customers

We source our raw material from a number of suppliers and are not under threat from excessive dependence on any single supplier. The threat from excessive dependent on a single customer is not significant as the customer base is well diversified.

Competitive conditions

Please refer to " Our Business" section on page no.52 for the details of competition.

LITIGATIONS

LEGAL AND OTHER INFORMATION

Outstanding Litigations And Material Developments

Save as stated herein under, based on records available, there are no outstanding/pending litigations, suits, criminal/civil prosecutions, proceedings initiated for offences (including past cases, economic offences etc) irrespective of whether specified in paragraph (1) of part 1 of Schedule XIII of the Companies Act and litigations for tax liabilities against GTL, its Promoters, Directors and there are no defaults/non payment/overdues of statutory dues, institutional/bank dues and dues towards holders of debentures, bonds and fixed deposits and arrears of Preference Shares etc, other than unclaimed liabilities of GTL.

CONTINGENT LIABILITY AGAINST THE COMPANY

As on December 31, 2005, the contingent liabilities not provided for comprised the following:

a. Estimated amount of Contracts remaining to be executed on capital accounts - Rs 4867.34 lacs (Previous year ended 31.03.2005-Rs. 488 lacs).

b. The Company has export obligations of a value Rs.5826 lakhs under EPCG Scheme against which exports aggregating to Rs.747 lakhs have been made as on 31.12.2005. Balance obligations required to be fulfilled as per various schedules, culminating on 28.01.2013.

c. The Company has replied against a show cause notice for a demand towards Excise Duty and penalty of Rs 4.86 lakh made by the Deputy Commissioner, Central Excise, Coimbatore District.

d. The Company has preferred appeals against the demand of Sales Tax, AST and penalties amounting to Rs. 172.86 Lacs for years from 1998-99 to 2003-04 made by the Sales Tax Department for the Stock transfer of Garments and other issues

LITIGATIONS:

LITIGATIONS AGAINST THE COMPANY

There are no litigations initiated and pending against the Company

LITIGATIONS BY THE COMPANY

Civil Disputes

The Company had filed a suit against one Hindustan Yarn Traders (Judgment Debtor) for recovery of Rs.30.64 Lakhs. The Court decreed an amount of Rs.21.15 Lakhs along with the cost of Rs.2.50 Lakhs in favour of the Company. The decree has now been filed before the Karur District Court for execution (EA No. 584 of 2000 in O.S. No. 240 of 2001). The next date for the hearing is June 14, 2006. However, the Company may have to write off this amount as the chances of recovery of the same from the Judgment Debtor is very bleak.

Direct Taxes

Central Excise

1. A Show Cause Notice has been issued by Deputy Commissioner, Coimbatore IV Division against the Company due to the variation in stock of finished goods at Unit No. 1. Excise duty of Rs. 4,86,036 (inclusive of penalty) has been claimed to be payable by the Company. A detailed reply has been filed by the Company dated June 6, 2005 stating the reasons for the difference in stock.

Indirect Tax Cases

Sales Tax

1. The Company has filed an Appeal against an order dated December 12, 2004 passed by the Commercial Tax Officer, Mettupalayam Road Circle, Coimbatore disallowing purchase of cotton waste under the prescribed Form 17 of Tamil Nadu General Sales Tax Act, 1959, for the Assessment Year 1998-99. The cotton waste was converted into cotton yarn and a part of which was sold by the Company. However, some of the cotton yarn was used for conversion into fabric. This has been

disallowed and a penalty of Rs. 55,353/- has been imposed by the Officer. The Appeal is pending before the Appellate Asst. Commissioner, Coimbatore and shall come for hearing in due course.

2. The Company has filed an Appeal against an order dated September 16, 2004 passed by the by the Commercial Tax Officer, Mettupalayam Road Circle, Coinbatore disallowing the exemption of tax on sale of second hand textile machinery under Tamil Nadu General Sales Tax Act, 1959 for the Assessment Year 2000-2001. The sales tax payable on exemption value Rs. 12,288/- has been disallowed and a penalty of Rs. 12,288/- has been imposed on the Company. The Appeal is pending before the Appellate Asst. Commissioner, Coimbatore and shall come for hearing in due course.

3. The Company has filed an Appeal against an order dated September 16, 2004 passed by the Commercial Tax Officer, Mettupalayam Road Circle, Coinbatore disallowing the exemption of tax on sale of old textile machinery under Tamil Nadu General Sales Tax Act, 1959 and variation of closing stock at Unit IV for the Assessment Year 2001-2002. The sales tax payable on exemption and variation of tax is Rs. 1,36,134/-. A penalty of Rs. 85,917/- has also been imposed on such disallowance. The Appeal is pending before the Appellate Asst. Commissioner, Coimbatore and shall come for hearing in due course.

3. The Company has filed an Appeal against an order dated January 13, 2005 passed by the Commercial Tax Officer, Mettupalayam Road Circle, Coinbatore disallowing branch transfer of readymade garments and treating the same as inter-state sales under Central Sales Tax Act, 1956 for the Assessment Year 2002-2003. The central sales tax payable is Rs. 4,54,238/- (inclusive of penalty). The Appeal is pending before the Appellate Asst. Commissioner, Coimbatore and shall come for hearing in due course.

4. An order dated September 15, 2005 has been passed by Commercial Tax Officer, Mettupalayam Road Circle, Coinbatore against inter unit transfer of cotton yarn and issue of Form 17 for non-eligible items and claiming applicability of sales tax under Tamil Nadu General Sales Tax Act, 1959 of Rs. 17,31,833 (inclusive of penalty of Rs. 10,39,100) for the Assessment Year 2003-2004. The Company shall be soon filing an Appeal against the above order before the Appellate Asst. Commissioner, Coimbatore.

5. An order dated September 15, 2005 has been passed by Commercial Tax Officer, Mettupalayam Road Circle, Coinbatore against disallowance of branch/stock transfer under Central Sales Tax Act, 1956 of an amount of Rs. 1,33,26,798/- (inclusive of penalty of Rs.51,17,660/-) for the Assessment Year 2003-2004. The Company shall soon be filing an Appeal against the above order before the Appellate Asst. Commissioner, Coimbatore.

LITIGATION WHERE PROMOTERS ARE INVOLVED

There are no litigations against the Promoters of the Company.

LITIGATION AGAINST OUR DIRECTORS OTHER THAN PROMOTERS

There are no litigations against any of our Directors

LITIGATION INVOLVING GROUP COMPANIES

There are at present no group companies.

GTPL received a Show Cause Notice dated May 26, 2005 from the Department of Company Affairs (DCA) for default in complying with the provisions of Section 159 (filing of Annual Return), Section 166 (Holding of AGM), Section 210 and Section 220 (Filing of Annual Accounts and Balance Sheets) with the ROC. Gangotri replied to the above notice and informed the ROC that an application had been made to the ROC to strike off the name of GTPL from the register in pursuance of the provisions of Section 560 of the Companies Act.

ROC has by a letter dated January 23, 2006 informed GTPL about its intention to strikeout or de-register GTPL's name from the register of companies under sub-section 3 of section 560 of the Companies Act on the expiry of 3 (three) months from the date of the letter resulting in its dissolution without any further act or deed.

MATERIAL DEVELOPMENTS

Except as stated elsewhere in this Red Herring Prospectus, including the section titled "Management's Discussion and Analysis of Financial Statements and Results of Operations" on page 110 of this Red Herring Prospectus and our financial statements included herein, no material developments have taken place after March 31, 2005, the date of the latest balance sheet, that would materially adversely affect the performance or prospects of our Company and its subsidiaries taken as a whole.

GOVERNMENT AND OTHER APPROVALS

We have received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for our business and no further approvals are required by us for carrying on the present business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

Statutory Approvals obtained by the Units of our Company:

1. Factory Licence issued by the Deputy Chief Inspector of Factories where the unit is situated:
   - Unit-I: Registration No. CB6910, renewed annually and presently valid from September 2003 to December 31, 2005.
   - Unit-II: Registration No. CB7356, issued on 23.12.05 presently valid upto December 31, 2006 .
   - Unit-III: Registration No. 72245, renewed annually and valid upto October 31, 2006.
   - Unit-IV: Registration No.DL/574, issued on April 4, 2001 and valid upto December 31, 2006.
   - Unit-V: Registration No.ER/1895/02, dated November 26, 2002 and valid upto December 31, 2006.
   - Unit-VI: Registration No. CB10076, issued on 26.11.05 and valid upto December 31, 2006.
2. Employees State Insurance Corporation (ESIC) Registrations*:
   - Unit-IV: Employer's Code No. 57-47072-19.
   - Unit-V: Employer's Code No. 56-44527-16.
   - Unit-VI: Employer's Code No. 56-10095-216.

   *ESIC Registration is not required for the other Units of the Company
3. Provident Fund Registrations:
   - Unit-I V and VI: Establishment Code No.TN/CBE/33538
   - Unit-II: Establishment Code No. TN/CBE/335348A
   - Unit-III: Establishment Code No. MH/KP100255s
   - Unit-IV: Establishment Code No. TN/MDU/29242
   - Unit-V: Registration No.TN/CBE/33538
4. Central Excise Registrations issued by the Superintendent of Central Excise, Tamil Nadu and Commissioner of Central Excise, Pune, Maharashtra, respectively:
   - Unit-I: Registration No. AAACG8018MXM002, dated February 18, 2001
   - Unit-II: Registration No.AAACG8018M/X/M/003, issued on December 31, 2001
   - Unit-III: Registration No.AAACG8018MXD001, issued on June 26, 2003 *(Maharashtra)*
   - Unit-IV: Registration No. AAACG8018M/XM/004, issued on October 4, 2002
   - Unit-V :Registration ECC No.2504061441 issued on 06.09.2001

   *Central Excise Registrations are not applicable for Units V and VII of the Company
5. Sales Tax Registrations under Tamil Nadu General Sales Tax, 1959:
   - Unit-I, II, IV, V, VI and VII: Registration No. TNGST 2000773 originally issued on October 28, 1992 by Commercial Tax Officer, Mettupalayam Road, Circle, Coimbatore

- Unit-III: Registration No.416109-S-113 issued on October 28, 1997, issued by the Sales Tax Officer in the Sales Tax Department, Maharashtra

6. Central Sales Tax Registration.
   - Unit-I, II, IV, V and VI: Registration No. 640009 originally issued on October 28, 1992 by the Commercial Tax Officer, Mettupalayam Road, Circle, Coimbatore.
   - Unit-III: Registration No. 416109-C-95 issued on October 28,1997 by the Sales Tax Officer, Kolhapur, Maharashtra.
7. Electricity Board Sanctions.
   - Unit-I: HTSC No.122 issued on June 8, 1993 issued by the Superintending Engineer, South -Coimbatore, Tamil Nadu
   - Unit-II: HTSC No.146, issued on August 16, 1995 issued by the Superintending Engineer, South - Coimbatore, Tamil Nadu
   - Unit-III: HTSC No.4934 issued on July 15, 1998 issued by the Superintending Engineer, Kolhapur, Maharashtra
   - Unit-V: LTSC No. 438 issued on November 16, 2004 issued by the Executive Engineer, Erode, Tamil Nadu
   - Unit-VII: HTSC No. 1742 issued on September 26, 2005 issued by Superintending Engineer, South - Coimbatore, Tamil Nadu
8. Environmental Clearance for pollution of Air and Water issued by the Tamil Nadu Pollution Control Board:
   - Unit-I: Consent Order No. 12697 issued on August 28, 2003 issued by the District Environmental Engineer, Tiruppur, Tamil Nadu under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and Consent Order No. 9346 issued under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and valid upto March 31, 2005.
   - Unit-II: Consent Order No. 12361 issued on July 4, 2002 issued by the District Environmental Engineer, Tiruppur, Tamil Nadu under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and Consent Order No. 9056 issued under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and valid upto March 31, 2004.
   - Unit-III: Consent Order No.BO/RO/KOLH/69/RCC-477 issued on July 14, 2003 under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 valid upto January 31, 2005 issued by the Maharashtra Pollution Control Board.
   - Unit-IV: Consent Order No. 136 issued on November 3, 2003 issued by the District Environmental Engineer, Tiruppur, Tamil Nadu under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 valid upto March 31, 2005.
   - Unit-V: Consent Order No. 227/O/S/W/2004 issued on June 30, 2004 issued by the District Environmental Engineer, Erode, Tamil Nadu under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and Consent Order No. 1950/M/A/2004 issued under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 valid upto March 31, 2005.
   - Unit VI being the stitching unit does not require environmental clearances from the pollution control authorities.
9. HSD Storage Licence
   - Unit-I: License No. P/SC/Ma/8772 originally issued on November 17, 1997 by the Joint Chief Controller of Explosives, South Circle, Chennai. The said license has been renewed vide license No.P/SC/TN/15/65(P37427) DT 06.03.2006 valid upto December 31, 2008..
   - Unit-II: License No. /HQ/TN/15/2203(P172388) issued on 06.03.2006 by the Joint Chief Controller of Explosives, South Circle, Chennai valid upto December 31, 2008.
   - Unit-III: License No. P/H8/MH/15/18/91(P7151) issued on December 9, 2004 by the Chief Controller of Explosives, West Circle, Mumbai valid upto December 31, 2007.
   - Unit-IV: License No. P-12(12) 3184/Ma8445 issued on April 19, 1996 by the Joint Chief Controller of Explosives, South Circle, Chennai valid upto December 31, 2005.
   - Unit-V: License is not required as the Company is not storing HSD.

- Unit-VI: License is not required as the Company is not storing HSD.
- Unit-VII: License is not required as the Company is not storing HSD.

10. Import Export Certificate (IEC) – IEC Code No. 3292008654 to the Company has been issued by the Ministry of Commerce, Government of India by the Office of the Joint Director General of Foreign Trade, Coimbatore for import of capital goods and machinery dated November 16, 1992 applicable to Units I,II,III,IV and V.
11. Wind Mill Approvals:
    - The Company has obtained a certificate dated October 5, 2004 from the Executive Engineer, Udamalpet, Tamil Nadu for installing and generating energy from Wind Mill of capacity 1650 KW bearing HTSC No. 582.
    - The Company has obtained a certificate dated May 5, 2005 from the Executive Engineer, Udamalpet, Tamil Nadu for installing and generating energy from another Wind Mill of capacity 1650 KW bearing HTSC No. 756.
12. The Company has registered its trademark "Tibre" with the Trade Marks Registry in the year and has been issued a certificate to that effect bearing no. 875358 year 1993
13. The Permanent Account Number (PAN) of the Company is PAN AAACG 8018 M.
14. The ISIN number issued by NSDL and CDSL to the Company is INE 670B01028.

APPROVALS APPLIED FOR AND NOT RECEIVED

1. The Company has made an application dated October 17, 2005 to the Deputy Chief Inspector of Factories, Coimbatore for renewal of the factory license of Unit-I (Registration No. CB6910) expired on December 31, 2005 for further renewal. The renewal of the license is awaited and when renewed shall be valid for a further period of one year i.e. upto December 31, 2006.
2. The Company has applied to the District Environmental Engineer, Tiruppur, Tamil Nadu by an application enclosing a demand draft dated July 28, 2005 of Rs. 50,000 for renewal of the Consent Order No. 12697 issued on August 28, 2003 under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and Consent Order No. 9346 issued under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for Unit-I.
3. The Company has applied to the District Environmental Engineer, Tiruppur, Tamil Nadu by an application enclosing a demand draft dated July 28, 2005 of Rs. 50,000 for renewal of the Consent Order No. 12361 issued on July 4, 2002 under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and Consent Order No. 9056 issued under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for Unit-II for the period 2005 to 2007.
4. The Company has applied to the Maharastra Pollution Control Board, Kolhapur, Maharastra by an application enclosing a demand draft dated July 22, 2005 of Rs. 50,000 for renewal of the Consent Order No.BO/RO/KOLH/69/RCC-477 issued on July 14, 2003 under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for Unit-III for the period 2005 to 2007
5. The Company has applied to the District Environmental Engineer, Dindigul, Tamil Nadu by an application enclosing a demand draft dated July 28, 2005 of Rs. 25,000 for renewal of the Consent Order No.136 issued on November 3, 2003 under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for Unit-IV for the period 2005 to 2007
6. The Company has applied to the District Environmental Engineer, Erode, Tamil Nadu by an application enclosing a demand draft dated February 21, 2005 of Rs. 20,000 for renewal of the Consent Order No. 227/O/S/W/2004 issued on June 30, 2004 issued by the District Environmental Engineer, Erode, Tamil Nadu under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and Consent Order No. 1950/M/A/2004 issued under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 valid for Unit No.5.
7. The Company is yet to apply for environmental clearances for its Unit-VII and an application shall be soon made to the concerned authority.

APPROVALS NOT APPLIED FOR

1. The Company has not yet applied for registration of its Unit VII under Employee State Insurance Act.

STATUTORY APPROVALS REQUIRED FOR OUR NEW PROJECTS

The Company has already obtained the acknowledgment bearing number 5147/SIA/IMO/2005 dated November 3, 2005 from the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India, New Delhi in relation to the proposed new project at Perundurai.

The Company has already obtained the acknowledgment bearing number 5450/SIA/IMO/2005 dated November 24, 2005 from the Secretariat for Industrial Assistance, Ministry of Commerce and Industry, Government of India, New Delhi in relation to the proposed new project at Puspatur Village, Udumalpet Taluka, Coimbature Dist. Tamil Nadu.

The Company shall be applying to the District Environmental Engineer, Pollution Control Board, Erode and Dindugal for environmental clearance under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, and Consent Order No. 9056 issued under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 for its new projects.

The Company shall be applying to the Executive Engineer, Erode and Udumalpet for a high tension service connection (HTSC).

The Company shall apply for a License from Dy. Chief Inspector of Factories, Erode and Udumalpet for its new project.

The Company shall apply for registration with the respective Provident Fund and E.S.I authorities for the new projects.

The Company shall apply for branch endorsement in the original certificate with the Commercial Tax Officer, Coimbatore for Sales Tax registration of the new projects.

The Company stamped and registered the Lease Deed dated December 22, 2005 executed with SIPCOT for the land allotted to it with the Sub-Registrar of Assurances, Perundurai, Tamil Nadu for the new project.

The Company shall apply to the local Panchayat Office Perundurai and Pushpatur, Tamil Nadu for approval of the building plan of the new projects.

The Company shall apply to the Chief Controller of Explosives, Chennai for HSD Storage License for the new projects.

OTHER REGULATORY OR STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized pursuant to a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the Extra Ordinary General Meeting of the Company held on 24.09. 2005.

Eligibility

Gangotri Textiles Limited is a listed company and hence it is eligible to make the present public issue of Equity Shares in terms of clause 2.3.1 of the SEBI (DIP) Guidelines, 2000 in view of the following :

- The Issue Size is not more than five times the pre-issue networth of the Company being Rs. 3329.77 Lacs as on December 31, 2005.
- The has been no change in the name of the Company during the past one year.

PROHIBITION BY SEBI

The Company, its promoters/directors of the Company and companies with which the directors of GTL are associated as directors/promoters have not been prohibited by SEBI from accessing the Capital Market under Section 11B of The SEBI Act, 1992. Further no action, punitive or otherwise, has been taken against the promoters/directors of the Company by SEBI or any other regulatory authority under any Regulation or Act.Further theer have been no violations of securities law committed by the aforementioned persons or the Company in the past or pending against them.

DISCLAIMER CLAUSE

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE 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, SBI CAPITAL MARKETS LIMITED HAS FURNISHED TO THE SEBI, A DUE DILIGENCE CERTIFICATE DATED 25TH JANUARY, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

I. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC., AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE OFFER DOCUMENT PERTAINING TO THE SAID ISSUE.**

II. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

a) **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO THE SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

b) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS,**

ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

c) THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE.

d) WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.

e) WHEN UNDERWRITTEN,WE WILL SATISFY OURSELVES ABOUT THE NETWORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.

THE FILING OF OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT."

GENERAL DISCLAIMER

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

The Lead Manager accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Manager and the Company.

All information shall be made available by the Company and the Lead Manager to the investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever in any manner whatsoever including at road shows, presentations, in research or sales reports, at bidding centres etc..

JURISDICTION

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

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the 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 Red Herring Prospectus nor any sale hereunder shall, under any circumstances create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

A copy of the Draft Red Herring Prospectus, had been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021 and SEBI vide its letter no. CFD/DIL/Issues/PB/PR/65017/2006 dated April 18, 2006 has given its comments.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

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

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)

As required, a copy of the Draft Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter no. NSE/LIST/21150-9 dated March 24 , 2006, permission to the Issuer to use the Exchange's name in the Red Herring Prospectus as one of the Stock Exchanges on which the Issuer's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation. The Exchange has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this 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 Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the 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 the Issuer, its promoter, its management or any scheme or project of this 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.

DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED ("BSE")

As required, a copy of the Draft Red Herring Prospectus has been submitted to the BSE. BSE has given vide its letter no. DCS/smd/sm/2006 dated March 16, 2006, 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 scrutinised 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:

a) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or

b) warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or

c) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this 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 THE MADRAS STOCK EXCHANGE LIMITED (MSE)

As required, a copy of the Draft Red Herring Prospectus has been submitted to Madras Stock Exchange Limited (hereinafter referred to as MSE). MSE has given vide its letter no. MSE/SEC/730/130/05 dated February 14 , 2006, permission to the Issuer to use the Exchange's name in the Red Herring Prospectus as one of the Stock Exchanges on which the Issuer's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation. The Exchange has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by MSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by MSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the 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 the Issuer, its promoter, its management or any scheme or project of this 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.

DISCLAIMER CLAUSE OF THE COIMBATORE STOCK EXCHANGE LIMITED (CoSE)

As required, a copy of the Draft Red Herring Prospectus has been submitted to Coimbatore Stock Exchange Limited (hereinafter referred to as CoSE). CoSE has given vide its letter no. CSX:2006-2007/13 dated April 19 , 2006, permission to the Issuer to use the Exchange's name in the Red Herring Prospectus as one of the Stock Exchanges on which the Issuer's securities are proposed to be listed subject to, the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation. The Exchange has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by CoSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by CoSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the 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 the Issuer, its promoter, its management or any scheme or project of this 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.

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The company accepts full responsibility for the accuracy for the information given in the Red Herring Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Red Herring Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The company further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of the Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

In addition to the BRLMs the Company is also obliged to update the Offer Document and keep the public informed of any material changes till thelisting and trading commences.

FILING

A copy of the Red Herring Prospectus, has been filed with the Corporate Finance Department of SEBI, at B Wing, First Floor, Mittal Court, Nariman Point, Mumbai - 400 021.

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, "Stock Exchange Building", Trichy Road, Coimbatore - 641004 and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

LISTING

The company's equity shares are listed on the Bombay Stock Exchange Limited, The National Stock Exchange of India Limited as well as the exchanges in Coimbatore, Kolkata and Chennai.

Listing applications will be made to BSE and NSE for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company. BSE will be the Designated Stock Exchange for the Issue.

If the permission to deal in and for an official quotation of the Equity Shares are not granted by BSE and NSE, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the Company and every director of the Company who is an officer in default shall, on and from expiry of 8 days, will be jointly and severally liable to repay the money, with interest as prescribed under Section 73 of the Companies Act, 1956.

The Company with the assistance of the Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue.

CONSENTS

The written consents of Directors, Company Secretary, Auditors, Legal Advisors, Lead Manager to the Issue, Registrars to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, No Objection Certificate (NOC) for the issue from the Bankers to the Company have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Tamil Nadu as required under Section 60 of the Act and such consents/NOC have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

EXPERT OPINION

The Company has not obtained any expert opinion apart from whatever is already mentioned in the Red Herring Prospectus.

EXPENSES OF THE ISSUE

The Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar and depository fees. The estimated Issue expenses are as follows:

Activity	**Expense (Rs. In Lacs)**
Lead Manager, underwriting and selling commissions	[•]
Advertising and marketing expenses	[•]
Printing and Stationary expenses	[•]
Others (Registrar fees, legal fees etc.)	[•]
Total estimated Issue expenses	[•]

The estimated Issue Expenses as per the Financial Appraisal Report of SBI Capital Markets Limited is Rs. 330 Lacs.The same is proposed to met out of the Issue proceeds.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and the selling commission for the Issue is as set out in the Syndicate Agreement amongst the company, the BRLMs and the Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue price and the amount underwritten in the manner mentioned on page 13 of the Red Herring Prospectus.

PREVIOUS PUBLIC OR RIGHTS ISSUES

The Company made its maiden public offer of 21,00,000 Equity shares of Rs.10 each for cash aggregating Rs.210 lakhs in the year 1994.Other than this the Company has not made a public/rights issue of equity shares.

PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH

The Company has not issued any equity shares for consideration other than cash.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

Commission:

Underwriting Commission is payable at a rate not exceeding 2.5% to the underwriters on the nominal value of the equity shares offered to the public subscription for cash at par and underwritten in the manner mentioned earlier in this prospectus.

Brokerage:

Brokerage will be paid by the company at the rate of 1.5% on the nominal value of the equity shares offered to the public on the basis of allotments made against applications bearing the stamp of a member of any recognized Stock Exchange in India in the brokers column n the application form. Brokerage at the same rate will be payable to the Bankers to the issue in respect of allotments made against applications procured by them provided the related forms of application contains the respective stamp in the Bankers Column.

PARTICULARS IN REGARD TO THE COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956.

PROMISES VS PERFORMANCE

The Company made its maiden public offer of 21,00,000 Equity shares of Rs.10 each for cash aggregating Rs.210 lakhs in the year 1994. Details of the performance of the Company vis-à-vis the projections made in the Prospectus issued in respect if the said issue are provided below:

Particulars	Year Ending					
	31.03.95		31.03.96		31.03.97	
	Promise	Actual	Promise	Actual	Promise	Actual
Turnover 1061	1766	1488	3730	1642	4575	
Profit Before Tax	125	383	312	376	407	455
Profit After Tax	116	311	203	297	262	334
EPS (Face Value Rs.10/-)	2.42	6.48	4.23	6.19	5.46	6.96
Dividend8.50%	20%	10%	20%	12%	20%	

OUTSTANDING BONDS/ DEBENTURES

There are no outstanding debentures or bonds or redeemable preference shares or any other instruments issued by the issuer company outstanding as on the date of Red Herring Prospectus.

STOCK MARKET DATA

(a) The high and low closing prices in BSE for the preceding three years:-

Year Ending 31-Mar	High Rs.	Date of High	Volume on Date of High (No.of Shares)	Low Rs.	Date of Low	Volume on Date of Low (No.of Shares)	Average Price for the year (Rs.)
2003	22.90	08-Jul-02	5,200	8.50	03-Apr-02	550	18.25 / 16.63
2004	60.31	11-Dec-03	14,388	21.00	01-Apr-03	210	42.03 / 39.23
2005	117.17	25-Nov-04	25,168	42.30	18-May-04	150	83.68 / 73.23

Note : Denotes Rs.10/- Face Value (Ex-Split, Ex-Bonus w.e .f 24.10.05)

(b) **The high and low prices and volume of equity shares traded on the respective dates during last six months in BSE**

Month, Year	High Rs.	Date of High	Volume on Date of High (No.of Shares)	Low Rs.	Date of Low	Volume on Date of Low (No.of Shares)
April - 2006	60.70	27-April-06	368587	42.40	03-April-06	36326
March - 2006	46.75	02-Mar-06	9521	40.55	28-Mar-06	30723
February – 2006	52.25	06-Feb-06	31293	41.7	22-Feb-06	23882
January – 2006	51.50	12-Jan-06	846242	45.25	18-Jan-06	24602
December - 05	52.95	12-Dec-05	27029	46.65	30-Dec-05	30278
November-05	54.50	28-Nov-05	26,106	42.70	02-Nov-05	1,470

Note : *Denotes Rs.10/- Face Value (Ex-Split, Ex-Bonus w.e .f 24.10.05)

(c) **Volume of Securities trade in each month during last six months period.**

Month, Year	Volume Traded (No.of Shares)
April 06	3073771
March 06	577286
February 06	689216
January 06	3434156
December 05	319277
November-05	330892

(d) **The closing market price was Rs.216.40 on August 26,2005 the trading day immediately following the day on which the board meeting was held for approval of further issue of shares.**

INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar to the Issue will provide for retention of records with the Registrar to the Issue for a period of six months from the last date of dispatch of Letters of Allotment/Share Certificates/Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Intime Spectrum Registry Limited, giving full details such as name, address of the applicant, number of Shares applied for, amount paid on application and the bank branch/ collection center where the application was submitted.

Disposal of Investor Grievances

The average time required by the Company/Registrar for the redressal of routine investor grievances is seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company/Registrar and Transfer Agent, SKDC Consultants Limited, strive to redress the complaints as expeditiously as possible.

Investors can contact the Compliance Officer for any investor grievances at the address mentioned below:

Mr. T. Govindharajan
Company Secretary
473/2, P.K.D. Nagar, Peelamedu,
Coimbatore 641 004.
Tel.: 91 422 4332100, Fax: 91 422 2576742,
e-mail: shares@gangotritextiles.com

There are no listed Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956.

CHANGES IN THE AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

There have been no changes in the auditors of the Company during the past three years

CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS

The Company has allotted 96,00,000 Equity Shares of Rs. 5/- each as bonus in the ratio of one share for every one share held in the Company by capitalisation of Rs.480 lacs from the free Reserves.

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

The Company has not revalued its assets during the last five years

OFFERING INFORMATION

Terms Of the Issue

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

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles and shall rank pari passu in all respects with the other existing Equity Shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of Allotment.

Mode of payment of dividend

The declaration and payment of dividends will be recommended by 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

The Equity Shares with a face value of Rs. 5/- each are being offered in terms of the Red Herring Prospectus at a price band of Rs. [●] to Rs. [●] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "Description of Equity Shares and Terms of Articles of Association" on Page 155 in the Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialised form for all investors.

Since trading of our Equity Shares will be dematerialised 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 one (1) Equity Share subject to a minimum allotment of forty Equity Shares to the successful bidders. For details of allocation and allotment, see "Other Regulatory and Statutory Disclosure – Basis of Allotment and Allocation".

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transmitted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, which is reproduced below: "Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein,

or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount, including devolvement of underwriters, if any, within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, the Company and every director of the Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

If the number of allottees in the proposed Issue is less than 1,000 allottees, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 15 days after our Company becomes liable to pay the amount, our Company shall pay interest at the rate of 15% per annum for the delayed period.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue after the bidding. In case the Company decides so, it shall issue a public notice within two days of the closure of bidding, indicating the reasons for withdrawal of offer in the newspapers in which the bid advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the shares are proposed to be listed.

Arrangements For Disposal Of Odd Lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one (1) share. Therefore there is no possibility of odd lots.

Letters Of Allotment Or Refund Orders

The Company shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares.

In case of applicants residing in any of the places where the collection centres are located, refunds will be made by crediting of refunds to the bank accoun ts of the applicants through electronic transfer of funds by using the Electronic Clearing Servcie (ECS) as is permitted by the reserve Bank of India.In case of other applicants refund orders will be despatched by registered post where the value is Rs. 1,500/- or more, or under certificate of posting at the sole or first bidder's sole risk within 15 days of the Bid/Issue Closing Date. In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Despatch of refund orders, wherever applicable, will be done within 15 days from the Bid/Issue Closing Date;
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched or if in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within 15 day prescribed time period above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. In cases where refund orders are depatched to the investors, refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Restriction On Transfer And Transmission Of Shares

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

Application by Non Residents/NRIs/FIIs

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue.

ISSUE STRUCTURE

Public Issue of [·] Equity Shares of Rs. 5/- each at the Issue Price of Rs. [·] for cash aggregating Rs. [·] lacs is being made through a 100% book building process. Details of the issue structure are tabulated below:

Particulars	QIBs	Non Institutional Bidders	Retail Individual Bidders	Employees	Existing Shareholders
Number of Equity Shares available for allocation	Upto [•] Equity Shares of Rs. 5/- each	Not Less than [•] Equity Shares of Rs. 5/ each or Net Offer to Public less allocation to QIB Bidders and Retail Individual Bidders	Not Less than [•] Equity Shares or Net Offer to Public less allocation to QIB Bidders and Non-Institutional Bidders.	Upto [•] Equity Shares of Rs. 5/- each or Issue less allocation to QIB Bidders, Non Institutional Investors and Retail Individual Investors and Existing Shareholders	Upto [•] Equity Shares of Rs. 5/ - each or Issue less allocation to QIB Bidders, Non Institutional Investors and Retail Individual Investors and Employees
Percentage of issue size available for allocation	Upto 50% of the Net Offer to the Public; 5% thereof to be specifically available for Mutual Funds	Minimum 15% of Net Offer to Public or Net Offer to Public less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 35% of Net Offer to Public or Net Offer to Public less allocation to QIB Bidders and Non Institutional Bidders.	Upto 3% of the Issue or Issue less allocation to QIB Bidders, Non Institutional Investors and Retail Individual Investors and Existing shareholders	Upto 10% of the Issue or Issue less allocation to QIB Bidders, Non Institutional Investors and Retail Individual Investors and Employees
Basis of Allocation or Allotment if respective category oversubscribed	Proportionate	Proportionate.	Proportionate.	Proportionate.	Proportionate.
Minimum Bid	Such Number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000/-	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	[•] Equity Shares.	[•] Equity Shares.	[•] Equity Shares.
Maximum Bid	Such No. of Equity Shares not exceeding the Issue Size subject to applicable limits.	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Allotment Mode	Compulsory inDematerialized form	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot/ Market Lot	OneEquity Share	One Equity Share	One Equity Share	One Equity Share	One Equity Share

Particulars	QIBs	Non Institutional Bidders	Retail Individual Bidders	Employees	Existing Shareholders
Who can apply	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Million and pension funds with minimum corpus of Rs. 250 Million in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.	Permanent Employees of the Company as on the date of filing of RHP with ROC.	Shareholders of the Company holding shares worth upto Rs. 1,00,000/- determined on the basis of closing price as on 11/05/2006(being closing price as on the previous day of 12/05/2006 being the specified date set for this purpose)
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

Equity Shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

- Any undersubscription in any of the reserved categories may be added to any other reserved category. The Unsubscried portion, if any, after such interse adjustments amongst the Reservation for Existing Retail Shareholders and Employees, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs.
- Under subscription in any of the category, shall be allowed to be met through spillover from any other category at the discretion of the Company and the BRLMs.
- Applicants in the above reserved categories can make an application in the 'Net Offer to Public' category. Also a single applicant in the reserved category can make an application for a number of shares exceeding the reservation.
- An applicant in the net public category cannot make an application for a number of equity shares exceeding the number of shares offered to the public.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process, wherein Upto 50% of the Net Offer to the Public shall be available for allocation to QIBs on a proportionate basis. Further, not less than 15% shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% shall be available for allocation on a proportionate basis to the Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price within price band.

Further upto 3% of the Issue Size has been reserved for allocation to the employees of the Company and Upto 10% of the Issue Size has been reserved for allocation to Retail Shareholders of the Company.

Bidders are required to submit their Bids through the members of the Syndicate. The Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialised form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised form on the Stock Exchanges.

Illustration of Book Building and Price Discovery Process (Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assume a price band of Rs 20 to Rs 24 per share, issue size of 3000 Equity Shares and receipt of five bids from bidders out of which one bidder has bid for 500 shares at Rs.24 per share while another has bid for 1,500 shares at Rs.22 per share. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	27.77
1000	23	1500	83.33
1500	22	3000	166.67
2000	21	5000	277.78
2500	20	7500	416.67

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

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category Colour of	Bid Cum Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Eligible Non residents, NRIs or FIIs applying on a repatriation basis	Blue
Eligible retail shareholders of the Company as on 12/05/2006 (Specified Date)	Green
Eligible Employees of the Company	Yellow

Who can Bid?

1. Indian nationals resident in India who are major, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: ABC Hindu Undivided Family applying through ABC, where ABC is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, scheduled commercial banks, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable); as defined Section 4 A of Companies Act;
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorised under their constitution to hold and invest in Equity Shares;
10. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non- repatriation basis subject to applicable laws;
11. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares.
12. Insurance companies registered with the Insurance Regulatory and Development Authority;
13. Provident funds with minimum corpus of Rs. 25 crores and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension funds with minimum corpus of Rs. 25 crores and who are authorised under their constitution to hold and invest in Equity Shares;
15. Multilateral and bilateral development financial institutions;
16. Eligible Employees of the Company
17. Retail Shareholders of the Company as on 12.05.2006.

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLMs and syndicate members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

How to Apply

Procedure for Application by Mutual Funds

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made.

The company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

- No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds
- No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights

Bids by Existing Retail Shareholders

For the sake of clarity, the term "Existing Retail Shareholders" shall mean the natural persons, who are holders of Equity Shares of the Company as of 12/05/2006 and who hold Equity Shares worth up to Rs. 100,000 determined on the basis of closing price of the Equity Shares in the BSE on 11/05/2006.

a) Bids by Existing Retail Shareholders shall be made only in the prescribed pre-printed Bid cum application Form or Revision Form.

b) Existing Retail Shareholders should mention their Registered Folio Number/DP and Client ID number at the relevant place in the Bid cum Application Form.

c) The sole/First Bidder should be an Existing Retail Shareholder. 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 in the same sequence in which they appear in the Bid Cum Application Form.

d) Only Existing Retail Shareholders of the Company as on 12/05/2006 would be eligible to apply in this Issue under reservation for Existing Retail Shareholders on a competitive basis.

e) Existing Retail Shareholders will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under the Existing Retail Shareholders Reservation Portion.

f) The maximum Bid in this category can be for Rs. 100,000.

g) If the aggregate demand in this category is less than or equal to[•] Equity Shares at or above the Issue Price, full allocation shall be made to the Existing Retail Shareholders to the extent of their demand.

h) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [•] Equity Shares. For the method of proportionate basis of allocation, refer to section titled "**Basis of Allocation**" on page151.

Bids by Existing Employees

For the sake of clarity, the term "Employees" shall mean the persons who are permanent employees of the Company as on the date of submission of this Red Herring Prospectus with SEBI.

a) Bids by Employees shall be made only in the prescribed pre-printed Bid cum application Form or Revision Form.

b) The sole/First Bidder should be an Employee. 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 in the same sequence in which they appear in the Bid Cum Application Form.

c) Only persons who are permanent employees of the Company as on the date of filing of this Red Herring Prospectus would be eligible to apply in this Issue under reservation for Employees on a competitive basis.

d) Existing 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 allotment under the Employees Reservation Portion.

e) The maximum Bid in this category can be for Rs. 100,000.

f) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.

g) If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of [•] Equity Shares. For the method of proportionate basis of allocation, refer to section titled "**Basis of Allocation**" on page151.

As per current regulations, the following restrictions are applicable for investment by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of our Company (i.e. 10% of[•] Equity Shares of Rs. 10 each). In respect of an FII investing in the Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual

As of now, the aggregate FII holding in our Company cannot exceed 24% of the total issued capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%.

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of our Company's paid-up capital. 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.

The above information is given for the benefit of the Bidders. We and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

For Retail Individual Bidders

The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, subject to maximum Bid amount of Rs. 1,00,000. In case of revision of Bids, the Retails bidders have to ensure that the Bid amount does not exceed Rs. 1,00,000. In case the maximum Bid amount is more than Rs. 1,00,000, due to revision of the Bid or revision of the Price Band or on exercise of the option, then the same would be considered for allocation under the Non-Institutional Bidders category. The cut-off option is an option available only to the Retail Individual Bidders indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.

For Non-Institutional Bidders and QIBs Bidders

The Bid must be for a minimum of such number of Equity Shares, so as to ensure that the minimum Bid amount exceeds Rs.1,00,000. Above this minimum Bid Amount, the Bid should be in multiples of [•] Equity Shares. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under SEBI existing guidelines a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000/-. In case the Bid Amount reduces to Rs 1,00,000/- or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under Retail portion.

Non-Institutional Bidders and QIB Bidders are not allowed to Bid at Cut-Off Price. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

For Employees of the Company

The Bid must be for a minimum of [•] 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 Employees have to ensure that the Bid amount does not exceed Rs. 1,00,000. The cut-off option is an option available to the Employees indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.

For Retail Shareholders of the Company as on 12/05/2006

The Bid must be for a minimum of [•] 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 Retails shareholders have to ensure that the Bid amount does not exceed Rs. 1,00,000. The cut-off option is an option available to the Retail Shareholders indicating their agreement to bid and purchase the Equity Shares at the final issue price as determined at the end of the Book Building process.

Information for the Bidders

a) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.

b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our registered office or from any of the BRLMs or Syndicate Members.

d) 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.

e) Investors who are interested in subscribing for the Company's Equity Shares should approach the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.

Method & Process of Bidding

a) The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement

b) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLMs, or Syndicate Member or their authorised agent(s) to register their Bid

c) The Bidding Period shall be open for atleast 3 working days and not more than working 7 days. In case the price band is revised, the revised price band will be published in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated and the Bidding period will be extended for a further period of three days, subject to the total Bidding period not exceeding 10 working days. During the bidding period, the Bidders may approach the Syndicate to submit their Bid. Every Member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the bids

d) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page 144) 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.

e) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" of the Red Herring Prospectus.

f) The BRLMs, and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

h) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into Escrow Account" on Page 145 of the Red Herring Prospectus.

Bids at Different Price Levels

a) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share of Rs.10 each, Rs.[•] being the Floor Price and Rs. [•] being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1.The price band will be announced in two national languages (One each in English & Hindi) and one regional newspaper circulated where the registered office of the Company is situated.

b) In accordance with SEBI Guidelines, the Company, in consultation with the BRLMs, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially. In addition to this, the cap on the Price Band should not be more than 20% of the floor of the Price Band.

c) Any revision in the Price Band shall be widely disseminated including by informing the stock exchanges by issuing a public notice in two national languages (One each in English & Hindi) and one regional newspaper circulated where the registered office of the Company is situated also indicating the change on the relevant websites and the terminals of the members of Syndicate.

d) The Company in consultation with the BRLMs can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders, Retail Shareholders of the Company and the Employees of the Company may bid at "Cut off". However, bidding at "Cutoff" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected

f) Retail Individual Bidders /Retail Shareholders of the Company/Employees of the Company who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders /Retail Shareholders of the Company/Employees of the Company 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/Retail Shareholders of the Company/Employees of the Company (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders/Retail Shareholders of the Company/Employees of the Company shall receive the refund of the excess amounts from the Escrow Account/ refund account(s).

g) In case of an upward revision in the Price Band announced as above, the Retail Bidders /Retail Shareholders of the Company/Employees of the Company who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the Cap of the Revised Price Band, with the members of the Syndicate to whom the Original Bid was submitted. In case the total amount (i.e. the original Bid amount plus additional payment) exceeds Rs 1,00,000, the Bid will be considered for allocation of under the Non-Institutional portion in terms of the Red Herring Prospectus. If however the

Bidder does not either revise the Bid or make additional payment and the issue price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted 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 Price

h) In case of downward revision in the Price Band announced as above, Retail Bidders/Retail Shareholders of the Company/ Employees of the Company who have bid at Cut- Off could either revise their Bid or the excess amount at the time of bidding would be refunded from the Escrow Account/ refund account(s)

i) In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application shall remain [•] Equity Shares irrespective of whether the Bid Amount payable on such Minimum Application is not in the range of Rs.5,000/- to Rs.7,000/-.

Option to Subscribe

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Escrow Mechanism

Escrow Account for the Issue

The Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the Issue shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow collection Banks are per the terms of the Escrow Agreement with the company and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue and BRLMs, and Syndicate Members to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders, Retails Individual Bidders,Retail Shareholders of the Company and Employees of the Company, each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his Bid in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph "Payment Instructions on page 153) and submit the same to the members of the Syndicate with whom the Bid is being deposited. Bid cum Application Forms accompanied by cash and Stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account or Refund Account with the Bankers to the Issue, as applicable. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment to the Bidders.

In case of QIBs, the members of the Syndicate may, at their discretion, waive such payment at the time of the submission of the Bid cum Application Form. Where such payment at the time of submission of the Bid cum Application Form is waived at the discretion of the members of the Syndicate, the Issue Price shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the application of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/ Issue Closing Date, failing which and the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.

b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid Closing Date, the Company shall upload the Bids till such time as may be permitted by the Stock Exchanges.

c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:

- Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the Name in which the Depositary Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form).
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund, etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid-cum-Application Form number
- Whether payment is made upon submission of Bid-cum-Application Form
- Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder.

e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or us.

f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

g) The members of the Syndicate have the right to review the Bid. Consequently, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Non-Institutional Bidders, Employee Reservation Portion, Retail Shareholder portion and Retail Individual Bidders, Bids shall not be rejected except on the technical grounds listed on page 156 in the Red Herring Prospectus.

h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us, and BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any scheme or project of our Company.

i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an on-line basis. Data would be uploaded on a regular basis.

b) The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

c) Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.

d) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

e) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

f) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. The Bidder must complete his or her Bid cum Application Form, the details of all the options in his or her Bid cum Application Form or earlier Revision Form and revisions for all the options as per his Bid cum Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

g) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form.

h) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

i) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

j) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs based on the physical book shall be final and binding to all concerned.

Price Discovery and Allocation

a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with the company.

b) The Company in consultation with the BRLMs, shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders on proportionate basis.

c) The allocation for QIBs of would be upto 50% of the Net Offer to the Public on a proportionate basis. Further Out of this QIB portion 5% would be allocated to Mutual Funds. The allocation to Non-Institutional Bidders would be not less than 15% of the Net Offer to the Public and allocation for Retail Individual Bidders will be not less than 35% of the Net Offer to the Public on proportionate basis, subject to valid Bids being received at or above the Issue Price.

d) The allocation to the Employees of the Company would be upto 3% if the Issue Size on proportionate basis.

e) The allocation to the Retail Shareholders of the Company as on 12/05/2006 would be upto 10% of the Issue Size on a proportionate basis.

f) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after closure of the bidding.

g) Under subscription, if any, in any of the category would be allowed to be met with spill over of demand from any of the other categories, at the sole discretion of the Company and BRLMs.

h) Allocation to QIBs, Non-Residents, FIIs and NRIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Allotment of Equity Shares to them.

i) The BRLMs, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

j) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date, without assigning any reason therefor.

Signing of Underwriting Agreement and RoC Filing

a) The company, the BRLMs and the Syndicate Members shall enter into an underwriting agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

b) After signing the Underwriting Agreement, the company will file the Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement, in addition to the information (in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

a) The BRLMs, or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

b) The BRLMs, or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account of the Company at the time of bidding shall pay in full the amount payable into the Escrow Account of the Company by the Pay-in Date specified in the CAN.

c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account of the Company at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account of the Company. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/ Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account Allotment of the Equity Shares to the allottees within two working days of the date of Allotment.

b) All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

c) After the funds are transferred from the Escrow Account to the Public issue Account on the Designated Date, we would allot the Equity Shares to the allottees. We would ensure the allotment of Equity Shares within 15 days of Bid / Issue Closing Date and give instructions to credit to the allottees' depository accounts within two working days from the date of allotment. In case we fail to make allotment within 15 days of the Bid/ Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

d) 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) Ensure that the Bid is only within the Price Band;

c) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) or Existing Retail Shareholders of the Company Form (Green in colour) or Eligible Employees of the Company Form(Yellow in colour) as the case may be;

d) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be transferred in the dematerialized form only;

e) Ensure that the DP account is activated;

f) 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;

g) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

h) Ensure that you have been given a TRS for all your Bid options; and

i) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS

j) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

Dont's:

a) Do not Bid for lower than the minimum Bid size;

b) Do not Bid/ revise Bid to a price that is less than the Floor of the Price Band or higher than the Cap of the Price Band;

c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;

d) Do not pay the Bid amount in cash;

e) Do not send Bid cum Application Forms by post; instead hand them over to a member of the Syndicate only;

f) Do not bid at Cut-off price for Non-institutional and QIB Bidders;

g) A Bid from any investor should not exceed the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws or regulations.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs, or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions to Bids must be:

a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRI or FII or Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis, green colour for existing retail shareholders of the Company and Yellow colour for Eligible Employees of the Company).

b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, the Bid cum Application Form and Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

c) For Retail Individual Bidders, the Bids must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 1,00,000.

d) For Retail Shareholders of the Company as on 12/05/2006, the Bids must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 1,00,000.

e) For Employees of the Company, the Bids must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 1,00,000.

f) For Non Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

g) In single name or in joint names (not more than three).

h) Thumb impressions and signatures other than in the languages specified in the Eight Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his or her official seal.

i) Applicants in the Reservation category can bid in the Net Offer to the Public Category.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant**. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT-IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (herein after referred to as Demographic Details). Hence, Bidders should carefully

fill in their Depository Account details in the Bidcum- Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid -cum application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case 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 Depositary Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by provident funds with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason.

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 that we may deem fit, in consultation with the BRLMs.

Bids by NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

NRI, FIIs and Foreign Venture Capita funds Bidders to comply with the following:

a) Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office at 473/2, P.K.D. Nagar, Peelamedu, Coimbatore 641 004 or from members of the Syndicate or the Registrar to the Issue.

b) NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.

c) 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:

a) On the Bid-cum-Application Form or the Revision Form, as applicable, (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

b) In a single name or joint names (not more than three).

c) By NRIs - For a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid amount of Rs 1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs 1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see "Maximum and Minimum Bid Size" on page 135.

d) **By FIIs** – for a minimum of such number of Equity Shares and in multiples of [•] that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled "Maximum and Minimum Bid Size" on page 135.

e) In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.

f) Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/ speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account to the Issue:

i. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account of the Company and submit the same to the members of the Syndicate.

ii. In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder or the balance amount, in case the Margin Amount is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

iii. The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:

- In case of Resident Bidders: **"Escrow Account – GTL Public Issue"**
- In case of Non Resident Bidders: **"Escrow Account – GTL Public Issue -NR"**
- In case of application by Employees – **"Escrow Account – GTL Public Issue – Employees"**

- In case of application by existing retail shareholders of the Company – **"Escrow Account – GTL Public Issue – Shareholders"**
- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.
- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by Bank Certificate confirming that the draft has been issued by debiting to Special Rupee Account.

iv. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.

v. The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders until Designated Date.

vi. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.

vii. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque or demand draft drawn on any Bank (including a Co-Operative Bank), which is situated at, and is a member of or sub-member of the banker's clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/ Money Orders/Postal Orders will not be accepted.

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through stockinvest would not be accepted in this Issue.

Submission of Bid-cum-Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the BRLMs or Syndicate Member at the time of submitting the Bid. **The BRLMs/ members of the Syndicate may at its discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.**

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the BRLMs or Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

PAN or GIR Number

Where Bid(s) is/are for Rs.50, 000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T.Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60(Form of declaration to be filed by a person of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a)Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g)Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

a) Amount paid doesn't tally with the highest number of Equity Shares bid for;

b) Age of First Bidder not given;

c) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;

d) PAN not given if Bid is for Rs. 50,000 or more or Copy of Form 60 or Form 61 as required not given;

e) Bids for lower number of Equity Shares than specified for that category of investors;

f) Bids at a price less than lower end of the Price Band;

g) Bids at a price more than the higher end of the Price Band;

h) Bids at cut-off price by Non-Institutional and QIB Bidders;

i) Bids for number of Equity Shares which are not in multiples of forty;

j) Category not ticked;

k) Multiple bids as defined in the Red Herring Prospectus;

l) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

m) Bid-cum-Application Form does not have the stamp of the BRLMs, or Syndicate Members to whom the bid is submitted;

n) Bid-cum-Application Form does not have Bidder's depository account details;

o) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum- Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum-Application Form.

p) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at page 137 of the Red Herring Prospectus;

q) Bids accompanied by money order/postal order/cash;

r) Signature of sole and / or joint bidders missing;

s) Bids by OCBs;

t) In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the sequence of names of joint holders), the depositary participant's identity (DP ID).

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode). In this context, two tripartite agreements have been signed between our Company and the Depositories:

a) An agreement dated 26th July, 2000 with NSDL, the Company and SKDC Consultants Limited, the Registrar and Transfer Agents for the Company

b) An agreement dated 20th July, 2000 with CDSL, the Company and SKDC Consultants Limited , the Registrar and Transfer Agents for the Company

All bidders can seek allotment only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.

f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum- Application Form vis-à-vis those with his or her Depository Participant.

h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

i) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.

As this Issue comprises of Fresh Issue, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to this Issue.

In case of pre issue or post issue related problems such as non-receipt of letters of allotment/ refund orders etc., the investors can contact the Compliance Officer.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, draft number and issuing bank thereof.

The company has appointed Mr. T. Govindarajan, Company Secretary as Compliance Officer. He can be contacted at 473/2, P.K.D. Nagar, Peelamedu, Coimbatore 641 004, Tel.: 91 422 2576742, Fax: 91 422 2576742, e-mail:shares@gangotritextiles.com

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

Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money

The company reserves, at their absolute and uncontrolled discretion and without assigning any reason therefor, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, which is reproduced below:

"Any person who:

a) **makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein,**

   or

b) **otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."**

Disposal of Applications and Application Money

The company shall ensure dispatch of allotment advice and giving of benefit to the Beneficiary Account with Depository Participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares.

In case of applicants residing in any of the places where the collection centres are located, refunds will be made by crediting of refunds to the bank accoun ts of the applicants through electronic transfer of funds by using the Electronic Clearing Servcie (ECS) as is permitted by the reserve Bank of India.In case of other applicants refund orders will be despatched by registered post where the value is Rs. 1,500/- or more, or under certificate of posting at the sole or first bidder's sole risk within 15 days of the Bid/Issue Closing Date. In such cases refunds will be made by cheque, 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.

The company shall use our best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the company, further undertake that:

- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- The company would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- The company shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment/ transfer is not made, refund orders are not dispatched or if in a case where the refund or portion thereof is made in electronic manner, the refund instruction have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 days time prescribed above.

The company shall provide adequate funds required to the Registrar to the Issue for dispatch of refund orders or allotment advice.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application

Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the record of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched or if in a case where the refund or portion thereof is made in electronic manner, the refund instruction have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of allotment or allocation

A For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/ application size of forty Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Not more than 50% of the Net Offer to the Public i.e.[•] shares shall be allotted to QIBs
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price on a proportionate basis.
- The Issue size less allotment to Non Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by the Company in consultation with the BRLMs and would be on a proportionate basis.

D. For Retail Shareholders as on 12.05.2006

- Bids received from the Retail Shareholders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Shareholders will be made at the Issue Price.

- The Issue size less allotment to Non Institutional, QIB Bidders, Employees and Retail Investors shall be available for allotment to Retail Shareholders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Shareholders to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

E. For Employees

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Employees will be made at the Issue Price.
- The Issue size less allotment to Non Institutional,QIB Bidders, Shareholders and Retail Investors shall be available for allotment to Employees who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

Procedure and Time Schedule for Transfer of Equity Shares

The Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure allotment/ transfer of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched or if in a case where the refund or portion thereof is made in electronic manner, the refund instruction have not been given to the clearing system in the disclosed manner and/ or demat credits are not made to investors within two working days from the date of allotment.

Method of Proportionate Basis of Allotment for Retail and Non-Institutional

In the event of the Issue being over-subscribed, the basis of allotment shall be finalized by the company, in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of one share, on a proportionate basis as explained below subject to minimum allocation being equal to the forty shares:

a) The subscription in the QIB, Retail,Non-Institutional, Shareholders and Employees portion will be computed separately.

b) Bids which are eligible for proportionate allotment as provided in the SEBI (DIP) Guidelines, 2000 shall be those which have applied for a minimum shares arrived at by multiplying the minimum shares to be allotted by the number of time the category is subscribed. Allotment to such bidders will be calculated as shares applied for divided by the number of time the category is subscribed.

c) If the pure proportionate allotment to a Bidder is a number that is more than minimum allotment lot but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

d) The balance of the bids will be those, which will not be directly entitled for allotment of minimum shares. Such bidders will be allotted shares by a drawal of lots in a fair manner to ensure that each successful bidder (determined by drawal of lot) gets the minimum number of shares to be allotted.

e) In Net Offer to the Public, in case of over-subscription in all categories, upto 50% of the Net Offer to the Public shall be allocated on a proportionate basis to Qualified Institutional Buyers. Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under subscription, if any, in any category shall be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.

f) In case of undersubscription in the net offer to the public portion spill over to the extent of the undersubscription shall be permitted from the reserved category to the net offer to the public portion.Undersubscription, if any, in the Reservation for Existing Retail Shareholders and Employees, would first be allowed to be met with spill over from the Retail Portion and thereafter from any of the other categories, at our discretion, in consultation with the BRLMs.

Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of the public issue. The Company further agrees that it shall pay interest 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 or if in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within 15 day prescribed time period above.

Despatch of Refund Orders

The Company shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares.

In case of applicants residing in any of the centres specified by the Board, refunds will be made by crediting of refunds to the bank accoun ts of the applicants through electronic transfer of funds by using the Electronic Clearing Servcie (ECS), Direct Credit, RTGS (Real Time Gross Settlement) as is permitted by the reserve Bank of India.In case of other applicants refund orders will be despatched by registered post where the value is Rs. 1,500/- or more, or under certificate of posting at the sole or first bidder's sole risk within 15 days of the Bid/Issue Closing Date. In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Despatch of refund orders will be done within 15 days from the Bid/Issue Closing Date;
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched or if in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within 15 day prescribed time period above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Undertaking by the Company

The Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed on above shall be made available to the Registrar to the Issue;
- that where refunds are made through the electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days or 15 days of closure of the issue, as the case may be, giving details of the bank where refunds

shall be credited alongwith the amount and the expected date of electronic credit of refund.

- that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through the Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue proceeds

The Board of Directors of the Company Certify that:

- **the issue proceeds will be kept in a separate bank account with the bankers to the issue and the Company will have access to the funds only after the dealing approval is received from all the Stock Exchanges mentioned in this offer document.** all monies received out of the Fresh Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Fresh Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Pending utilisation of net proceeds of the Fresh Issue as specified under the section “Objects of the Issue” the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

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 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 the Government of India (“FIPB”) and the RBI. Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capita Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (DIP) Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares and or their consolidation/splitting are detailed below.

Regulations contained in Table 'A' of Schedule I of the Companies Act, 1956, shall apply to this Company in so far only as they are not inconsistent with any of the provisions contained in these Regulations and also those for which no provision has been made in these presents. The Articles of the Company are subject to the provisions of the Companies Act, 1956.

SHARE CAPITAL AND VARIATION OF RIGHTS

Article 3 provides as follows

(a) The Authorised Share Capital of the Company shall be Rs. 25 Crores divided into 5 Crore Equity Shares of Rs. 5/- each with a right on the part of the Company to increase or decrease the Authorised Capital or to further amend/change the nominal value of each share.

(b) The Company shall have the power to increase or decrease or reduce the share capital from time to time according to the exigencies of business.

(c) Provided that an option or right to call of shares not be given to any person (s) except with the sanction of the Company in general meeting.

(d) The share capital in the capital shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.

e) The Company shall be entitled to dematerialise its existing shares, rematerialise its shares held in the Depositories and/or to offer its shares in a dematerialised form pursuant to the Depositories Act, 1996 and the rules framed thereunder if any.

f) Every person subscribing to shares offered by the Company shall have the option to receive share certificate, or to hold the shares can at any opt out of a Depository, if permitted by the law, in respect of any shares in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the Beneficial Owner the required Certificate of shares.

g) If a person opts to hold his shares with a Depository, the Company shall intimate such Depository the details of allotment of the shares, and on receipt of the information, the depository shall enter in its record the name of the allottee as the Beneficial Owner of the shares.

h) All shares held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the shares held by it in behalf of "the Beneficial Owner".

   i) Notwithstanding anything contained 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 shares on behalf of the Beneficial Owner.

   ii) Same or otherwise provided in (a) above, the Depository as the registered owner of the shares shall not have any voting rights or any other rights in respect of the shares held by it.

   iii) Every person holding shares of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of shares shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his shares which are held by a Depository.

i) Notwithstanding anything contained in the Act or these Articles to the contrary, where share are held 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 or discs.

j) Nothing contained in Section 108 of the Companies Act, 1956 or these Articles shall apply to a transfer of shares effected by a transferor by a transferee both whom are entered as Beneficial Owners in the records of a Depository.

k) Notwithstanding anything contained in the Act or these Articles, where shares are dealt with by a Depository, the Company shall intimate the details thereof to the Depository, immediately on allotment of such shares.

COMPANY'S LIEN ON SHARES

Company to have lien on shares

Article 4 provides as follows

a) The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares, and no equitable interest in any shares shall be created except upon the footing and upon the 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. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Directors may, at any time, declare any shares wholly or in part to be exempt from the provisions of this clause.

b) Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holders of any shares or whose name appears on the Register of Members as the holder of any shares or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognise any benami, trust or equity or equitable, contingent or other claim to it interest in such share on the part of any other person whether or not he shall have express or implied notice thereof. The Board shall be entitled at their sole discretion to register any shares in the joint names of any two or more persons or the survive or survivors of them.

c) The Company shall keep a "Register of Transfer" and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share and debenture held in material form.

d) In the case of transfer or transmission of shares, where the Company has not issued certificates and where such shares are being held in any electronic and fungible form in a Depository, the provisions of the Depositories Act, 1996 shall apply.

(e) a depository as a registered owner shall not have any voting rights in respect of the shares and securities held by it in dematerialised form. however, the beneficial owner has per the register of beneficial owners maintained by a depository shall be entitled to such rights in respect of shares held by him in Depository. Any reference to the members or joint members in Article 98 to 110 shall include a reference to Beneficial Owner or joint Beneficial Owner in respect of "the shares held in a Depository".

DIVIDEND

Article 28 provides as follows

Wherever in their opinion the profits of the Company permit, the Directors may declare dividend/interim dividend subject to Section 205 of the Act.

No unclaimed dividend shall be forfeited by the Board unless the claim thereto becomes barred by law and the Company shall comply with all the provisions of Section 205A of the Companies Act in respect of unclaimed or unpaid dividend.

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 entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at 473/2, P.K.D. Nagar, Peelamedu, Coimbatore – 641 004.from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Memorandum of Understanding dated 13th January, 2006 amongst our Company and the BRLMs and the Addendum dated March 20, 2006 to the said Memorandum of Understanding.
2. Memorandum of Understanding dated 01st December, 2005 executed by our Company with Registrar to the Issue.
3. Copy of Escrow Agreement dated April 27, 2006 between us, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
4. Copy of Syndicate Agreement dated April 27, 2006 between us, the BRLMs and Syndicate Members.
5. Copyy of Underwriting Agreement dated [•] between us, the BRLM and Syndicate Members.
6. Copy of letter no. P-1/PGC/GTL/2005 dated 08th august, 2005 received from SIPCOT regarding allotment of 41.73 acres of land to the Company at the SIPCOT Industrial Growth Center at Perundurai.
7. Copy of tri-partite agreement dated 20th July, 2000 entered into by us with SKDC Consultants Limited and CDSL.
8. Copy of tri-partite agreement dated 26th July, 2000 entered into by us with SKDC Consultants Limited and NSDL.
9. Copy of Memorandum of Understanding dated 29th December, 2005 entered between Mr. Ramesh Kumar Tibrewal and Mr. Manoj Kumar Tibrewal.

Documents for Inspection

1. Our Memorandum and Articles of Association as amended till date.
2. Copy of Fresh Certififcate of Incorporation dated 01st January, 1993.
3. Copy of the Resolution to increase the Authorised Capital passed at the Extraordinary General Meeting of the Company held on 24th September, 2005.
4. Copy of Shareholders' resolutions under Section 81(1)(A) od the Company's Act, 1956 authorising the Issue.
5. Copy of Certificate dated 24th March, 2006 received from M/s Thakker & Sanghani and M/s Srikishen & Co, Chartered Acoountants and Statutory Auditors of the Company prepared as per Indian GAAP and mentioned in this Red Herring Prospectus.
6. Copy of letter dated 01st December, 2005 received from M/s Thakker & Sanghani and M/s Srikishen & Co, Chartered Acoountants and Statutory Auditors of the Company confirming Tax Benefits as mentioned in this Prospectus.
7. Copies of annual reports of our Company for the financial years 2001,2002,2003,2004 and 2005.
8. Copy of audited financials of our Company for the six months period ended on 31st December, 2005.
9. Copy of Certificate dated March 21, 2006 received from M/s Thakker & Sanghani and M/s Srikishen & Co, Chartered Acoountants and Statutory Auditors of the Company regarding the Sources and Deployement of Funds on the project as on March 15, 2006.
10. Copy of the Board Resolution dated 16th January, 2006 convening the Extarordinary Genaral Meeting of the Shareholders on 15th February, 2006 for approving the issue of share warrants to the Promoters.
11. Copy of the Notice dated 16th January, 2006 to be issued to the shareholders in respect of the Extarordinary Genaral Meeting convened on 15th February, 2006.
12. Copy of the Financial Appraisal Note provided by SBI Capital Markets Limited.

13. Copy of the Technical Feasibility Report provided by SITRA.
14. Copy of the shareholding pattern of our Company as on 31st December, 2005 as submitted to the stock exchanges.
15. Copy of SIA's letter Registration No.5450/SIA/IMO/2005 dated 24th November, 2005 issued in the name of the Company by Government of India, for manufacture of Cotton Yarn and Knitted Fabrics.
16. Copy of SIA's letter Registration No.5147/SIA/IMO/2005 dated 03rd November, 2005 issued in the name of the Company by Government of India, for manufacture of "Process House for Dyeing/Bleaching of Fabric".
17. Copies of Sanction letters from the banks as enlisted below:

LENDER'S NAME	**DATE OF SANCTION**
Corporation Bank	24.10.2005
State Bank of Mysore	02.12.2005
State Bank of Indore	19.01.2006
State Bank of Travancore	29.11.2005
Syndicate Bank	05.12.2005
United Bank of India	27.12.2005
Canara Bank	26.12.2005
Central Bank of India	12.04.2006
State Bank of Hyderabad	02.03.2006

18. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
19. Copy of In-principle approval received from BSE vide their letter no. List/sg/rk/pdk/24(a)/2006 dated March 02, 2006 for issue and allottment of share warrants.
20. Copy of In-principle listing approval received from BSE vide its letter no. DCS/Smd/sm/2006 dated March 16, 2006
21. Coopy of In-rpinciple listing approval received from NSE vide its letter no. NSE/LIST/21150-9 dated March 24, 2006
22. Copies of In-principle listing approval received from the stock exchanges at Madras and Coimbatore.
23. SEBI observation letter CFD/DIL/ISSUES/PB/PR/65017/2006 dated April 18, 2006.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of 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.

DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

For Gangotri Textiles Limited

Mr. Manoj Kumar Tibrewal
Managing Director

Mr. Mohanlal Tibrewal
Director

Mr. C.R.Swaminathan
Director

Mr. S.Palanisamy
Director

Mr.T.A.Ganesh
Nominee Director

Date: May 02, 2006.

Place: Coimbatore