



## KAVITA FABRICS LIMITED

Our Company was originally incorporated with the Registrar of Companies, Gujarat, Dadra and Nagar Havelli on October 18, 2005 as Kavita Fabrics Private Limited. Pursuant to shareholders Resolution dated July 31, 2012 the Company was converted into Public Limited Company and the name was changed to Kavita Fabrics Limited. For details of the changes in our name and Registered Office, refer "History and Certain Corporate Matters" on page 94 of this Draft Prospectus.

**Registered Office:** 105, Balaji Industrial Society - 1, Udhna Magdalla Road, Surat – 395007, Gujarat, India.

**Tel:** +91 – 261 – 3018 759; **Fax:** +91 – 261 – 3018 759; **Email:** info@kavitafabrics.com; **Website:** www.kavitafabrics.com

**Contact Person:** Mr. Amit Merai, Compliance Officer

**Our Promoters:** Mr. Harish Chandak, Mr. Shailesh Chandak, Mrs. Sudha Chandak, Mrs. Sarika Chandak

### THE ISSUE

**PUBLIC ISSUE OF 12,75,000 EQUITY SHARES OF Rs. 10/- EACH ("EQUITY SHARES") OF KAVITA FABRICS LIMITED ("KFL" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT PRICE OF Rs. 40/- PER SHARE (THE "ISSUE PRICE"), AGGREGATING TO Rs. 510 LACS ("THE ISSUE"), OF WHICH, 2,07,000 EQUITY SHARES OF Rs. 10/- EACH WILL BE RESERVED FOR SUBSCRIPTION BY MARKET MAKERS TO THE ISSUE (AS DEFINED IN THIS PROSPECTUS) (THE "MARKET MAKER RESERVATION PORTION"). THE ISSUE LESS THE MARKET MAKER RESERVATION PORTION I.E. THE ISSUE OF 10,68,000 EQUITY SHARES OF Rs. 10 EACH IS HEREINAFTER REFERRED TO AS THE "NET ISSUE". THE ISSUE AND THE NET ISSUE WILL CONSTITUTE 36.71% AND 30.75% RESPECTIVELY OF THE POST ISSUE PAID UP EQUITY SHARE CAPITAL OF THE COMPANY.**

**THE FACE VALUE OF EQUITY SHARES IS Rs. 10. THE ISSUE PRICE IS Rs. 40.  
THE ISSUE PRICE IS 4 TIMES OF THE FACE VALUE.**

**THIS ISSUE IS BEING MADE IN TERMS OF CHAPTER XB OF THE SEBI (ICDR) REGULATIONS, 2009 (as amended from time to time)**

*For further details see "Issue Related Information" beginning on page 174 of this Draft Prospectus.*

All potential investors may participate in the Issue through an Application Supported by Blocked Amount ("ASBA") process providing details about the bank account which will be blocked by the Self Certified Syndicate Banks ("SCSBs") for the same. For details in this regard, specific attention is invited to "Issue Procedure" on page 180 of this Draft Prospectus. In case of delay, if any in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

### RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of the company, there has been no formal market for the securities of the company. The face value of the shares is Rs. 10/- per Equity Share and the issue price is 4 times the face value. The Issue Price (as determined by Company in consultation with the Lead Manager) as stated under the paragraph on "Basis for Issue Price" on page 61 of this Draft Prospectus should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the equity shares of our company or regarding the price at which the equity shares will be traded after listing.

### GENERAL RISKS

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 risks involved. The securities have not been recommended or approved by Securities and Exchange Board of India nor does Securities and Exchange Board of India guarantee the accuracy or adequacy of this document. **Specific attention of the Investors is invited to the statement of Risk Factors beginning on page 12 of this Draft Prospectus.**

### ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for, and confirms that this Offer Document contains all information with regard to the Issuer and the issue, which is material in the context of the issue, that the information contained in this Offer Document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING

The Equity Shares offered through this Draft Prospectus are proposed to be listed on the SME Platform of BSE Limited ("BSE"). In terms of the Chapter XB of the SEBI (ICDR) Regulations, 2009, as amended from time to time, we are not required to obtain an in-principal listing approval for the shares being offered in this issue. However, our company has received an approval letter dated [●] from BSE for using its name in this offer document for listing our shares on the SME Platform of BSE. For the purpose of this Issue, the Designated Stock Exchange will be the BSE Limited ("BSE").

### LEAD MANAGER TO THE ISSUE

### REGISTRAR TO THE ISSUE



#### Intensive Fiscal Services Private Limited

131, C-Wing, Mittal Tower,  
Nariman Point,  
Mumbai - 400021, Maharashtra  
Tel No.: +91 – 22 – 2287 0443/44/45  
Fax No.: +91 – 22 – 2287 0446  
Web: www.intensivefiscal.com  
Email: ipo@intensivefiscal.com  
Contact Person: Mr. Kevin Koradia  
SEBI Registration No.: INM000011112



#### BIGSHARE SERVICES PVT.LTD.

Attentive. Able. Adaptive

#### Bigshare Services Private Limited

E-2/3, Ansa Industrial Estate, Saki Vihar Road  
Sakinaka, Andheri (E),  
Mumbai – 400 072. Maharashtra  
Tel: +91 – 22 – 4043 0200  
Fax: +91 – 22 – 2847 5207  
Website: www.bigshareonline.com  
Email: ipo@bigshareonline.com  
Contact Person: Mr. Ashok Shetty  
SEBI Registration No.: INR000001385

### ISSUE OPENS ON

### ISSUE CLOSES ON

[●]

[●]



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## SECTION I – GENERAL

### DEFINITIONS AND ABBREVIATIONS

In this Draft Prospectus, unless the context otherwise requires, the terms and abbreviations stated hereunder shall have the meanings as assigned therewith.

#### *Conventional / General Terms*

Term	Description
“KFL”, “the Company”, “our Company”, “Issuer”, “we”, “us” or “our” and “Issuer Company”	Unless the context otherwise indicates or implies, refers to Kavita Fabrics Limited, a public limited company incorporated under the Companies Act, 1956 with its registered office at 105, Balaji Industrial Society- 1, Udhna Magdalla Road, Surat - 395007, Gujarat.

#### *Company related Terms*

Term	Description
Articles or Articles of Association or AoA	The articles of association of our Company, as amended from time to time.
Board, Board of Directors or our Board	The board of directors of our Company duly constituted from time to time.
Director(s)	The director(s) of our Company.
Memorandum, our Memorandum or Memorandum of Association or MOA	The Memorandum Of Association of our Company, as amended from time to time.
Our Banker / Banker to our Company	Kotak Mahindra Bank Limited
Our Group Entities	Include such companies, firms, ventures, etc. promoted by the promoters of our Company, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act or not and disclosed in the chapter titled “ <i>Our Promoter Group And Group Entities</i> ” on page 116 of this Draft Prospectus.
Our Promoters	Refers to Mr. Harish Chandak, Mr. Shailesh Chandak, Mrs. Sarika Chandak and Mrs. Sudha Chandak. For details, please see the section “ <i>Our Promoters</i> ” on page 111 of this Draft Prospectus.
Our Promoter Group	Includes such persons and entities constituting our promoter group in terms of Regulation 2(zb) of the SEBI Regulations and disclosed in the chapter titled “ <i>Our Promoter Group And Group Entities</i> ” on page 116 of this Draft Prospectus.
Peer Reviewed Auditor	The peer reviewed auditor of our Company, being M/s. R. T. Jain & Co., Chartered Accountants.
Registered Office	The Registered Office of our Company, situated at 105, Balaji Industrial Society- 1, Udhna Magdalla Road, Surat -395007, Gujarat.
RoC / Registrar of Companies, Gujarat, Dadra & Nagar Havelli	The Registrar of Companies located at RoC Bhavan , Opp. Rupal Park Society, Behind Ankur Bus Stop, Naranpura, Ahmedabad – 380013, Gujarat, India.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI (ICDR) Regulations / SEBI	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009



Term	Description
Regulations	issued by SEBI on August 26, 2009, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011, as amended from time to time depending on the context of the matter being referred to.
Statutory Auditor	The statutory auditor of our Company, being M/s. Sanjay Maheshwari & Associates, Chartered Accountants.

#### ***Issue Related Terms***

Term	Description
Allot / Allotment / Allotment of Equity Shares	Unless the context otherwise requires, the allotment of Equity Shares, pursuant to this Issue to the successful Applicants
Allocation / Allocation of Equity Shares	Unless the context otherwise requires, the allocation of Equity Shares pursuant to this Issue
Allottee	Successful Applicants to whom Equity Shares are / have been allotted.
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Draft Prospectus
Application Form	The Form in terms of which the applicant shall apply for the Equity Shares of the Company.
Applications Supported by Blocked Amount / ASBA	Applications Supported by Blocked Amount (ASBA) means an application for subscribing to the Issue containing an authorisation to block the application money in a bank account maintained with SCSB.
ASBA Account	Account maintained by an ASBA Applicants with an SCSB which will be blocked to the extent of the Application Amount.
ASBA Investor	Any prospective investor(s) in this Issue who apply through the ASBA process.
Banker(s) to this Issue / Escrow Collection Banks	The bank(s) which is / are clearing members and registered with the SEBI as bankers to the Issue with whom the Escrow Account will be opened, being Axis Bank Limited and IndusInd Bank Limited
Basis of Allotment	The basis on which the Equity Shares will be Allotted to successful Applicants under the Issue and which is described in the Chapter titled "Issue Procedure" beginning on page 180 of this Draft Prospectus.
Controlling Branches	Such branches of the SCSBs which co-ordinate Applications under this Issue by the ASBA Applicants with the Registrar to the Issue and the Stock Exchanges and a list of which is available at <a href="http://www.sebi.gov.in">http://www.sebi.gov.in</a> , or at such other website as may be prescribed by SEBI from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant / DP	A Depository Participant as defined in the Depositories Act.
Depository / Depositories	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time, in this case being CDSL and NSDL.
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Forms from the ASBA Applicants and a list of which is available on <a href="http://www.sebi.gov.in">www.sebi.gov.in</a> , or at such other website as may be prescribed by SEBI from time to time.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account or the Refund Account, as appropriate, or the amount blocked by the SCSBs is transferred from the ASBA Account specified by the ASBA Applicants to the Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Applicants.
Designated Market Maker(s) /	K.M. Jain Stock Brokers Private Limited and Intensive Softshare Private Limited



<b>Term</b>	<b>Description</b>
Market Maker(s)	
Eligible NRIs	NRIs from such jurisdiction outside India where it is not unlawful for our Company to make this Issue or an invitation under this Issue and in relation to whom the Draft Prospectus constitutes an invitation to subscribe to the Equity Shares issued herein.
Equity Shares	Equity Shares of our Company of face value of Rs. 10 each.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Applicant will issue cheque(s) or draft(s) in respect of the Application Amount when submitting an Application(s).
Escrow Agreement	Agreement to be entered into by our Company, the Registrar to the Issue, the LM and the Escrow Collection Bank(s) for collection of the Application Amounts and where applicable, refunds of the amounts collected from the Applicants (excluding ASBA Applicants) on the terms and conditions thereof.
Escrow Collection Bank(s)	The banks, which are registered with SEBI as Banker(s) to the Issue at which the Escrow Account for the Issue will be opened.
Indian GAAP	Generally Accepted Accounting Principles in India.
Issue / Issue Size / Initial Public Offer	Public Issue of 12,75,000 Equity Shares of Rs. 10/- each of Kavita Fabrics Limited ("KFL" or the "Company" or the "Issuer") for cash at a price of Rs. 40/- per Equity Share (including a share premium of Rs. 30/- per Equity Share) aggregating to Rs. 510 lakhs. The Issue will constitute 36.71% of the post issue paid up capital of the Company.
Issue Closing Date	The date on which the Issue closes for subscription.
Issue Opening Date	The date on which the Issue opens for subscription.
Issue Period	The period between the Issue Opening Date and the Issue Closing Date inclusive of both days and during which prospective Applicants may submit their application.
Issue Price	The price at which the Equity Shares are being issued by our Company under this Draft Prospectus being Rs. 40/-.
Issue Proceeds	Proceeds to be raised by our Company through this Issue.
Listing Agreement	Unless the context specifies otherwise, this means the Equity Listing Agreement to be signed between our company and the SME Platform of BSE Limited.
LM / Lead Manager	Lead Manager to the Issue, in this case being Intensive Fiscal Services Private Limited.
Market Makers Reservation Portion	The Reserved portion of 2,07,000 Equity shares of Rs. 10/- each at Rs. 40/- (including share premium of Rs. 30/-) per Equity Share aggregating to Rs. 82.80 Lakhs (Rupees Eight Two lakhs and Eighty Thousand Only) for Designated Market Makers in the Initial Public Offer of Kavita Fabrics Limited.
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Net Issue	The Issue (excluding the Market Maker Reservation Portion) of 10,68,000 Equity Shares of Rs. 10/- each at Rs. 40/- (including share premium of Rs. 30/-) per Equity Share aggregating to Rs. 427.20 Lakhs (Rupees Four Crores and Twenty Seven Lakhs and Twenty Thousand Only) by Kavita Fabrics Limited.
NIF	National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India.
Non-Institutional Investors	All Applicants that are not Qualified Institutional Buyers or Retail Individual Investors and who have Applied for Equity Shares for an amount more than Rs. 2,00,000.
OCB / Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trust in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or



Term	Description
	indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
Payment through electronic transfer of funds	Payment through NECS, NEFT or Direct Credit, as applicable.
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue opening and closing dates and other information
QIBs/ Qualified Institutional Buyers	As defined under the SEBI ICDR Regulations, including public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FII and sub-account (other than a sub-account which is a foreign corporate or foreign individual) registered with SEBI, multilateral and bilateral development financial institution, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with Insurance Regulatory and Development Authority, provident fund with minimum corpus of Rs. 2,500 lakhs, pension fund with minimum corpus of Rs. 2,500 lakhs, NIF and insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India
Refund Account(s)	Account(s) opened with the Refund Bank(s) from which refunds if any, of the whole or part of the Payment Amount shall be made to the Applicants (excluding ASBA Applicants)
Refunds through electronic transfer of funds	Refunds made through NECS, Direct Credit, NEFT or the ASBA process, as applicable
Refund Banker(s)	The bank(s) which is/ are clearing members and registered with the SEBI as Bankers to the Issue, at which the Refund Accounts will be opened, in this case being Axis Bank Limited.
Registrar/ Registrar to the Issue	Registrar to the Issue being Bigshare Services Private Limited.
Retail Individual Investors	Individual Applicants, or minors applying through their natural guardians, including HUFs (applying through their <i>Karta</i> ) and ASBA Applicants, who have Applied for an amount less than or equal to Rs. 2,00,000.
Revision Form	The form used by the Applicants to modify the quantity of Equity Shares in any of their Application Forms or any previous Revision Form(s)
Self Certified Syndicate Banks (SCSBs)	Shall mean a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of making Application/s Supported by Blocked Amount including blocking of bank account and a list of which is available on <a href="http://www.sebi.gov.in">www.sebi.gov.in</a> , or at such other website as may be prescribed by SEBI from time to time.
SCSB Agreement	The deemed agreement between the SCSBs, the LM, the Registrar to the Issue and our Company, in relation to the collection of Applicants from the ASBA Applicants and payment of funds by the SCSBs to the Public Issue Account.
SME Platform of BSE	The SME Platform of BSE for listing of equity shares offered under Chapter XB of the SEBI (ICDR) Regulations which was approved by SEBI as an SME Exchange on September 27, 2011.
Stock Exchange	Unless the context requires otherwise, refers to, the BSE Limited.
Underwriters	Intensive Fiscal Services Private Limited, K.M. Jain Stock Brokers Private Limited and Intensive Softshare Private Limited
Underwriting Agreement	The agreement dated December 10, 2012 to be entered into between the Lead Manager, Underwriter, Designated Market Makers and our Company.
Working Days	Unless the context otherwise requires: (i) Till the Application / Issue closing date: All days other than a Saturday, Sunday or a public holiday;



Term	Description
	(ii) Post the Application / Issue closing date: All days other than a Sunday or a public holiday And on which commercial banks in Mumbai are open for business in accordance with the SEBI circular no. CIR/CFD/DIL/3/2010 dated April 22, 2010.

#### *Industry Related Terms*

Term	Description
CSO	Central Statistical organisation
IIP	Index of Industrial Production
Ktpa	Kilo-Tonnes per Annum
MEG	Mono Ethylene Glycol
MMF	Man made Fibres
Mtrs.	Meters
MW	Megawatt
PTA	Purified Terephthalic Acid
Sq. Mtrs.	Square Meters
T&C	Textile and Clothes Industry
TFO	Two-for-One Twisting Machine
TPA/tpa	Tonnes Per Annum
TPM/tpm	Tonnes per Month
TUFS	Technology Upgradation Fund Scheme
TWRFS	Textile Workers Rehabilitation Fund Scheme
WPI	Wholesale Price Index
WTO	World Trade Organisation

#### *Conventional/General Terms/Abbreviations*

Abbreviation	Full Form
A/c	Account
ACS	Associate Company Secretary
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
Asst	Assistant
AY	Assessment Year; the period of twelve months commencing from the first day of April every year
Bn	Billion
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CFO	Chief Financial Officer
CIN	Corporate Identity Number
CPC	Centralized Processing Center
CRR	Cash Reserve Ratio
Companies Act	The Companies Act, 1956, as amended from time to time
CSO	Central Statistics Office





<b>Abbreviation</b>	<b>Full Form</b>
Depositories Act	The Depositories Act, 1996, as amended from time to time
DIN	Director's Identification Number
DMO	Debt Management Office, Ministry of Finance
DP	Depository Participant
EBIDTA	Earnings before Interest, Depreciation, Tax, Amortisation and extra-ordinary items
ECB	External Commercial Borrowings
ECS	Electronic Clearing System
EGM	Extra-ordinary General Meeting
EPS	Earnings per Share
ESIC	Employee's State Insurance Corporation
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations framed thereunder, as amended
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
FII	Foreign Institutional Investor, as defined under the FII Regulations and registered with the SEBI under applicable laws in India
FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended
FIPB	Foreign Investment Promotion Board
FY	Financial Year
FVCI	Foreign venture capital investor as defined in and registered under the FVCI Regulations
FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GoI/ Government	Government of India
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
IPO	Initial Public Offer
IRDA	Insurance Regulatory and Development Authority
I. T. Act	The Income Tax Act, 1961, as amended from time to time
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time
Ltd.	Limited
MoF	Ministry of Finance, Government of India
Merchant Banker	Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 as amended
MICR	Magnetic Ink Character Recognition
MoA	Memorandum of Association
MOU	Memorandum of Understanding
Mn	Million
MNC	Multi National Company
N.A.	Not Applicable
NAV	Net Asset Value being paid-up equity share capital plus free reserves (excluding





Abbreviation	Full Form
	reserves created out of revaluation, preference share capital and share application money) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of 'profit and loss account', divided by number of issued equity shares outstanding at the end of Fiscal.
NECS	National Electronic Clearing System
NEFT	National Electronic Fund Transfer
NBFC	Non-Banking Finance Company
NRE Account	Non-resident External Account
NRIs	Non-resident Indians
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NTA	Net Tangible Assets
OCB	Overseas Corporate Bodies
p.a.	Per annum
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
P/E Ratio	Price/Earnings Ratio
R & D	Research and Development
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended from time to time
RoNW	Return on Net Worth
` / ₹ / Rupees / INR / Rs.	Indian Rupees, the legal currency of the Republic of India
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time, including instructions and clarifications issued by SEBI from time to time
Sec.	Section
Securities Act	The U.S. Securities Act of 1933, as amended
SICA	Sick Industrial Companies (Special Provisions) Act, 1995, as amended from time to time
Sub-Account	Sub-accounts registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995, as amended.
sq.ft.	Square feet
sq.mtrs.	Square meters
TDS	Tax Deducted at Source
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003, as amended from time to time
ULIP	Unit Linked Insurance Plan
UoI	Union of India
U.S. GAAP	Generally accepted accounting principles in the United States of America
U.S. or US or U.S.A	The United States of America
VCFs	Venture Capital Funds as defined in and registered with SEBI under the VCF Regulations.
VCF Regulations	Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, as amended



Abbreviation	Full Form
Woking Days	All days except Saturday, Sunday and public holiday

Notwithstanding the following: -

- (i) In the section titled '*Main Provisions of the Articles of Association*' beginning on page 197 of the Draft Prospectus, defined terms shall have the meaning given to such terms in that section;
- (ii) In the section titled '*Financial Information*' beginning on page 126 of the Draft Prospectus, defined terms shall have the meaning given to such terms in that section; and
- (iii) In the chapter titled "*Statement of Possible Tax Benefits*" beginning on page 63 of the Draft Prospectus, defined terms shall have the meaning given to such terms in that chapter.



## PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

All references to “India” are to the Republic of India and all references to the “Government” are to the Government of India.

### ***Financial data***

Unless stated otherwise, the financial data which are included in the Draft Prospectus are derived from the restated financial statements of the Company, prepared in accordance with Indian GAAP and the SEBI (ICDR) Regulations.

The fiscal year of the Company commences on April 1st of each year and ends on March 31st of the next year. All references to a particular fiscal year are to the 12 month period ended March 31st of that year. In the Draft Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP, IFRS and US GAAP. The Company has not attempted to quantify their impact on the financial data included herein and urges you to consult your own advisors regarding such differences and their impact on the Company’s financial data. Accordingly to what extent, the financial statements included in the Draft Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices / Indian GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in the Draft Prospectus should accordingly be limited.

Any percentage amounts, as set forth in “Risk Factors”, “Business Overview”, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and elsewhere in the Draft Prospectus unless otherwise indicated, have been calculated on the basis of the Company’s restated financial statements prepared in accordance with Indian GAAP.

### ***Currency of presentation***

In the Draft Prospectus, references to “Rupees” or “₹” or “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “\$”, “US\$”, “USD”, “U.S. \$” or “U.S. Dollars” are to United States Dollars, the official currency of the United States of America.

All references to ‘million’ / ‘Million’ / ‘Mn’ refer to one million, which is equivalent to ‘ten lacs’ or ‘ten lakhs’, the word ‘Lacs / Lakhs / Lac’ means ‘one hundred thousand’ and ‘Crore’ means ‘ten millions’ and ‘billion / bn. / Billions’ means ‘one hundred crores’.

### ***Market and industry data***

Unless stated otherwise, industry data used throughout the Draft Prospectus has been obtained from industry publications including *inter alia* RBI and Ministry of Finance. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in the Draft Prospectus is reliable, it has not been verified by any independent source.

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



## FORWARD LOOKING STATEMENTS

We have included statements in the Draft Prospectus which contain words or phrases such as “will”, “aim”, “is likely to result in”, “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”. Similarly, statements that describe our objectives, strategies, plans or goals are also forward looking statements.

These forward-looking statements are based on our current plans and expectations and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations and our future financial condition and results of operations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- General economic and business conditions in the markets in which we operate and in the local, regional, national and international economies;
- Changes in laws and regulations relating to the sectors/areas in which we operate;
- The performance of the Indian and Global financial markets;
- Increased competition or other factors affecting the industry segments in which our Company operates;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch and implement various financial products;
- Our ability to meet our capital expenditure requirements and/or increase in capital expenditure;;
- Fluctuations in operating costs and impact on the financial results;
- Our ability to attract and retain qualified personnel;
- Changes in technology;
- Changes in political and social conditions in India, the monetary and interest rate policies of India and other countries, inflation, deflation, unanticipated turbulence in interest rates, equity prices or other rates or prices;
- Any adverse outcome in the legal proceedings in which we are involved.
- Market fluctuations and industry dynamics beyond our control;
- Occurrence of natural disasters or calamities affecting the areas in which we have operations;
- Conflicts of interest with affiliated companies, the promoter group and other related parties;
- Contingent liabilities, environmental problems and uninsured losses; and
- Changes in government policies and regulatory actions that apply to or affect our business;

For further discussion of factors that could cause our actual results to differ, see the section titled “*Risk Factors*” and chapter titled “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” beginning on pages 12 and 153 respectively of the Draft Prospectus.



## SECTION II - RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in the Draft Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with the section titled “*Business Overview*” beginning on page 78, “*Industry Overview*” beginning on page 70 and “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” beginning on page 148 and the section titled “*Financial Information*” beginning on page 126 as well as the other financial and statistical information contained in the Draft Prospectus. The risks and uncertainties described in this section are not the only risks and uncertainties we currently face. Additional risks and uncertainties not known to us or that we currently deem immaterial may also have an adverse effect on our business, financial condition and results of operations. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are risk factors where the effect is not quantifiable and hence the same has not been disclosed in such risk factors. In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of the Issue, including the risks involved.

### 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 have material impact in future.

### Internal Risk Factors

#### RISK RELATED TO OUR BUSINESS, COMPANY AND THE PROJECT

**1. *Our Company and Promoters are involved in certain legal proceedings and claims in relation to tax matters, which are pending at different stages before the statutory authorities.***

Our Company and Promoters are a party to certain litigations related to tax matters. No assurances can be given that these proceedings will be determined in our favour. A classification of the legal proceeding involving us and our Promoters and the monetary amount involved, wherever quantifiable, in these cases is mentioned in brief below:

Sr. No.	Nature of Litigation	Particulars	No. of cases	Aggregate amount ascertainable (Amount in Rs.)
1.	Income Tax Related	Cases involving our Company	1	12,100 (Refund)
2.	Income Tax Related	Cases involving our Promoters	1	12,110 (Refund)

For further details, please see “*Outstanding Litigations, Material Developments and Other Disclosures*” beginning on page 157 of the Draft Prospectus.

**2. *Our Company has not applied for VAT Registration required under Gujarat Value Added Tax Act, 2003 (GVAT Act), as amended. This may attract penalty in future.***

Fabrics are an exempted commodity under the GVAT Act, if additional excise duty is leviable in lieu of sales tax under the Additional Duties of Excise (Goods of Special Importance) Act, 1967. In our case, the yarns purchased by us are excise duty levied and hence, VAT on the fabrics manufactured by us is exempt from GVAT. As the product manufactured by our Company is not taxable under GVAT Act, hence we have not applied for the registration under the GVAT Act, even though the registration is applicable. Hence, we may be liable to penalty at the discretion of the authorities under GVAT Act.



**3. We require certain approvals, licenses, registrations and permits for our business, and the failure to obtain or renew them in a timely manner may adversely affect our operations.**

Our Company requires certain statutory and regulatory registrations, licenses, permits and approvals for our business. In future, we shall be required to renew such registrations and approvals and obtain new registrations and approvals for any proposed operations, including any expansion of existing operations. While we believe that we will be able to renew or obtain such registrations and approvals, as and when required, there can be no assurance that the relevant authorities will renew or issue any such registrations or approvals in the time frame anticipated by us or at all. Failure to obtain and renew such registrations and approvals with statutory time frame attracts penal provisions. If we are unable to renew, maintain or obtain the required registrations or approvals, it may result in the interruption of our operations and may have a material adverse effect on our revenues, profits and operations and profits. For further details see section on “*Government and Other Approvals*” beginning on page 159 of the Draft Prospectus.

**4. Our Company has applied for the registration under the Factories Act, 1948.**

Our Company has recently applied for the registration required under the Factories Act, 1948. Once our establishment falls within the purview of the Factories Act, 1948, we will be required to comply with the provisions of the said Act. Non-compliance of the same could eventually result in penalty being levied on us and prosecution.

**5. We have issued Equity Shares during the period of last one year at a price that may be below the Issue Price.**

We have issued certain Equity Shares to our Promoters, in the last twelve months, at a price that may be lower than the Issue Price. Details of such issuances are given in the table below:

Allotment Date	No. of Shares	Issue Price (Rs.)	Reason for Allotment
March 31, 2012	5,23,600	10	Business takeover pursuant to Share Swap Agreement

For Further details of equity shares issued, please refer to the section titled “*Capital Structure*” beginning on page 42 of the Draft Prospectus.

**6. We have not entered into any definitive arrangements to monitor the utilization of the Issue Proceeds.**

As per the SEBI ICDR Regulation 2009, appointment of monitoring agency is required only for Issue size above Rs. 50,000 lakhs. Hence we have not appointed any monitoring agency and the deployment of Issue Proceeds as stated in the “*Objects of the Issue*” on page 57 of the Draft Prospectus is not subject to monitoring by any independent agency. Major portion of the funds being raised through this Issue will be utilized for working capital requirements which are based on the management estimates.

**7. We propose to utilise a part of the Net Proceeds for general corporate purpose and our management will have the discretion to deploy the funds. In any case, the deployment towards general corporate purposes out of the IPO proceeds shall not exceed 25% from the said issue.**

We propose to utilise the Net Proceeds for purposes identified in the section titled “*Objects of the Issue*” and we propose to utilise the balance portion of the Net Proceeds towards general corporate purposes, namely, including but not restricted to for our working capital requirements, bank deposits, deposits for renting or otherwise acquiring business premises, margin money, acquiring business assets, starting new products, obtaining new or enabling accreditations and licenses, investment in business venture, strategic alignment, strategic initiatives as per the objects of the Company, expansion into new geographies, investment in securities, brand building exercises, strengthening of our production and marketing capabilities, implementing enterprise resource planning tools and methodology, in our operations and other project related investments and commitments and execution capabilities in order to strengthen our operations. The manner of deployment and allocation of such funds is entirely at the discretion of our management and our Board, subject to compliance with the necessary provisions of the Companies Act.



**8. Our Company has advanced Rs. 35 lakhs as application money towards purchase of land at Gujarat Eco Textile Up-Scale Park Ltd. (GETUP) located in Surat, Gujarat in FY 2010, but the land has still not been allotted to the Company.**

Our Company has advanced Rs. 35 lakhs as application money towards purchase of land at GETUP in Surat. The said land is proposed to be purchased so as to shift the operations from the existing units to GETUP. GETUP is the proposed hi-tech weaving and ancillary textile park. But, the land has still not been allotted and there is no certain date as to when we shall get the possession of the same. Further, there is no guarantee that the plot will be allotted to us. Any further delay may also cause that we may not go ahead with the deal and cancel our application.

**9. We are dependent on few customers. For the five months period ended August 31, 2012, our top 5 customers have contributed to 100% of our total revenues.**


We manufacture synthetic fabrics. We are significantly dependent on revenues from a limited number of customers and this trend may continue in the future. For the five months period ended August 31, 2012, our top 5 customers have contributed to 100% of our total sales. Our business is significantly dependent on maintaining relation with our customers. Our business and results of operations will be adversely affected if we are unable to develop and maintain a continuing relationship with certain of our key customers or develop and maintain relationships with other new customers. The loss of a significant customer or a number of significant customers may have a material adverse effect on our business prospects and results of operations.

**10. Our major revenues are derived from sales made to the states of Gujarat and Karnataka in India. Our growth strategy to expand into new geographic areas poses risks. We may not be able to successfully manage some or all of such risks, which may have a material adverse effect on our revenues, profits and financial condition.**

Our operations have been geographically concentrated in the states of Gujarat and Karnataka. Our business is therefore significantly dependent on the general economic condition and activity in the states in which we operate, and the central, state and local Government policies relating to textile industry. Although investment in the textile industry in the areas in which we operate has been encouraged, there can be no assurance that this will continue. We may expand geographically, and may not gain acceptance or be able to take advantage of any expansion opportunities outside our current markets. This may place us at a competitive disadvantage and limit our growth opportunities. We may face additional risks if we undertake operations in other geographic areas in which we do not possess the same level of familiarity as competitors. If we undertake operations of different product than those currently is; we may be affected by various factors, including but not limited to:

- Adjusting our products to different geographic areas;
- Obtaining the necessary materials and labour in sufficient amounts and on acceptable terms;
- Obtaining necessary Government and other approvals in time or at all;
- Failure to realize expected synergies and cost savings;
- Attracting potential customers in a market in which we do not have significant experience; and
- Cost of hiring new employees and absorbing increased costs.

**11. We have applied for registration of our name and logo but do not own the trademark legally as on date. We may be unable to adequately protect our intellectual property. Furthermore, we may be subject to claims alleging breach of third party intellectual property rights.**

We have applied for registration of our name and logo  under the provisions of the Trademarks Act, 1999 and do not own the trademark as on date. As such, we do not enjoy the statutory protections accorded to a registered trademark as on date. There can be no assurance that we will be able to register the trademark and the logo in future or that, third parties will not infringe our intellectual property, causing damage to our business prospects, reputation and goodwill. Further, we cannot assure you that any application for registration of our trademark in future by our Company will be granted by the relevant authorities in a timely manner or at all. Our efforts to protect our intellectual property may not be adequate and may lead to erosion of our business value and our operations could be





adversely affected. We may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. We may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect our intellectual property. For further details please refer to chapter titled “Government and Other Approvals” beginning on page 159 of the Draft Prospectus.

**12. We have experienced negative cash flows in previous years / periods. Any operating losses or negative cash flows in the future could adversely affect our results of operations and financial condition.**

The details of Cash flows of the Company as restated are as follows:

(Amount in Rs.)

Particulars	Year Ended March 31,					Five months period ended August 31, 2012
	2008	2009	2010	2011	2012	
Net Cash From / (Used in) Operating Activities	4,400	411,542	1,008,543	(5,232,952)	1,192,298	(1,494,757)
Net Cash From / (Used in) Investing Activities	-	(634,221)	(144,121)	160,000	(8,250)	(41,821,454)
Net Cash From / (Used in) Financing Activities	-	429,413	(146,258)	4,961,136	(1,397,863)	44,248,008

If the negative cash flow trend persists in future, our Company may not be able to generate sufficient amounts of cash flow to finance our Company’s working capital, make new capital expenditure, pay dividends, repay loans, make new investments or fund other liquidity needs which could have a material adverse effect on our business and results of operations.

**13. Our Company has not been engaged in trading activities as yet, but may do so in future.**

Our Company has not been engaged in trading activities since inception. But, in future our Company may engage in trading activities in fabrics or other textile related products.

**14. Our other incomes are significantly high when compared to our profits before tax as restated in past financial years.**

Our other incomes are significantly high in FY 2009 and FY 2010 as compared to our restated profits before tax. In FY 2009, it was 1143.90% of our restated profits before tax and in FY 2010 it was 62.56%. This was on account of interest income. However, the similar trend has not continued thereafter, we cannot assure that the same will not happen in future.

**15. We are subject to the restrictive covenants of banks in respect of the overdraft and other banking facilities availed from them.**

Our financing arrangements contain restrictive covenants whereby we are required to obtain approval from our lenders, regarding, among other things, issue of new capital, sale or purchase of fixed assets, extending finance to associate concerns. There can be no assurance that such consents will be granted or that we will be able to comply with the financial covenants under our financing arrangements. In the event we breach any financial or other covenants contained in certain of our financing arrangements, we may be required under the terms of such financing arrangements to immediately repay our borrowings either in whole or in part, together with any related costs. This may adversely impact our results of operations and cash flows. For further details on the overdraft and other banking



facilities, please see “*Financial Information – Annexure XII*” on page 139 and “*Financial Indebtedness*” on page 146 of the Draft Prospectus.

**16. Our Company is to comply with the terms and conditions/covenants laid down in license and approvals, non compliance of the same may affect our business operations.**

Our Company has obtained certain statutory licenses and approvals for the purpose of carrying our business, which contain terms and conditions/covenants, which are to be adhered to by our Company, in case our Company defaults in complying with the said terms and conditions/ covenants, we may be subjected to penal provisions and it may also lead to the cancellation of such licenses and approvals, which will adversely affect our business, financial conditions and results of operations.

**17. Our Promoters have provided security to our Bankers towards financial arrangement availed by our Company.**

Our Company has availed financial arrangement from our Bankers for which security in form of immovable properties owned by our Promoters has been provided. In case in future due to any circumstances, if these securities are withdrawn, our Bankers shall ask for new securities which the Company will have to arrange in future. This may have effect on our business and financial operations. For further details see chapter on “*Financial Indebtedness*” beginning on page 146 of the Draft Prospectus.

**18. At present, one of our Group Entities are engaged in similar line of business, which may create a conflict of interest, Further, we do not enjoy contractual protection by way of a non-compete or other agreement or arrangement with our Group Entities.**

One of our Group Entities M/s. Shiv Enterprises (Proprietorship firm of Mr. Shailesh Chandak) is involved in similar line of business as that of our Company i.e. manufacturing of synthetic fabrics from man-made yarns. However, till date the said firm manufactures products solely for our Company on a job-work basis. But, our Company has not signed any agreement / document with our Group Entity so as to confirm that it will not manufacture or sell products to others. Our Group Entity may expand their business in the future that may compete with us. The interests of this Group Entity may conflict with our Company’s interests and / or with each other. For further details, please refer to the chapter titled, “*Our Promoter Group and Group Entities*”, beginning on page 116 and the chapter titled ‘*Related Party Transactions*’ beginning on page 124 of the Draft Prospectus.

**19. Our Promoters and Directors may have interest in our Company, other than reimbursement of expenses incurred or remuneration.**

Our Promoters and Directors may be deemed to be interested to the extent of the Equity Shares held by them, or their relatives or our Group Entities, and benefits deriving from their directorship in our Company. Our Promoters are interested in the transactions entered into between our Company and themselves as well as between our Company and our Group Entities. For further details, please refer to the chapters titled “*Business Overview*” and “*Our Promoters*”, beginning on pages 78 and 111 respectively and the chapter titled “*Related Party Transactions*” on page 124 under chapter titled “*Financial Statements*” beginning on page 126 of the Draft Prospectus.

**20. We are dependent on our Individual Promoters, Mr. Harish Chandak, Mr. Shailesh Chandak, Mrs. Sarika Chandak and Mrs. Sudha Chandak for their expertise and market goodwill. Our separation, if any, from our Promoters may adversely affect our business.**

We are dependent on our Individual Promoters, Mr. Harish Chandak, Mr. Shailesh Chandak, Mrs. Sarika Chandak and Mrs. Sudha Chandak for their expertise and market goodwill and our separation from our Promoters may adversely affect our business. We believe that our Promoters lend strength to the trust and reliability reposed in us and enables us to attract and retain fresh talent. Our separation, if any, with our Promoters for any reasons whatsoever shall adversely affect our business and results of operations.

**21. If we are unable to retain the services of our key managerial personnel, our business and our operating results could be adversely impacted.**



We are dependent on our key managerial personnel for setting our strategic direction and managing our business. The loss of our key managerial personnel may materially and adversely impact our business, results of operations and financial condition.

**22. In the event there is any delay in the completion of the Issue, there would be a corresponding delay in the completion of the objects of this Issue which would in turn affect our revenues and results of operations.**

The funds that we receive would be utilized for the objects of the Issue as has been stated in the section “*Objects of the Issue*” on page 57 of the Draft Prospectus. The proposed schedule of implementation of the objects of the Issue is based on our management’s estimates. If the schedule of implementation is delayed for any other reason whatsoever, including any delay in the completion of the Issue, we may face time and cost overruns and this may affect our revenues and results of operations.

**23. We have not made any alternate arrangements for meeting our working capital requirements for the Objects of the Issue. Further we have not identified any alternate source of financing the ‘Objects of the Issue’. Any shortfall in raising / meeting the same could adversely affect our growth plans, operations and financial performance.**

As on date, we have not made any alternate arrangements for meeting our working capital requirements for the Objects of the Issue. We meet our capital requirements through our owned funds, internal accruals and debt. Any shortfall in our net owned funds, internal accruals and our inability to raise debt would result in us being unable to meet our capital requirements, which in turn will negatively affect our financial condition and results of operations. Further we have not identified any alternate source of funding and hence any failure or delay on our part to raise money from this issue or any shortfall in the issue proceeds may delay the implementation schedule and could adversely affect our growth plans. For further details please refer to the chapter titled “*Objects of the Issue*” beginning on page 57 of this Draft Prospectus.

**24. Our funding requirements and deployment of the issue proceeds are based on management estimates and have not been independently appraised by any bank or financial institution and actual cost may vary compared with the estimated amount.**

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and our current business plan. The fund requirements and intended use of proceeds have not been appraised by bank or financial institution and are based on our estimates. In view of the competitive and dynamic nature of our business, we may have to revise our expenditure and fund requirements as a result of variations including in the cost structure, changes in estimates and other external factors, which may not be within the control of our management. In the event of an increase in expenditure and increased fund requirements, we will seek to meet these increased requirements by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If such surplus funds are unavailable, we will seek to meet these increased requirements through our internal accruals and additional debt. This may entail rescheduling, revising or cancelling the planned expenditure and fund requirement and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our board. In addition, schedule of implementation as described herein are based on management’s current expectations and are subject to change due to various factors some of which may not be in our control. The deployment of the funds towards the objects of the issue is entirely at the discretion of the Board of Directors and is not subject to monitoring by external independent agency. However, the deployment of funds is subject to monitoring by our Audit Committee. Any inability on our part to effectively utilize the Issue proceeds could adversely affect our financials.

**25. We do not own the registered office and other premises from which we operate. Any dispute in relation to the lease of our premises would have a material adverse effect on our business and results of operations.**

We do not own the premises on which our registered office is situated. Our Company operates from rented and leased premises at various locations. If any of the owners of these premises do not renew the agreements or renews such agreements on terms and conditions that are unfavorable to our Company, it may suffer a disruption in our operations or we may have to pay increased rentals which could have a material adverse effect on our business,



financial condition and results of operations. For more information, please refer chapter titled “*Business Overview*” on page 78 the Draft Prospectus.

**26. We have high working capital requirements for our business operations. In case of our inability to obtain the requisite additional working capital facilities from the proposed IPO proceeds, our internal accruals/cash flows would be adversely affected, and consequently our operations, revenue and profitability.**

Our business requires a substantial amount of working capital for our business operations. We would require additional working capital facilities in the future to satisfy our working capital need which is proposed to be met through the IPO proceeds. In case of our inability to obtain the requisite additional working capital finance, our internal accruals/cash flows would be adversely affected to that extent, and consequently affect our operations, revenue and profitability.

**27. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Further, we cannot assure you that for the financing secured by us we will be able to continue servicing the principal amount, interest or both.**

We may require additional funds in connection with future business expansion and development initiatives. In addition to the Issue proceeds and our internally generated cash flow, we may need additional sources of funding to meet these requirements, which may include entering into new debt facilities with lending institutions or raising additional funds in the capital markets. If we decide to raise additional funds through the incurrence of debt, our interest obligations will increase, and we may be subject to additional covenants. Such financings could cause our debt to equity ratio to increase or require us to create charges or liens on our assets in favour of lenders. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Our failure to obtain sufficient financing could result in the delay or abandonment of any of our business development plans and this may affect our business and future results of operations.

**28. Post this Issue, our Promoters and Promoter Group shareholding will be diluted in our Company.**

Post this Issue, our Promoters and Promoter Group will collectively own only 35.92% of our Equity Share capital. Accordingly, our Company will run the risk of change in control in our Company or prevent a change in control in our Company, facilitate a merger, consolidation, takeover or other business combination involving our Company, or encourage potential acquirers from making an offer or otherwise attempting to obtain control over our Company even if it is not in its best interest.

**29. We have in past entered into related party transactions and may continue to do in future.**

We have entered into transactions with our Promoters, our Promoter Group, Group Entities, our Directors and their relatives. While we believe that all such transactions have been conducted on an arm’s length basis, there can be no assurance that we could not have achieved more favorable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we may enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. For further details, please refer to “*Annexure XVIII – Related Party Transactions*” of the “*Financial Information*” beginning on page 126 of this Draft Prospectus.

**30. We may not be able to sustain effective implementation of our business and growth strategies.**

The success of our business will depend greatly on our ability to effectively implement our business and growth strategies. We may not be able to execute our strategies in the future. Further, our growth strategies could place significant demand on our management team and other resources and would require us to continuously develop and improve our operational, financial and other controls, none of which can be assured. Any failure on our part to scale up our infrastructure and management could cause disruptions to our business and could be detrimental to our long-term business outlook.

**31. Fluctuating prices of raw materials may affect our operations.**



We procure raw materials, i.e., man-made yarns like polyester, nylon, etc. from domestic markets at the existing market rates. However, the prices of these materials are subject to rapid fluctuations owing to changes in demand-supply forces which are not within our control. Increase in prices shall lead to an increase in cost of production, thereby increasing the price of our final product. This would have an adverse impact on our business, financial conditions and results of operations.

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

Modernisation and technology upgradation is essential to reduce costs and increase the output. Our technology and machineries may become obsolete or may not be upgraded timely, hampering our operations and financial conditions and we may not have the competitive edge. Although we strive to keep our technology, plant and machinery in line with the latest technological standards, we may be required to implement new technology or upgrade the machineries and other equipment's employed by us. Further, the costs in upgrading our technology and modernizing the plant and machineries are significant which could substantially affect our finances and operations.

**33. Our manufacturing activities are dependent upon availability of skilled and unskilled labour.**

Our manufacturing activities are dependent on availability of skilled and unskilled labour. Non-availability of labour at any time or any disputes with them may affect our production schedule and timely delivery of our products to customers which may adversely affect our business and result of operations.

**34. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.**

We employ significant number of employees at our units. Though at present we enjoy a good relationship with our employees, we are unable to assure you that we will not experience disruptions to our operations due to disputes or other problems with our work force, which may lead to strikes, lock-outs or increased wage demands. Such issues could have adverse effect on our business, and results of operations.

**35. We have not entered into any technical support service for the maintenance and smooth functioning of our equipment's and machineries, which may affect our performance.**

Our manufacturing processes involve daily use of technical equipment's and machineries. They require periodic maintenance checks and technical support in an event of technical breakdown or malfunctioning. Our company has not entered into any technical support service agreements with any competent third party. Our failure to reduce the downtime in case such events occur may adversely affect our productivity, business and results of operations.

**36. The loss of or shutdown of operations at our production facilities may have a material adverse effect on our business, financial condition and results of operations.**

The breakdown or failure of our equipments and/ or civil structure can disrupt our production schedules, resulting in performance being below expected levels. In addition, the development or operation of our facilities may be disrupted for reasons that are beyond our control, including explosions, fires, earthquakes and other natural disasters, breakdown, failure or sub-standard performance of equipment, improper installation or operation of equipment, accidents, operational problems, transportation interruptions, other environmental risks, and labour disputes. Our production facilities are also subject to mechanical failure and equipment shutdowns. Our machineries may be susceptible to malfunction. If such events occur, the ability of our facilities to meet production targets may be adversely affected which may affect our business, financial condition and results of operations.

**37. The shortage or non-availability of power may adversely affect the manufacturing processes and our performance may be affected adversely.**



Our manufacturing processes requires substantial amount of power. Our manufacturing facilities may face power interruptions due to power cuts and as a result our operations or financial condition may be adversely affected. Further the Company does not have any alternate source of power arrangement.

**38. Our business is dependent on the availability/ supply and cost of raw materials. Any significant increase in the prices or decrease in the availability of these raw materials may adversely affect our results of operations.**

Our main raw materials are namely man-made yarns like nylon, polyester, etc. As on date we do not have any long term tie-up or agreements for supply of these raw materials. Any decrease in the availability of these raw materials for whatever reason, including climatic change, could adversely affect our sales and profitability. Further, any price volatility of these raw materials and our inability to adjust to the same could adversely affect our results of operations and profitability.

**39. Our Company does not have any long-term contracts with our customers which may adversely affect our results of operations.**

Our Company has not entered into long-term contracts with any of our dealers nor do we have any marketing tie-up for our products with any of our traders. Any change in the buying pattern of our customers can adversely affect the business of our Company. Our inability to sell our existing products may adversely affect our business and profitability in future.

**40. We could be harmed by employee misconduct or errors that are difficult to detect and any such incidences could adversely affect our financial condition, results of operations and reputation.**

Employee misconduct or errors could expose us to business risks or losses, including regulatory sanctions and serious harm to our reputation. There can be no assurance that we will be able to detect or deter such misconduct. Moreover, the precautions we take to prevent and detect such activity may not be effective in all cases. Our employees and agents may also commit errors that could subject us to claims and proceedings for alleged negligence, as well as regulatory actions on account of which our business, financial condition, results of operations and goodwill could be adversely affected.

**41. As a manufacturing business, our success depends on the smooth supply and transportation of our products from our manufacturing facilities to our customers. Supply and transportation are subject to various uncertainties and risks, and delays in delivery or non delivery may result in rejected or discounted deliveries.**

We depend on transportation services to deliver our products from our manufacturing facilities to our customers. We rely on third parties to provide such services. Disruptions of transportation services because of weather related problems, strikes, lock-outs, inadequacies in road infrastructure or other events could impair our procurement of raw materials and our ability to supply our products to our customers which in turn may adversely affect our business operations and our financial condition.

**42. We face competition in our business from organized and unorganized players, which may adversely affect our business operation and financial condition.**

The market for our products is competitive on account of both the organized and unorganized players. Players in this industry generally compete with each other on key attributes such as quality of products, distribution network, pricing and timely delivery. Some of our competitors may have longer industry experience and greater financial, technical and other resources, which may enable them to react faster in changing market scenario and remain competitive. Moreover, the unorganized sector offers their products at highly competitive prices which may not be matched by us and consequently affect our volume of sales and growth prospects. Growing competition may result in a decline in our market share and may affect our margins which may adversely affect our business operations and our financial condition.





**43. Our insurance coverage may not be adequate to protect us against certain operating hazards and this may have a material adverse effect on our business.**

Operating and managing a business involves many risks that may adversely affect our operations and the availability of insurance is therefore important to our operations. In addition, our Company cannot be certain that the existing coverage will be available in sufficient amounts to cover one or more large claims, or that our insurers will not disclaim coverage as to any claims. A successful assertion of one or more large claims against our Company that exceeds our available insurance coverage or that leads to adverse changes in our insurance policies, including premium increases or the imposition of a large deductible or coinsurance requirement, could adversely affect our financial condition and results of operations. Our Company has not availed keyman insurance policies and business interruption / loss of profits insurance cover.

**44. We may decide not to proceed with the Issue at any time before Allotment. If we decide not to proceed with the Issue after the Issue Opening Date but before Allotment, the refund of Application amounts deposited will be subject to us complying with our obligations under applicable laws.**

We, in consultation with the Lead Manager, reserve the right not to proceed with the Issue at any time before the Allotment. If we withdraw the Issue after the Issue Opening Date, we will be required to refund all Application amounts deposited within 8 days of the Issue Closing Date. We shall be required to pay interest at the rate of 15% per annum on the Application amounts received if refund orders are not dispatched within 8 days from the Issue Closing Date. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval.

**45. If there is any future issue of Equity Shares it may dilute your shareholding and sale of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.**

Any future equity issues by us, including a primary offering, may lead to the dilution of investors' shareholdings in the Company. Any future equity issuances by us or sale of Equity Shares by the Promoters may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

**46. Our Company has not paid any dividends till now and there can be no assurance that we will pay dividends in future. Our ability to pay dividends in the future will depend upon a variety of factors such as future earnings, financial condition, cash flows, working capital requirements, and restrictive covenants in our financing arrangements.**

Our Company has not paid any dividends till now and there can be no assurance that we will pay dividends in future. Our ability to pay dividends in the future will depend on our earnings, financial condition and capital requirements. Dividends distributed by us will attract dividend distribution tax at rates applicable from time to time. There can be no assurance that we will generate sufficient income to cover our operating expenses and pay dividends to our shareholders, or at all. Our ability to pay dividends could also be restricted under the existing or certain financing arrangements that we may enter into.

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

The Issue price based on numerous factors and may not be indicative of the market price for our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. There can be no assurance that you will be able to resell your Shares at or above the Issue Price. Among the factors that could affect our Share price are: quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net profit and income; changes in income or earnings estimates or publication of research reports by analysts; speculation in the press or investment community; general market conditions; and domestic and international economic, legal and regulatory factors unrelated to our performance.





**48. You will not be able to sell immediately on stock exchange any of the Equity Shares you purchase in the Issue.**

Under the SEBI (ICDR) Regulations, we are permitted to allot equity shares within 12 days of the Issue Closing Date. Consequently, the Equity Shares you purchase in the Issue may not be credited to your demat account with Depository Participants until approximately 12 days after the Issue Closing Date. You can start trading in the Equity Shares only after they have been credited to your demat account and final listing and trading approvals are received from the Stock Exchanges. There can be no assurance that final listing and trading approvals will be obtained from the Stock Exchanges on time or at all. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence within the specified time periods.

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

Earlier to this Issue, there has been no public market for our Equity Shares. Intensive Fiscal Services Private Limited is the Lead Manager whereas Intensive Softshare Private Limited and K.M Jain Stock Brokers Private Limited are the Market Makers for the Issue. However, the trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, the Indian Capital Markets, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments.

In addition, if the stock markets experience a loss of investor confidence, the trading price of our Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of our Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could materially affect the price of our Equity Shares. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue. For further details of the obligations and limitations of Market Makers please refer to the section titled "*General Information – Details of the Market Making Arrangement for this Issue*" on page no. [●] of this Draft Prospectus.

**50. There are certain restrictions on daily movements in the price of the Equity Shares, which may adversely affect shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.**

Subsequent to the Issue, we will be subject to a daily "circuit breaker" imposed by BSE, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based, market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers will be set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The BSE may not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker will limit the upward and downward movements in the price of the Equity Shares. As a result of imposing circuit limit, no assurance can be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

**51. There is no guarantee that the Equity Shares issued pursuant to the Issue will be listed on the SME Platform of BSE in a timely manner, or at all.**

In terms of Chapter XB of the SEBI (ICDR) Regulations, 2009, as amended from time to time, we are not required to obtain any in-principle approval for listing of shares issued. We have only applied to BSE Limited to use its name as the Stock Exchange in this offer document for listing our shares on the SME Platform of BSE. In accordance with Indian law and practice, permission for listing and trading of the Equity Shares issued pursuant to the Issue will not



be granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the SME Platform of BSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

#### ***External Risk Factors***

**52. Unfavorable changes in legislation, including tax legislation, or policies applicable to us could adversely affect our results of operations.**

The Finance Minister has presented the Direct Tax Code Bill, 2010 (“DTC Bill”) on August 30, 2010, which is proposed to be effective from April 1, 2013. On the finalisation of the DTC Bill and on obtaining the approval of the Indian Cabinet, the DTC Bill will be placed before the Indian Parliament for its approval and notification as an Act of Parliament. Accordingly, it is currently unclear what effect the Direct Tax Code would have on our financial statements. If the DTC Bill is passed in its entirety and we are affected, directly or indirectly, by any provision of the Direct Taxes Code, or its application or interpretation, including any enforcement proceedings initiated under it and any adverse publicity that may be generated due to scrutiny or prosecution under the Direct Taxes Code, it may have a material adverse effect on our business, financial condition and results of operations. In addition, upon the passing of the Companies Bill 2012 by the Indian legislature the regulatory framework may undergo a change which may affect our operations.

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

We are subject to various regulations and policies. For details see section titled “*Key Industry Regulations and Policies*” beginning on page 87 of the Draft Prospectus. Our business could be materially affected by changes in any of these regulations and policies, including the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. There can be no assurance that we will succeed in obtaining all requisite regulatory approvals in the future for our operations or that compliance issues will not be raised in respect of our operations, either of which would have a material adverse affect on our business, financial condition and results of operations.

**54. All of our business functions are operated from India and a decrease in economic growth in India could cause our business to suffer.**

We operate all our business functions from India and, consequently, our performance and the quality and growth of our business are dependent on the health of the economy of India. The Indian economy had a sustained growth over the last decade. However, the economy may be adversely affected by factors such as adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities or interest rates changes, which may also affect the microfinance industry. Any such factor may contribute to a decrease in economic growth in India which could adversely impact our business and financial performance.

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

Unstable internal and international political environment could impact the economic performance in both the short term and the long term. The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced polices and taken initiatives that support continued economic liberalization. The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the Indian economy. Our Company’s business, and the market price and liquidity of the Equity Shares, may be affected by changes in interest rates, changes in Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

**56. Foreign investors are subject to foreign investment restrictions under Indian law that limits our ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.**



Under the foreign exchange regulations currently in force in India, transfers of shares between nonresidents and residents are freely permitted (subject to certain exceptions) if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions referred to above, then the prior approval of the RBI will be required. Additionally, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no objection/ tax clearance certificate from the income tax authority. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

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

Terrorist attacks may cause damage or disruption to our company, our employees, our facilities and our customers, which could impact our sales and results from operations. Any future terrorist attacks, the national and international responses to terrorist attacks, or other acts of war or hostility may cause greater uncertainty and cause our business to suffer in ways that we currently cannot predict.

**58. The proposed adoption of IFRS could result in our financial condition and results of operations appearing materially different than under Indian GAAP.**

We may be required to prepare annual and interim financial statements under IFRS in accordance with the roadmap for the adoption of, and convergence with, IFRS announced by the Ministry of Corporate Affairs, GoI. The convergence of certain Indian Accounting Standards with IFRS was notified by the Ministry of Corporate Affairs on February 25, 2011. The date of implementing such converged Indian accounting standards has not yet been determined, and will be notified by the Ministry of Corporate Affairs in due course after various tax-related and other issues are resolved. Our financial condition, results of operations, cash flows or changes in shareholders' equity may appear materially different under IFRS than under Indian GAAP. This may have a material effect on the amount of income recognised during that period and in the corresponding period in the comparative period. In addition, in our transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems.

**59. The extent and reliability of Indian infrastructure could adversely affect our results of operations and financial condition.**

India's physical infrastructure is less developed than that of many developed countries. Any congestion or disruption in its port, rail and road networks, electricity grid, communication systems or any other public facility could disrupt our normal business activity. Any deterioration of India's physical infrastructure would harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations, which could have an adverse effect on our results of operations and financial condition.

**Prominent Notes to Risk Factors**

- A. Investors may contact the Lead Manager for complaints, information, clarifications or complaints pertaining to the Issue.
- B. Public issue of 12,75,000 Equity Shares of Rs. 10/- each of the Company for cash at a price of Rs. 40/- per Equity Share aggregating to Rs. 510 lakhs. The Issue will constitute 36.71% of the fully diluted post-Issue Equity Share capital of the Company.
- C. The net worth of the Company was Rs. 575.41 Lakhs as of August 31, 2012, as per the restated financial statements of the Company prepared in accordance with Indian GAAP and restated in accordance with SEBI (ICDR) Regulations. For more information, see the section titled "Financial Statements" beginning on page 126 of the Draft Prospectus.



D. The average cost of acquisition per Equity Share by our Promoters is:

Name of Promoter	Average cost (In Rs.)
Mr. Harish Chandak	12.23
Mr. Shailesh Chandak	38.09
Mrs. Sarika Chandak	8.35
Mrs. Sudha Chandak	1.87

The average cost of acquisition of Equity Shares held by our Promoters, which has been calculated by taking average amount paid by them to acquire our Equity Shares issued by the Company, including bonus shares.

- E. The book value per Equity Share of Rs. 10/- each was Rs. 26.18 as of August 31, 2012, as per the restated financial statements of the Company prepared in accordance with Indian GAAP and restated in accordance with SEBI (ICDR) Regulations. For more information, see the section titled “*Financial Statements*” beginning on page 126 of the Draft Prospectus.
- F. Except as disclosed in the section “*Objects of the Issue*”, “*Our Promoter Group and Group Entities*” and “*Our Management*” beginning on pages 57, 116 and 97 of the Draft Prospectus, respectively, none of the Promoters, Directors or Key management personnel have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner or trustee and to the extent of the benefits arising out of such shareholding.
- G. For details of the related party transactions, including details of transactions between the Company with its Directors, Key Managerial Persons, Promoters, Group companies and the cumulative value of such transactions, see section “*Related Party Transactions*” on page 124 of the Draft Prospectus.
- H. For information on changes in the Company’s name and changes in objects clause of the Memorandum of Association of the Company, see the section titled “*History and Certain Corporate Matters*” beginning on page 94 of the Draft Prospectus.
- I. Neither a member of the Promoter Group nor a Director nor any relative of any Director has financed the purchase by any other person of any securities of the Company during the six months immediately preceding the date of the Draft Prospectus.
- J. Other than as stated in the section titled “*Capital Structure*” on page 42 of the Draft Prospectus, the Company has not issued any Equity Shares for consideration other than cash.
- K. The Issue is being made in terms of regulation 106M (1) of SEBI (ICDR) Regulations, 2009, as amended. This being a fixed price issue, the allocation in the net offer to the public category shall be made as per sub clause (4) of Regulation 43 of the SEBI (ICDR) Regulations, 2009, as amended. For further details, please refer to the section titled “*Issue Structure*” beginning on page 178 of the Draft Prospectus.
- L. Investors may note that in case of over-subscription in the Issue, allotment to Retail applicants and other applicants shall be on a proportionate basis. For more information, see the paragraph titled “*Issue Procedure – Basis of Allotment*” beginning on page 185 of the Prospectus.
- M. Trading in Equity Shares for all investors shall be in dematerialized form only.



## SECTION III: INTRODUCTION

### SUMMARY OF OUR INDUSTRY

#### **Indian Textile Industry**

The Indian Textile Industry is one of the leading industries in the world. Liberalisation of the Indian economy in 1991 gave the much-needed thrust to the Indian economy, which is now turning out to be the largest in the world.

The Indian Textiles Industry has a vast presence in the economic life of the country. Apart from providing the basic necessities of life, it also plays a significant role through its contribution to various macro-economic factors of the country. At present, it contributes about 14% to industrial production, 4% to the Gross Domestic Product (GDP), and 17% to the country's export earnings. It is also one of the largest sectors in the country in terms of employment generation. It provides direct employment to over 35 million people, which includes a substantial number of Schedule Caste / Schedule Tribe, and women. It not only generates job in this industry but also opens up space in other ancillary sectors. Its proximity to agriculture and the ancient culture and tradition of country also make the Indian textiles sector unique compared to the textiles industry of other countries.\*

The Indian textile industry is one of the largest contributors to Indian exports. A report on increasing India's manufacturing exports submitted by the Working Group constituted by the Planning Commission during the XIIth Five Year Plan (2012-17), envisages India's exports of Textiles and Clothing at \$32.35 billion by the end of the XIth Five Year plan, against the earlier target of \$55 billion envisaged in the Report of Working Group on Textiles for the XIth Five Year Plan and based on historic growth rate of 10%, Compounded Annualised Growth Rate (CAGR). A business-as-usual approach will result in exports of \$52 billion by the end of the XIth Plan. An export target of \$65 billion and creation of 25 million additional jobs has been proposed with a CAGR of 15% during the XII Plan.\*

The Indian textiles industry is extremely varied. It includes hand-spun and hand-woven sector on one hand and capital intensive, sophisticated mill sector on the other. Powerlooms / hosiery and knitting sectors are also some of the largest sections of the Textiles sector. The major sub-sectors that comprise the textiles sector include the organized Cotton/Man-Made Fibre Textiles Mill Industry, the Man-Made Fibre / Filament Yarn Industry, the Wool and Woolen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

*\*Source: Ministry of Textiles, Annual Report – 2011-12*

#### **Man-made Fibre Textiles**

The man-made fibre textile industry is one of the largest organized industries in the country in terms of employment and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes and chemicals.

#### **Textile Industry of Surat**

Surat is known as the textile city of Gujarat. The textile industry is one of the oldest and the most widespread industries in Surat. A major part of the city's population is associated with the textile industry. The textile industry in Surat is mainly engaged in the activities of yarn production, weaving, processing as well as embroidery. Surat is well known for its synthetic products market. It is mainly engaged in the production and trading of synthetic textile products. Nearly 30 million metres of raw fabric and 25 million metres of processed fabric are produced in Surat daily. The city has several textile markets that exist since times immemorial. Zampa Bazaar, Bombay Market, JJ Textile Market and Jash Market are among them. Katat Gam, Magdalla and Udhana are the areas in Surat where manufacturing is mainly concentrated. In the course of time, people from various other places like Rajasthan and Kolkata have settled in Surat in order to carry out their textile business. The famous brands of Garden and Vimal textiles evolved from Surat. A few other brands like Parag and Prafful from Surat became famous within a short time. The main market for Surat's textile products are India and other Asian countries. Around 90% of polyester used in India comes from Surat. The Middle East is the major export market for Surat's textile products. The Surat



textile industry has grown considerably over time. As per recent figures, textile production in Surat has grown by 10% in the last 5 years, while the market for embroidery has grown from an almost negligible amount to around Rs. 30,000 million over the same period. One of the main reasons behind the growth of Surat's textile industry is the city's ability to adapt to changes and the latest trends. The city is quick to respond to any changes in the preference of people. The industrialists here have strong entrepreneurial skills.

### **Indian Ethnic Wear**

The Indian ethnic wear is a major source of demand for metallic yarns. Zari, brocade etc are used extensively in these segments. Apart from clothing, Indian footwear in the form of bordered and embroidered chappals uses metallic yarns. The old kolhapuri chappal has also been innovated upon.

As per Technopak Advisors, the size of the ethnic wear market in India is pegged at Rs 56,800 crore as of 2010-2011. The size of the salwar kameez and saree market is estimated at Rs 20,700 crore and Rs 28,900 crore, respectively. This segment remains mostly unorganized with 90% of the ethnic wear market being unorganized. The market is estimated to grow at 10% annually between 2012 and 2015.

### **Future Looks Bright**

The demand for man-made fibres depends on the demand for yarns and fabrics, which in turn depends upon the consumption of finished textiles viz. apparel and made-ups. Thus, in order to determine the future requirements for man-made fibres/ filament yarns, we first need to assess demand for fabrics and finished textiles made from man-made fibres, both for the domestic market as well as exports.



## SUMMARY OF OUR BUSINESS

Incorporated in 2005, our Company established its manufacturing unit at Surat (Gujarat) in 2008, mainly with the object of manufacturing synthetic fabrics from man-made yarns by using weaving technology. Our Company has its registered office and manufacturing units in Surat, India. Our Company started commercial production in 2008. Our Company, under the guidance of experienced promoters, initially installed 12 jacquard power looms to manufacture synthetic fabrics from man-made yarns in 2008. Thereafter, in the year 2012, our Company increased its production capacity by purchasing additional 24 jacquard power looms. Currently, our Company owns 36 jacquard power looms to undertake the weaving of the synthetic fabrics from man-made yarns.

Currently, our Company manufactures synthetic fabrics in the form of semi-finished sarees and dress materials. These products are offered in various designs as per customer requirements. Semi-finished sarees and dress materials manufactured by our Company are further processed by our customers before selling to the end-users. The main raw material for our product is man-made yarn, which is sourced from local markets.

Our Company based on its experience and its standards, conforms to major specifications and customer requirements. We firmly believe in benchmark product quality, customer centric approach, people focus, ethical business practices and good corporate citizenship. We draw our strength from an age old tradition of quality products.

Our on-going manufacturing units are equipped with all equipment and facilities for manufacturing synthetic fabrics, including jacquard power looms alongwith all the other allied equipments. For more details on the Equipments owned by the Company, please refer the para titled “Equipments” later in this chapter.

### ***Our Strengths***

#### **1. Experienced Promoters backed by strong management team**

Our management team combines youth and experience to outline plans for the future development of the company. Our management team together between them have several years of experience in textile industry. Our executive directors have almost 55 years of combined experience in the textile industry. We believe that their strong technical experience and industry networks will help us grow our business operations and in achieving our key business strategies.

For further details regarding the experience and qualifications of our management and promoters please refer to the sections titled “Our Management”, “Our Promoters” and “Our Promoter Group and Group Entities” beginning on pages 97, 111 and 116 of this Draft Prospectus respectively.

#### **2. Existing customer relationship**

We believe that we constantly try to address customer needs around a variety of products. Our existing customer relationships help us to get repeat business from our customers. This has helped us maintain a long term working relationship with our customers and improve our customer retention strategy. We have existing customer relationships with companies which get us repeat orders. We believe that our existing relationship with our customers represents a competitive advantage in gaining new customers and increasing our business.

#### **3. Fully Integrated Manufacturing Facility**

Our manufacturing unit is fully integrated and self sufficient. The raw materials and consumables are readily available. Further, all other utilities like power and human resources have posed no hurdle till date. All the equipments required for manufacturing the synthetic fabrics are in place. Our manufacturing unit undertakes the entire process of manufacturing the synthetic fabrics; which begins from yarn twisting upto weaving and packing of the finished product. For further details on the list of equipments owned by our Company, please refer the para “Equipments” on page [●] of the Draft Prospectus.

#### **4. Existing relationship with suppliers**





We have manufactured synthetic fabrics for our customers. We have acquired raw materials from several suppliers and have contacts with them for a long time. We believe that our strong relationships with suppliers will enable us to continue to grow our business. Due to our relationships with our suppliers, we get quality and timely supplies of raw materials. This enables us to manage our inventories and supply quality products on timely basis to our customers. This in turn has enabled us to generate repeat business.

### ***Our Business Strategy***

#### **1. Improving operational efficiencies**

Our Company intends to improve efficiencies to achieve cost reductions so that they can be competitive. We believe that this can be done through domestic presence and economies of scale. Increasing our penetration in existing regions with new range of products, will enable us to penetrate into new catchment areas within these regions and optimize our infrastructure. As a result of these measures, our Company will be able to increase its market share and profitability.

#### **2. Leveraging our Market skills and Relationships**

This is a continuous process in our organization and the skills that we impart in our people give importance to customers. We aim to do this by leveraging our marketing skills and relationships and further enhancing customer satisfaction. We plan to increase our customers by meeting orders in hand on time, maintaining our customer relationship and renewing our relationship with existing buyers.

#### **3. Focus on consistently meeting quality standards**

Our Company intends to focus on adhering to the quality standards of the products. This is necessary so as to make sure that we get repeat orders from our customers. This will also aid us in enhancing our brand value.

#### **4. Enhance customer base by entering new geographies to establish long-term relationships**

We intend to cater to the increasing demand of our existing customers and also to increase our existing customer base by enhancing the distribution reach of our products in different parts of the country. Our Company operates out of Surat, Gujarat in India. We propose to increase our marketing and sales team which can focus in different regions and also maintain and establish relationship with customers. Enhancing our presence in additional regions will enable us to reach out to a larger population. Further, our Company believes in maintaining long term relationships with our customers in terms of increased sales. We aim to achieve this by adding value to our customers through innovation, quality assurance and timely delivery of our products.



## SUMMARY OF OUR FINANCIALS

The following summary of financial data has been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations, 2009 and restated as described in the Auditor's Report in the section titled "Financial Statements". You should read this financial data in conjunction with our financial statements for Financial Year 2008, 2009, 2010, 2011, 2012 and for the five months period ending August 31, 2012 including the notes thereto and the reports thereon, which appears under the chapter titled "Financial Statements" and chapter titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations" beginning on pages 126 and 148 of the Draft Prospectus.

### STATEMENT OF ASSETS AND LIABILITIES AS RESTATED (In Rupees)

Sr. No.	Particulars	As At March 31,					As At August 31, 2012
		2008	2009	2010	2011	2012	
<b>A</b>	<b>Non Current Assets</b>						
	a. Fixed Assets						
	i. Tangible Assets	-	634,221	778,342	614,287	677,112	2,495,671
	Less: Depreciation	-	(108,738)	(251,283)	(288,446)	(363,634)	(510,012)
	<i>Net Block</i>	-	<b>525,483</b>	<b>527,059</b>	<b>325,841</b>	<b>313,478</b>	<b>1,985,659</b>
	ii. Capital Work In Progress	-	-	-	-	-	-
	iii. Intangible Assets under development	-	-	-	-	-	-
	b. Non Current Investment	-	-	-	-	-	39,999,926
	c. Deferred Tax Asset	-	3,167	30,219	13,359	-	30,499
	d. Long Term Loans & Advances	-	26,330	33,720	3,505,050	3,528,998	3,555,498
	e. Other Non Current Assets	-	-	-	-	-	-
	<b>Total Non Current Assets</b>	-	<b>554,980</b>	<b>590,998</b>	<b>3,844,250</b>	<b>3,842,476</b>	<b>45,571,582</b>
<b>B</b>	<b>Current Assets</b>						
	a. Inventories	-	2,835,333	2,590,252	2,545,772	7,009,300	6,138,740
	b. Trade Receivables	-	1,389,885	2,023,286	3,060,036	6,177,053	12,768,267
	c. Cash and Cash Equivalents	1,800	208,534	926,698	814,882	601,067	1,532,864
	d. Short Term Loans & Advances	5,000,000	1,711,250	1,084,058	2,251,602	-	3,036,123
	e. Other Current Assets	160,600	128,480	96,360	64,240	32,120	18,737
	<b>Total Current Assets</b>	<b>5,162,400</b>	<b>6,273,482</b>	<b>6,720,654</b>	<b>8,736,532</b>	<b>13,819,540</b>	<b>23,494,731</b>
<b>C</b>	<b>Non Current Liabilities</b>						
	a. Long Term Borrowings	-	-	-	-	-	890,748
	b. Deferred Tax Liabilities	-	-	-	-	17,441	-
	<b>Total Non Current Liabilities</b>	-	-	-	-	<b>17,441</b>	<b>890,748</b>
<b>D</b>	<b>Current Liabilities</b>						
	a. Short Term Borrowings	50,000	131,247	-	5,192,213	3,870,863	2,218,359
	b. Trade Payables	-	545,677	793,113	576,001	1,672,484	6,726,247
	c. Other Current Liabilities	12,400	1,024,637	1,209,725	1,261,037	428,816	961,173
	d. Short Term Provisions	-	2,686	45,778	80,225	293,832	710,402
	<b>Total Current Liabilities</b>	<b>62,400</b>	<b>1,704,247</b>	<b>2,048,616</b>	<b>7,109,476</b>	<b>6,265,995</b>	<b>10,616,181</b>



Sr. No.	Particulars	As At March 31,					As At August 31, 2012
		2008	2009	2010	2011	2012	
<b>E</b>	<b>Net Worth (A+B-C-D)</b>	<b>5,100,000</b>	<b>5,124,215</b>	<b>5,263,036</b>	<b>5,471,306</b>	<b>11,378,580</b>	<b>57,559,384</b>
<b>F</b>	<b>Represented by</b>						
	Share Capital	5,100,000	5,100,000	5,100,000	5,100,000	10,676,020	21,979,020
	Reserves & Surplus	-	24,215	163,036	371,306	702,560	35,580,364
	<b>Net Worth</b>	<b>5,100,000</b>	<b>5,124,215</b>	<b>5,263,036</b>	<b>5,471,306</b>	<b>11,378,580</b>	<b>57,559,384</b>

**STATEMENT OF PROFIT & LOSSES AS RESTATED (In Rupees)**

Sr. No.	Particulars	For The Year Ended March 31,					For the five months period ended August 31, 2012
		2008	2009	2010	2011	2012	
<b>A</b>	<b>INCOME</b>						
	Revenue from Operations	-	5,441,845	13,359,463	22,542,676	31,282,902	22,693,395
	Other Income	-	348,405	99,062	80,697	-	97,618
	<b>Total Income</b>	<b>-</b>	<b>5,790,250</b>	<b>13,458,525</b>	<b>22,623,373</b>	<b>31,282,902</b>	<b>22,791,013</b>
<b>B</b>	<b>EXPENDITURE</b>						
	Cost of materials consumed	-	4,138,607	6,213,997	14,231,388	20,106,030	14,434,280
	Purchase of stock-in-trade	-	-	-	-	-	-
	Changes in inventories of Finished goods, traded goods and work-in-progress	-	(2,106,414)	721,694	(262,737)	(1,422,434)	(649,186)
	Employee benefit expenses	-	589,379	1,070,845	1,417,086	1,473,668	1,160,056
	Finance costs	-	824	-	165,224	377,273	281,833
	Depreciation and amortisation expense	-	108,738	142,545	118,440	75,188	148,030
	Other Expenses	-	3,028,658	5,151,085	6,602,537	9,657,153	6,083,346
	<b>Total Expenses</b>	<b>-</b>	<b>5,759,792</b>	<b>13,300,166</b>	<b>22,271,938</b>	<b>30,266,878</b>	<b>21,458,359</b>
	<b>Profit before prior period items (A-B)</b>	<b>-</b>	<b>30,458</b>	<b>158,359</b>	<b>351,435</b>	<b>1,016,024</b>	<b>1,332,654</b>
	Prior period items (Net)	-	-	-	-	-	-
	<b>Profit before exceptional, extraordinary items and tax</b>	<b>-</b>	<b>30,458</b>	<b>158,359</b>	<b>351,435</b>	<b>1,016,024</b>	<b>1,332,654</b>
	Exceptional items	-	-	-	-	-	-
	<b>Profit before extraordinary items and tax</b>	<b>-</b>	<b>30,458</b>	<b>158,359</b>	<b>351,435</b>	<b>1,016,024</b>	<b>1,332,654</b>
	Extraordinary items	-	-	-	-	-	-
	<b>Profit before tax</b>	<b>-</b>	<b>30,458</b>	<b>158,359</b>	<b>351,435</b>	<b>1,016,024</b>	<b>1,332,654</b>
	Tax expense:						
	(i) Current tax	-	(9,410)	(48,930)	(108,590)	(313,950)	(411,790)
	(ii) Deferred tax	-	3,167	27,052	(16,860)	(30,800)	47,940
	(iii) MAT Credit	-	-	-	-	-	-
	(iv) Short/(Excess) provision for earlier years	-	-	2,340	(17,715)	-	-
	<b>Profit for the year</b>	<b>-</b>	<b>24,215</b>	<b>138,821</b>	<b>208,270</b>	<b>671,275</b>	<b>968,804</b>



**STATEMENT OF CASH FLOWS FROM RESTATED FINANCIAL STATEMENTS (In Rupees)**

Particulars	For The Year Ended March 31,					For five months period Ended August 31, 2012
	2008	2009	2010	2011	2012	
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>						
Net profit before tax for the year	-	30,458	158,359	351,435	1,016,024	1,332,654
Adjustments for:						
Interest paid and Bank Charges	-	824	-	466,640	377,273	296,719
Interest income	-	(348,990)	(99,062)	(302,321)	-	14,886
Depreciation	-	108,738	142,545	118,440	75,188	148,030
(Profit)/Loss on Sale of fixed assets	-	-	-	(77,222)	-	1,317
Loss / (Gain) on Non Refundables	-	-	-	-	5,050	-
Discount paid / (received)	-	-	114,073	66,758	67,188	97,618
Preliminary expenses written off	-	32,120	32,120	32,120	32,120	13,383
Provision for Professional Tax	-	2,686	4,137	6,021	4,145	4,780
Operating profit before working capital changes	-	(174,164)	345,102	605,201	1,576,988	1,909,387
Movements in working capital:						
Decrease / (Increase) in Trade receivables	-	(1,389,885)	(633,401)	(1,036,750)	864,764	(6,591,214)
Decrease / (Increase) in Inventories	-	(2,835,333)	245,081	44,480	(3,498,028)	870,560
Increase / (Decrease) in Trade payables	4,400	1,557,914	432,524	(165,800)	225,226	5,219,342
Increase / (Decrease) in Short Term Borrowings	-	-	-	-	(94,768)	159,791
Decrease / (Increase) in Loans and Advances and Other Current Assets	-	3,253,010	619,237	(4,680,083)	2,222,604	(3,062,623)
Cash generated from operations	4,400	411,542	1,008,543	(5,232,952)	1,296,786	(1,494,757)
Payment of income tax	-	-	(7,070)	(56,670)	104,488	-
<b>Net cash generated from/ (used in) operating activities (A)</b>	<b>4,400</b>	<b>411,542</b>	<b>1,008,543</b>	<b>(5,232,952)</b>	<b>1,192,298</b>	<b>(1,494,757)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>						
Purchase of fixed assets(Including capital advances)	-	(634,221)	(144,121)	-	(8,250)	(1,821,528)
Purchase of investments(Equity &	-	-	-	-	-	(39,999,926)



Particulars	For The Year Ended March 31,					For five months period Ended August 31, 2012
	2008	2009	2010	2011	2012	
Preference Shares)						
Sale of fixed assets	-	-	-	160,000	-	-
Pre-operative Expenditure	(8,200)					
<b>Net cash generated from/ (used in) investing activities (B)</b>	<b>-</b>	<b>(634,221)</b>	<b>(144,121)</b>	<b>160,000</b>	<b>(8,250)</b>	<b>(41,821,454)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>						
Proceeds from issue of share capital	-	-	-	-	367,948	45,212,000
Proceeds from short term borrowings	-	81,247	(131,247)	5,192,213	(1,321,350)	(1,652,504)
Proceeds of long term borrowings	-	-	-	-	-	1,097,735
Interest paid and bank charges	-	(824)	-	(466,640)	(377,273)	(296,719)
Interest Income	-	348,990	99,062	302,321	-	(14,886)
Discount Expenses	-	-	(114,073)	(66,758)	(67,188)	(97,618)
<b>Net cash generated from / (used in) financing activities (C)</b>	<b>-</b>	<b>429,413</b>	<b>(146,258)</b>	<b>4,961,136</b>	<b>(1,397,863)</b>	<b>44,248,008</b>
Net increase in cash and cash equivalents (A+B+C)	(3,800)	206,734	718,164	(111,816)	(213,815)	931,797
Cash and cash equivalents at the beginning of the period	5,600	1,800	208,534	926,698	814,882	601,067
Cash and cash equivalents at the end of the period	1,800	208,534	926,698	814,882	601,067	1,532,864



## BRIEF DETAILS OF THE ISSUE

### PRESENT ISSUE IN TERMS OF THIS DRAFT PROSPECTUS

<b>Equity Shares Offered:</b> Present Issue of Equity Shares by our Company	12,75,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. 40/- per share aggregating Rs. 510.00 Lakhs
<b>Issue Reserved for the Market Makers</b>	2,07,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. 40/- per share aggregating Rs. 82.80 Lakhs
<b>Net Issue to the Public</b>	10,68,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. 40/- per share aggregating Rs. 427.20.Lakhs
	Of Which
	5,34,000 Equity Shares of Rs. 10/- each at a premium of Rs. 30/- per Equity Share will be available for allocation for Investors of upto Rs. 2.00 Lakhs
	5,34,000 Equity Shares of Rs.10/- each at a premium of Rs. 30/- per Equity Share will be available for allocation for Investors of above Rs. 2.00 Lakhs
<b>Equity Shares outstanding prior to the Issue</b>	21,97,902 Equity Shares
<b>Equity Shares outstanding after the Issue</b>	34,72,902 Equity Shares
<b>Objects of the Issue</b>	Please refer to the section titled — “ <i>Objects of the Issue</i> ” beginning on page 57 of the Draft Prospectus.

This issue is being made in terms of Chapter XB of the SEBI (ICDR) Regulations, 2009, as amended from time to time. For further details please refer to “*Issue Structure*” on page 178 of this Draft Prospectus.



## GENERAL INFORMATION

Our Company was incorporated as Kavita Fabrics Private Limited under the provisions of the Companies Act, 1956 on October 18, 2005 in Surat, Gujarat. Eventually, our Company got converted from private limited company to a public limited company vide fresh Certificate of Incorporation dated September 26, 2012. For further details see section titled '*History and Certain Corporate Matters*' beginning on page 94 of the Draft Prospectus.

### ***Registered Office of Our Company***

#### **Kavita Fabrics Limited**

105, Balaji Industrial Society-1,  
Udhna Magdalla Road,  
Surat – 395 007  
Gujarat, India.

**Tel:** +91 – 261 – 3018 759

**Fax:** +91 – 261 – 3018 759

**Email:** info@kavitafabrics.com

**Website:** www.kavitafabrics.com

**Registration Number:** 046929

**Corporate Identification Number:** U17110GJ2005PLC046929

For details relating to changes to our Registered Office, see paragraph titled '*Changes in Registered Office of the Company*' on page 94 of section titled '*History and Certain Corporate Matters*' of the Draft Prospectus.

### ***Registrar of Companies***

#### **Registrar of Companies, Gujarat, Dadra and Nagar Haveli**

Roc Bhavan , Opp Rupal Park Society,  
Behind Ankur Bus Stop,  
Naranpura, Ahmedabad – 380 013,  
Gujarat, India.

### ***Board of Directors of our Company***

Our Board comprises the following:

<b>Name</b>	<b>Age (Years)</b>	<b>Designation</b>	<b>Directors Identification Number</b>
Mr. Harish Chandak	59	Chairman and Managing Director	01058531
Mr. Shailesh Chandak	33	Executive Director	01058498
Mrs. Sarika Chandak	33	Executive Director	06361388
Mr. Govindlal Saboo	70	Independent Director	06398313
Mr. Kishan Kumar Sarda	41	Independent Director	06410244
Mr. Nitin Maheshwari	27	Independent Director	06400077

For further details of our Directors, see section titled '*Our Management*' beginning on page 97 of the Draft Prospectus.

### ***Company Secretary and Compliance Officer***

#### **Company Secretary**

#### **Ms. Nikita Sukheja Wadhvani**

105, Balaji Industrial Society-1,  
Udhna Magdalla Road,





Surat – 395 007  
Gujarat, India.  
**Tel:** +91 – 261 – 3018 759  
**Fax:** +91 – 261 – 3018 759  
**Email:** info@kavitafabrics.com

#### **Compliance Officer**

**Mr. Amit Merai**  
105, Balaji Industrial Society-1,  
Udhna Magdalla Road,  
Surat – 395 007  
Gujarat, India.  
**Tel:** +91 – 261 – 3018 759  
**Fax:** +91 – 261 – 3018 759  
**Email:** info@kavitafabrics.com

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

**All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the concerned SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount blocked, ASBA Account number and the Designated Branch of the SCSB where the ASBA Application Form was submitted by the ASBA Applicant.**

**For all Issue related queries and for redressal of complaints, Applicants may also write to the Lead Manager. All complaints, queries or comments received by SEBI shall be forwarded to the Lead Manager, who shall respond to the same.**

#### ***Lead Manager to the Issue***

**Intensive Fiscal Services Private Limited**  
131, C-Wing, Mittal Tower, 13th Floor,  
Nariman Point, Mumbai – 400 021,  
Maharashtra, India.  
**Tel:** +91 22 2287 0443/44/45  
**Fax:** +91 22 2287 0446  
**Investor Grievance ID:** ipo@intensivefiscal.com  
**Website:** www.intensivefiscal.com  
**Contact Person:** Mr. Kevin Koradia  
**SEBI Registration Number:** INM000011112

#### ***Registrar to the Issue***

**Bigshare Services Private Limited**  
E/2 Ansa Industrial Estate,  
Saki Vihar Road, Saki Naka,  
Andheri (E), Mumbai - 400 072,  
Maharashtra, India  
**Tel:** +91 22 4043 0200  
**Fax:** +91 22 2847 5207  
**Website:** www.bigshareonline.com  
**Email:** ipo@bigshareonline.com  
**Contact Person:** Mr. Ashok Shetty  
**SEBI Registration No.:** INR000001385



***Legal Advisor to the Issue***

**Joby Mathew & Associates, Advocates**

110, 1<sup>st</sup> Floor, Rex Chambers,  
Walchand Hirachand Marg,  
Ballard Estate, Mumbai – 400 001,  
Maharashtra, India  
**Tel:** +91 22 4002 1553  
**Fax:** +91 22 4002 1553  
**Email:** office@advocatejoby.com  
**Contact Person:** Mr. Joby Mathew

***Statutory Auditor to the Company***

**M/s. Sanjay Maheshwari & Associates**

**Chartered Accountants**  
99, Reshamwala Market,  
Ring Road, Surat – 395 002,  
Gujarat, India.  
**Tel:** +91 261 2340039 / 2352479  
**E-Mail:** snjymaheshwari@yahoo.com  
**Firm Registration No:** 113289W  
**Contact Person:** Mr. Sanjay Maheshwari

***Peer Reviewed Auditor***

**M/s. R. T. Jain & Co.,  
Chartered Accountants,**

Lotus Bldg., 2<sup>nd</sup> Floor,  
59, Mohamedali Road,  
Mumbai – 400 003,  
Maharashtra, India.  
**Tel:** +91 +91 22 2346 5218 / 2346 4955  
**Fax:** + 91 + 91 22 2345 2531 / 2346 4955  
**E-Mail:** rtjain\_ca@yahoo.co.in  
**Firm Registration No:** 103961W  
**Contact Person:** Mr. Bankimchandra R. Jain

M/s. R. T. Jain & Co. holds a peer reviewed certificate dated September 20, 2011 issued by the Institute of Chartered Accountants of India.

***Banker to our Company***

**Kotak Mahindra Bank Limited**

Shop No. 4-7, Radhika Towers,  
Dumus Road, Piplod, Surat – 395 007,  
Gujarat, India  
**Tel:** +91 261 6533006  
**Fax:** + 91 261 2256865  
**E-Mail:** neelima.kinra@kotak.com  
**Website:** www.kotak.com  
**Contact Person:** Ms. Neelima Kinra

***Bankers to the Issue/ Escrow Collection Bank(s)***

**IndusInd Bank Ltd.**

Cash Management Services,  
Solitaire Corporate Park,  
No. 1001, Building No.10,  
Ground Floor, Guru Hargovindji Marg,  
Andheri (E), Mumbai- 400 093,  
Maharashtra, India.  
**Tel.:** +91 22 67723901 - 3917  
**Fax:** +91 22 67723998  
**E-mail:** sanjay.vasarkar@indusind.com  
**Website:** www.indusind.com  
**Contact Person:** Mr. Sanjay Vasarkar  
**SEBI Registration Number:** INBI00000002

**Axis Bank Ltd.**

Universal Insurance Bldg.,  
Sir P. M Road, Fort,  
Mumbai – 400 001,  
Maharashtra, India.  
**Tel.:** +91 22 40867299 / 7371  
**Fax:** +91 22 22835758 / 40867327  
**E-mail:** rajesh.khandelwal@axisbank.com, nachiket.kalwit@axisbank.com, mahesh1.prabhu@axisbank.com  
**Website:** www.axisbank.com  
**Contact Person:** Mr. Rajesh Khandelwal, Mr. Nachiket Kalwit, Mr. Mahesh Prabhu  
**SEBI Registration Number:** INBI00000017

**Refund Banker****Axis Bank Ltd.**

Universal Insurance Bldg.,  
Sir P. M Road, Fort,  
Mumbai – 400 001,  
Maharashtra, India.  
**Tel.:** +91 22 40867299 / 7371  
**Fax:** +91 22 22835758 / 40867327  
**E-mail:** rajesh.khandelwal@axisbank.com, nachiket.kalwit@axisbank.com, mahesh1.prabhu@axisbank.com  
**Website:** www.axisbank.com  
**Contact Person:** Mr. Rajesh Khandelwal, Mr. Nachiket Kalwit, Mr. Mahesh Prabhu  
**SEBI Registration Number:** INBI00000017

*Note: The SEBI Registration of Axis Bank Ltd. was valid upto November 15, 2012. An application dated August 9, 2012 for grant of permanent registration has been made by Axis Bank Limited to SEBI, three months before the expiry of the period of the certificate as required under Regulation 7A of the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994, as amended. The approval from SEBI is currently awaited. No communication has been received by Axis Bank Ltd. from SEBI rejecting the said application.*

**Self Certified Syndicate Banks**

A list of banks that have been notified by SEBI to act as SCSBs for the ASBA Process is provided on [www.sebi.gov.in/pmd/scsb.pdf](http://www.sebi.gov.in/pmd/scsb.pdf). For details on Designated Branches of SCSBs collecting the ASBA Application Form, please refer to the above mentioned SEBI website.

**Statement of Inter se Allocation of Responsibilities for the Issue**



Since Intensive Fiscal Services Private Limited is the sole Lead Manager to this Issue, a statement of inter se allocation responsibilities among Lead Manager's is not required.

#### ***Credit Rating***

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

#### ***IPO Grading***

Since the issue is being made in terms of Chapter XB of the SEBI (ICDR) Regulations, there is no requirement of appointing an IPO Grading agency.

#### ***Monitoring Agency***

As per Regulation 16(1) of the SEBI (ICDR) Regulations, 2009 the requirement of Monitoring Agency is not mandatory if the Issue size is below Rs. 500.00 crores.

However, as per the Clause 52 of the SME Listing Agreement to be entered into with the Stock Exchange upon listing of the equity shares and the Corporate Governance Requirements, the Audit Committee of our Company, would be monitoring the utilization of the proceeds of the Issue.

#### ***Expert***

Except for the report which is provided by (a) independent auditors' reports on the restated financial statements; and (b) statement of tax benefits by the statutory auditors, (a copy of the said report and statement of tax benefits has been included in the Draft Prospectus), we have not obtained any other expert opinions.

#### ***Debenture Trustee***

Since this is not a debenture issue, appointment of debenture trustee is not required.

#### ***Appraising Entity***

The present issue is not being appraised by any appraising agency.

#### **Underwriting**

The company and the Lead Manager to the Issue hereby confirm that the Issue is 100% Underwritten, with more than 15% of the Issue being underwritten by the Lead Manager – Intensive Fiscal Services Private Limited.

Pursuant to the terms of the Underwriting Agreement dated December 10, 2012, the obligations of the Underwriters are several and are subject to certain conditions specified therein. The Details of the Underwriting commitments are as under:

<b>Details of the Underwriter</b>	<b>No. of Shares underwritten</b>	<b>Amount Underwritten (Rs. in lakhs)</b>	<b>% of the Total Issue Size Underwritten</b>
<b>Intensive Fiscal Services Private Limited</b> 131, C-Wing, Mittal Tower, 13th Floor, Nariman Point, Mumbai – 400 021, Maharashtra, India. <b>Tel:</b> +91 22 2287 0443/44/45 <b>Fax:</b> +91 22 2287 0446 <b>Investor Grievance ID:</b> ipo@intensivefiscal.com <b>Website:</b> www.intensivefiscal.com <b>Contact Person:</b> Mr. Kevin Koradia	10,68,000	427.20	83.76%



Details of the Underwriter	No. of Shares underwritten	Amount Underwritten (Rs. in lakhs)	% of the Total Issue Size Underwritten
<b>SEBI Registration Number:</b> INM000011112			
<b>K. M. Jain Stock Brokers Private Limited</b> 631, P.J. Towers, Bombay Stock Exchange, Dalal Street, Fort, Mumbai - 400 001, Maharashtra, India. <b>Tel:</b> +91 22 3028 2276 <b>Fax:</b> +91 22 2272 2189 <b>E-mail:</b> kmjpl@mtnl.net.in <b>Contact Person:</b> Mr. Anand Jain <b>SEBI Registration No.:</b> INB010990232 (BSE) <b>Market Maker Registration No. (SME Segment of BSE):</b> SMEMM0035211052012	12,000	4.80	0.94%
<b>Intensive Softshare Private Limited</b> 131, C-Wing, 13th Floor, Mittal Tower, Nariman Point, Mumbai – 400 021, Maharashtra, India. <b>Tel:</b> +91 22 2287 0443/44/45 <b>Fax:</b> +91 22 2287 0446 <b>E-mail:</b> intensive.softshare@yahoo.com <b>Contact Person:</b> Ms. Susheela Surana <b>SEBI Registration Number:</b> INB011410231 (BSE) <b>Market Maker Registration No. (SME Segment of BSE):</b> SMEMM0616729022012	1,95,000	78.00	15.29%

In the opinion of our company's Board of Directors, the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective obligations in full.

#### Details of the Market Making Arrangement for this Issue

Our Company and the Lead Manager Intensive Fiscal Services Private Limited hereby have entered into an agreement dated December 10, 2012 with Market Makers registered with the SME Platform of BSE in order to fulfill the obligations of Market Making.

Particulars	Details about K. M Jain Stock Brokers Private Limited	Details about Intensive Softshare Private Limited
<b>Name of Market Maker</b>	<b>K. M. Jain Stock Brokers Private Limited</b>	<b>Intensive Softshare Private Limited</b>
<b>Registered Office</b>	631, P.J. Towers, Bombay Stock Exchange, Dalal Street, Fort, Mumbai - 400 001, Maharashtra, India.	131, C-Wing, 13th Floor, Mittal Tower, Nariman Point, Mumbai – 400 021, Maharashtra, India.
<b>Tel:</b>	+91 22 3028 2276	+91 22 2287 0443/44/45
<b>Fax:</b>	+91 22 2272 2189	+91 22 2287 0446
<b>E-mail:</b>	kmjpl@mtnl.net.in	intensive.softshare@yahoo.com
<b>Contact Person:</b>	Mr. Anand Jain	Ms. Susheela Surana
<b>SEBI Registration No.:</b>	INB010990232 (BSE)	INB011410231 (BSE)
<b>Market Maker Registration No. (SME Segment of BSE)</b>	SMEMM0035211052012	SMEMM0616729022012



The Market Maker(s) shall fulfill the applicable obligations and conditions as specified in the SEBI (ICDR) Regulations, and its amendments from time to time and the circulars issued by the BSE and SEBI regarding this matter from time to time.

Following is a summary of the key details pertaining to the Market Making arrangement:

- 1) The Market Maker(s) (individually or jointly) shall be required to provide a 2-way quote for 75% of the time in a day. The same shall be monitored by the stock exchange. Further, the Market Maker(s) shall inform the exchange in advance for each and every black out period when the quotes are not being offered by the Market Maker(s).
- 2) The minimum depth of the quote shall be Rs. 1,00,000/- . However, the investors with holdings of value less than Rs. 1,00,000/- shall be allowed to offer their holding to the Market Maker(s) (individually or jointly) in that scrip provided that he sells his entire holding in that scrip in one lot along with a declaration to the effect to the selling broker.
- 3) Execution of the order at the quoted price and quantity must be guaranteed by the Market Maker(s), for the quotes given by him.
- 4) There would not be more than five Market Makers for a scrip at any point of time and the Market Makers may compete with other Market Makers for better quotes to the investors.
- 5) The Market Maker(s) shall have the right to terminate said arrangement by giving a one month notice or on mutually acceptable terms to the Merchant Banker, who shall then be responsible to appoint a replacement Market Maker(s).
- 6) SEBI has issued a circular no. CIR/MRD/DSA/31/2012 dated November 27, 2012 providing guidelines for Market Makers for the inventory management on the SME Exchange / Platform. The Market Makers agree to abide by such guidelines/circulars and any further guidelines/circulars issued by SEBI or Stock Exchange from time to time.

In case of termination of the above mentioned Market Making agreement prior to the completion of the compulsory Market Making period, it shall be the responsibility of the Lead Manager to arrange for another Market Maker in replacement during the term of the notice period being served by the Market Maker but prior to the date of releasing the existing Market Maker from its duties in order to ensure compliance with the requirements of regulation 106V of the SEBI (ICDR) Regulations, 2009. Further the company and the Lead Manager reserve the right to appoint other Market Makers either as a replacement of the current Market Maker or as an additional Market Maker subject to the total number of Designated Market Makers does not exceed five or as specified by the relevant laws and regulations applicable at that particular point of time.

The Market Making Agreement is available for inspection at our office from 11.00 a.m. to 5.00 p.m. on working days.



## CAPITAL STRUCTURE

The share capital of our Company, as at the date of the Draft Prospectus, before and after the Issue, is set forth below:

*(Rs. in lakhs, except share data)*

	Particulars	Aggregate nominal value	Aggregate value at Issue Price
A)	<b>AUTHORISED SHARE CAPITAL</b>		
	40,00,000 Equity Shares of Rs. 10 each	400.00	-
B)	<b>ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE</b>		
	21,97,902 Equity Shares of Rs 10 each <sup>(1)</sup>	219.79	-
C)	<b>PRESENT ISSUE IN TERMS OF THE DRAFT PROSPECTUS<sup>(2)</sup></b>		
	Fresh Issue of 12,75,000 Equity Shares of Rs. 10 each at a premium of Rs. 30 per share	127.50	510.00
	<b>Which comprises</b>		
(i)	2,07,000 Equity Shares of Rs. 10/- each at a premium of Rs. 30/- per Equity Share reserved as Market Maker Portion	20.70	82.80
(ii)	Net Issue to Public of 10,68,000 Equity Shares of Rs. 10/- each at a premium of Rs. 30/- per Equity Share to the Public	106.80	427.20
	<b>Of Which:</b>		
	5,34,000 Equity Shares of Rs. 10/- each at a premium of Rs. 30/- per Equity Share will be available for allocation for Investors of upto Rs. 2.00 Lakhs	53.40	213.60
	5,34,000 Equity Shares of Rs. 10/- each at a premium of Rs. 30/- per Equity Share will be available for allocation for Investors of above Rs. 2.00 Lakhs	53.40	213.60
D)	<b>ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE</b>		
	34,72,902 Equity Shares of Rs. 10 each	347.29	-
E)	<b>SECURITIES PREMIUM ACCOUNT</b>		
	Before the Issue		339.09
	After the Issue		721.59

<sup>(1)</sup>All Equity shares issued are fully paid-up.

<sup>(2)</sup>The Issue has been authorised pursuant to resolution of the Board of Directors dated August 8, 2012 and approved by our shareholders vide resolution passed at the Extra-ordinary General Meeting held on August 31, 2012, under Section 81 (1A) of the Companies Act, 1956.

### Classes of Shares

The Company has only one class of share capital i.e. Equity Shares of Rs. 10/- each only.

### Notes to the Capital Structure





## 1. Share Capital History

### (a) Changes in Authorised Share Capital of the Company

Date of Meeting	Nature of Meeting	Number of Equity Shares	Face value (Rs.)	Cumulative number of equity shares	Cumulative Authorised Share Capital (Rs.)
Incorporation	-	10,000	10	10,000	1,00,000
March 22, 2007	EGM	5,00,000	10	5,10,000	51,00,000
October 10, 2011	EGM	6,90,000	10	12,00,000	1,20,00,000
July 31, 2012	EGM	28,00,000	10	40,00,000	4,00,00,000

### (b) Equity Share Capital History of our Company

Our Company has made allotments of Equity Shares from time to time. Our Company has not made allotment of preference shares. The following is the Equity share capital build-up of our Company:

Date of allotment	Number of Equity Shares	Face value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for allotment	Cumulative number of equity shares	Cumulative equity share capital (Rs.)	Cumulative share premium (Rs.)
Incorporation	10,000	10	10	Cash	Initial subscription <sup>(1)</sup>	10,000	1,00,000	Nil
August 16, 2007	5,00,000	10	10	Cash	Allotment <sup>(2)</sup>	5,10,000	51,00,000	Nil
October 10, 2011	34,002	10	-	Bonus Issue	Bonus Issue of shares in the ratio 1:15 <sup>(3)</sup>	5,44,002	54,40,020	Nil
March 31, 2012	5,23,600	10	10	Kind	Swap of shares <sup>(4)</sup>	10,67,602	1,06,76,020	Nil
July 2, 2012	300	10	40	Cash	Allotment <sup>(5)</sup>	10,67,902	1,06,79,020	9,000
August 31, 2012	11,30,000	10	40	Cash	Allotment <sup>(6)</sup>	21,97,902	2,19,79,020	3,39,09,000

1. Initial Subscribers to Memorandum of Association Mr. Harish Chandak and Mr. Shailesh Chandak were each allotted 5,000 Equity Shares of Rs. 10/- fully paid up.
2. The Company allotted 5,00,000 Equity Shares of Rs. 10/- each comprising of 10,000 shares to Mr. Sharwankumar Taparia, 10,000 shares to Ms. Sitadevi Shrikishan Taparia, 15,000 shares to Mr. Murlimanohar Taparia, 15,000 shares to Murlidhar Taparia & Sons (HUF), 10,000 shares to Mr. Ramesh Taparia, 10,000 shares to Mr. Shrikishan Taparia, 20,000 shares to Ms. Laxmidevi Murlimanohar Taparia, 10,000 shares to Ms. Shantidevi Karnani, 10,000 shares to Mr. Prakash Buchh, 20,000 shares to Mr. Narayan Namdev, 50,000 shares to Mr. Mangilal Khimaram Mehara, 50,000 shares to Mr. Govindmal Chellaram Purohit, 50,000 shares to Lalchand L. Thalod (HUF), 50,000 shares to Mr. Kishanlal Gurava, 50,000 shares to Mr. Nandlal Thawarmal Tawniya, 30,000 shares to Mr. Gajendra Porwal, 40,000 shares to Gajendra Porwal (HUF), 40,000 shares to Ms. Gayatriben Patel and 10,000 shares to Kabirchand Bhutra (HUF).



3. Shares issued for consideration other than cash being 1 share issued for every 15 shares held by the existing Equity shareholders, by utilizing the Profit and Loss Account to the extent of Rs. 3,40,020/- of our Company. The Company allotted 34,002 Equity Shares of Rs. 10/- each comprising of 334 shares to Mr. Shailesh Chandak, 17,000 shares to Mr. Harish Chandak, 8,334 shares to Mrs. Sudha Chandak and 8,334 shares to Mrs. Sarika Chandak .
4. The Company issued 5,23,600 Equity Shares of Rs. 10/- to Mrs. Sarika Chandak vide share swap agreement dated March 31, 2012 for a consideration towards acquisition of the entire business of its proprietorship firm M/s. Aayush Creation.
5. The Company allotted 300 Equity Shares of Rs. 10/- each comprising of 100 shares to Mr. Omprakash Daga, 100 shares to Harish Kumar Chandak (HUF) and 100 shares to Shailesh Chandak (HUF).
6. The Company allotted 11,30,000 Equity Shares of Rs. 10/- each comprising of 9,50,000 shares to Lakhota Polyester (India) Limited, 1,00,000 shares to Mr. Harish Chandak and 80,000 shares to Mr. Shailesh Chandak.

## 2. Equity Shares issued for consideration other than cash

The details of Equity Shares issued for consideration other than cash is as follows:

Date of allotment	Number of Equity Shares	Face value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for allotment	Allottees and No. of shares Issued
October 10, 2011	34,002	10	Nil	-	Bonus issue of Equity Shares in the ratio of 1:15*	334 shares - Mr. Shailesh Chandak, 17,000 shares - Mr. Harish Chandak, 8,334 shares - Mrs. Sudha Chandak, 8,334 shares - Mrs. Sarika Chandak
March 31, 2012	5,23,600	10	10	Business purchase	Share Swap Agreement **	Mrs. Sarika Chandak – 5,23,600

Notes:

\*Bonus Equity shares have been issued to all our Shareholders on October 10, 2011 by capitalizing Profit & Loss Account (Rs. 3.40 lakhs). The relevant provisions of the Companies Act have been complied with w.r.t. the issue of Bonus shares.

Except for what has been stated above our Company has not issued any Equity Share for consideration other than cash. Further, our Company has not allotted any Equity Shares pursuant to any scheme approved under section 391-394 of the Companies Act, 1956

No bonus shares have been issued out of Revaluation Reserves.

\*\*Our Company has entered into a Share Swap Agreement with Mrs. Sarika Chandak dated March 31, 2012, through which our Company has acquired the entire business of her proprietorship firm – M/s. Aayush Creation against issuance of 5,23,600 equity shares of our Company.

## 3. Capital Built up of the Promoter's Contribution and Lock-in details

### a) Details of build-up of Promoters' shareholding in our Company



Set forth below are the details of the build-up of our Promoters' shareholding:

Name of the Promoter	Date of allotment/transfer*	No. of Equity Shares*	Face value (Rs.)	Issue/Acquisition Price per Equity Share (Rs.)**	Pre-Issue %	Post-Issue %	Consideration	Nature of Transaction	Lock-in period
<b>Harish Chandak</b>	On Incorporation	5,000	10	10	0.23%	0.14%	Cash	Subscription to Memorandum	3 years
	May 10, 2008	1,70,000 <sup>(1)</sup>	10	2	7.73%	4.90%	Cash	Acquisition	3 years
	September 22, 2009	80,000 <sup>(2)</sup>	10	2	3.64%	2.30%	Cash	Acquisition	3 years
	October 10, 2011	17,000	10	Nil	0.77%	0.49%	-	Bonus Issue of Equity shares in the ratio 1:15	3 years
	August 31, 2012	90,237	10	40	4.11%	2.60%	Cash	Allotment	3 years
	August 31, 2012	9,763	10	40	0.44%	0.28%	Cash	Allotment	1 year
	<b>Sub-total</b>		<b>3,72,000</b>			<b>16.93%</b>	<b>10.71%</b>		
<b>Shailesh Chandak</b>	On Incorporation	5,000	10	10	0.23%	0.14%	Cash	Subscription to Memorandum	3 years
	October 10, 2011	334	10	Nil	0.02%	0.01%	-	Bonus Issue of Equity shares in the ratio 1:15	3 years
	August 31, 2012	77,760	10	40	3.54%	2.24%	Cash	Allotment	3 years
	August 31, 2012	2,240	10	40	0.10%	0.06%	Cash	Allotment	1 year
	<b>Sub-total</b>		<b>85,334</b>			<b>3.88%</b>	<b>2.46%</b>		
<b>Sudha Chandak</b>	May 10, 2008	25,000 <sup>(3)</sup>	10	2	1.14%	0.72%	Cash	Acquisition	3 years
	March 15, 2009	1,00,000 <sup>(4)</sup>	10	2	4.55%	2.88%	Cash	Acquisition	3 years
	October 10, 2011	4,835	10	Nil	0.22%	0.14%	-	Bonus Issue of Equity shares in	3 years



Name of the Promoter	Date of allotment/ transfer	No. of Equity Shares*	Face value (Rs.)	Issue/ Acquisition Price per Equity Share (Rs.)**	Pre-Issue %	Post-Issue %	Consideration	Nature of Transaction	Lock-in period
								the ratio 1:15	
	October 10, 2011	3,499	10	Nil	0.16%	0.10%	-	Bonus Issue of Equity shares in the ratio 1:15	1 year
	<b>Sub-total</b>	<b>1,33,334</b>			<b>6.07%</b>	<b>3.84%</b>			
<b>Sarika Chandak</b>	May 10, 2008	1,00,000 <sup>(5)</sup>	10	2	4.55%	2.88%	Cash	Acquisition	3 years
	March 15, 2009	25,000 <sup>(6)</sup>	10	2	1.14%	0.72%	Cash	Acquisition	3 years
	October 10, 2011	4,834	10	Nil	0.22%	0.14%	-	Bonus Issue of Equity shares in the ratio 1:15	3 years
	October 10, 2011	3,500	10	Nil	0.16%	0.10%	-	Bonus Issue of Equity shares in the ratio 1:15	1 year
	March 31, 2012	5,23,600 <sup>(7)</sup>	10	10	23.82%	15.08%	Kind	Allotment	1 year
	<b>Sub-total</b>	<b>6,56,934</b>				<b>29.89%</b>	<b>18.92%</b>		
<b>Grand Total</b>		<b>12,47,602</b>			<b>56.76%</b>	<b>35.92%</b>			

<sup>(1)</sup> Acquired 10,000 shares from Mr. Ramesh Taparia, 10,000 shares from Mr. Shrikishan Taparia, 20,000 shares from Ms. Laxmidevi Taparia, 10,000 shares from Ms. Shantidevi Karnani, 10,000 shares from Mr. Prakash Buchh, 20,000 shares from Narayan Namdev, 50,000 shares from Nandlal Tawniya, 40,000 shares from Ms. Gayatriben Patel.

<sup>(2)</sup> Acquired 30,000 shares from Mr. Gajendra Porwal, 40,000 shares from Mr. Gajendra Porwal (HUF), 10,000 shares from Kabirchand Bhutra (HUF).

<sup>(3)</sup> Acquired 10,000 shares from Mr. Sharwankumar Tapari and 15,000 shares from Murlidhar Taparia & Sons (HUF)

<sup>(4)</sup> Acquired 50,000 shares from Mr. Mangilal Khimaram Mehara and 50,000 shares from Govindmal Chellaram Purohit.

<sup>(5)</sup> Acquired 50,000 shares from Lalchand L. Thalod (HUF) and 50,000 shares from Mr. Kishanlal Gurava

<sup>(6)</sup> Acquired 10,000 shares from Ms. Sitadevi Shrikishan Taparia and 15,000 shares from Mr. Murlimanohar Taparia.

<sup>(7)</sup> Allotted pursuant to Share swap agreement dated March 31, 2012 in consideration for the acquisition of the entire business of M/s. Aayush Creation, proprietorship concern of Mrs. Sarika Chandak.



\* The Equity Shares were fully paid on the date of their allotment.

\*\* The cost of acquisition excludes the stamp duty paid.

None of the Equity Shares held by our Promoters is pledged or encumbered on the date of filing the Draft Prospectus.

**b) Details of Promoters' Contribution locked-in for three years**

Pursuant to Regulations 32(1) & 36(a) of the SEBI ICDR Regulations, an aggregate of 20% of the post-Issue capital held by our Promoters shall be considered as promoters' contribution ("**Promoters' Contribution**") and locked-in for a period of three years from the date of Allotment.

The lock-in of the Promoters' Contribution would be created as per applicable law and procedure and details of the same shall also be provided to the Stock Exchange before the listing of the Equity Shares.

Our Promoters have given consent to include such number of Equity Shares held by them as may constitute 20% of the post-Issue equity share capital of our Company as Promoters' Contribution and have agreed not to sell or transfer or pledge or otherwise dispose of in any manner, the Promoters' Contribution from the date of filing of the Draft Prospectus until the commencement of the lock-in period specified above. Details of Promoters' Contribution are as provided below:

Sr. No.	Name of the Promoter	Date of allotment/ transfer and made fully paid	Nature of Allotment	Face Value (Rs.)	Issue/ Acquisition Price (Rs.)	Consideration	No. of Equity Shares locked-in	% of post issue paid up capital	Lock-in period
1.	Harish Chandak	On Incorporation	Allotment	10	10	Cash	5,000	0.14%	
		May 10, 2008	Acquisition	10	2	Cash	1,70,000	4.90%	
		March 15, 2009	Acquisition	10	2	Cash	80,000	2.30%	
		October 10, 2011	Bonus	10	Nil	Bonus Issue of Equity shares in the ratio 1:15	17,000	0.49%	
		August 31, 2012	Allotment	10	40	Cash	90,237	2.60%	
<b>Sub-total</b>							<b>3,62,237</b>	<b>10.43%</b>	<b>3 years</b>
2.	Shailesh Chandak	On Incorporation	Allotment	10	10	Cash	5,000	0.14%	
		October 10, 2011	Bonus	10	Nil	Bonus Issue of Equity shares in the ratio 1:15	334	0.01%	
		August 31, 2012	Allotment	10	40	Cash	77,760	2.24%	
<b>Sub-total</b>							<b>83,094</b>	<b>2.39%</b>	<b>3 years</b>



3.	Sudha Chandak	May 10, 2008	Acquisition	10	2	Cash	25,000	0.72%	
		March 15, 2009	Acquisition	10	2	Cash	1,00,000	2.88%	
		October 10, 2011	Bonus	10	Nil	Bonus Issue of Equity shares in the ratio 1:15	4,835	0.14%	
	<b>Sub-total</b>						<b>1,29,835</b>	<b>3.74%</b>	
4.	Sarika Chandak	May 10, 2008	Acquisition	10	2	Cash	1,00,000	2.88%	
		March 15, 2009	Acquisition	10	2	Cash	25,000	0.72%	
		October 10, 2011	Bonus	10	Nil	Bonus Issue of Equity shares in the ratio 1:15	4,834	0.14%	
	<b>Sub-total</b>						<b>1,29,834</b>	<b>3.74%</b>	
<b>Grand Total</b>							<b>7,05,000</b>	<b>20.30%</b>	<b>3 years</b>

The Promoters' Contribution has been brought in to the extent of not less than the specified minimum lot and from persons who are classified and defined as 'Promoters' of our Company as per the SEBI ICDR Regulations.

The Equity Shares that are being locked-in are not and will not be ineligible for computation of Promoter's contribution under Regulation 33 of the SEBI ICDR Regulations. In this connection, as per Regulation 33 of the SEBI ICDR Regulations, our Company confirms that the Equity Shares locked in do not and shall not consist of:

- Equity Shares acquired during the preceding three years for consideration other than cash and out of revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources.
- Equity Shares acquired, by the Promoters during the preceding one year, at a price lower than the price at which Equity Shares are being offered to public in the Issue.
- Private placement made by solicitation of subscription from unrelated persons either directly or through any intermediary.
- The Equity Shares held by the Promoters and offered for minimum 20% Promoters' contribution are not subject to any pledge.
- Equity Shares for which specific written consent has not been obtained from the shareholders for inclusion of their subscription in the minimum promoters' contribution subject to lock-in.
- Equity shares issued to our promoters on conversion of partnership firms into limited companies.

***.Details of share capital locked in for one year***

- Pursuant to Regulation 37 of the SEBI Regulations, in addition to the lock-in of the Promoters' Contribution, the entire pre-Issue equity share capital of our Company (including those Equity Shares held by our Promoters), shall be locked in for a period of one (1) year from the date of Allotment.
- Pursuant to Regulation 39 of the SEBI Regulations, the Equity Shares held by our Promoters can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions for the purpose of financing one or more of the objects of the issue and the pledge of shares is one of the terms of sanction of such loan. However, as on date of this Draft Prospectus, none of the Equity Shares held by our Promoter have been pledged to any person, including banks and financial



institutions.

- Pursuant to Regulation 40 of the SEBI Regulations, Equity Shares held by the Promoters, which are locked in as per Regulation 36 of the SEBI Regulations, may be transferred to and amongst the Promoters/ Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011 as applicable.
- Pursuant to Regulation 40 of the SEBI Regulations, Equity Shares held by shareholders other than the Promoters, which are locked-in as per Regulation 37 of the SEBI Regulations, may be transferred to any other person holding shares, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011 as applicable.

*c) Details of shareholding of Promoter Group in our Company*

Name	Number of Equity Shares	% of paid up Pre-Issue Share Capital	Number of Equity Shares held post Issue	% of Post Issue Capital
Mr. Omprakash Daga	100	Negligible	100	Negligible
Harish Kumar Chandak (HUF)	100	Negligible	100	Negligible
Shailesh Chandak (HUF)	100	Negligible	100	Negligible
<b>Total Promoter Group</b>	<b>300</b>	<b>0.01%</b>	<b>300</b>	<b>0.01%</b>

Except as otherwise stated in this section, none of the members of our Promoter Group hold or have held any Equity Shares.

4. In terms of Regulation 40 of the SEBI Regulations, locked in Equity Shares held by the Promoters may be transferred to and amongst the Promoters/ Promoter group or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011 as applicable.

**5. Our shareholding pattern**

- a) The table below presents the equity shareholding pattern of the Company:

Category of Shareholders	Prior to the Issue				Post Issue	
	No. of shareholders	No. of Equity Shares	No. of shares held in dematerialised form	% of Equity Share Capital	No. of Equity Shares	% of Equity Share Capital
<b>Promoter and Promoter Group (A)</b>						
<b>Indian</b>						
Individuals/ Hindu Undivided Family	7	12,47,902	Nil	56.78	12,47,902	35.93
<b>sub-total (A)</b>	<b>7</b>	<b>12,47,902</b>	<b>Nil</b>	<b>56.78</b>	<b>12,47,902</b>	<b>35.93</b>
<b>Public shareholding (B)</b>	<b>1</b>	<b>9,50,000</b>	<b>Nil</b>	<b>43.22</b>	<b>22,25,000*</b>	<b>64.07</b>





Category of Shareholders	Prior to the Issue				Post Issue	
	No. of shareholders	No. of Equity Shares	No. of shares held in dematerialised form	% of Equity Share Capital	No. of Equity Shares	% of Equity Share Capital
<b>Shares held by Custodians and against which Depository Receipts have been issued (C)</b>	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>8</b>	<b>21,97,902</b>	<b>Nil</b>	<b>100.00</b>	<b>34,72,902</b>	<b>100.00</b>

\*It also includes 2,07,000 Equity shares to be allotted to Market Makers during the Issue.

- b) The table below presents the equity shareholding of the Company (pre-issue) in the Clause 37 format of the Listing Agreement of the BSE:

Category code	Category of shareholder	Pre-Issue					Shares Pledged or otherwise encumbered	
		No. of share holders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		No. of equity shares	As a percentage
					As a percentage of (A+B)	As a percentage of (A+B+C)		
(A)	Promoter and Promoter Group							
-1	Indian							
(a)	Individuals/ Hindu Undivided Family	7	12,47,902	NIL	56.78	56.78	NIL	NIL
(b)	Central Government/ State Government(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Bodies Corporate	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d)	Financial Institutions/ Banks	NIL	NIL	NIL	NIL	NIL	NIL	NIL



Category code	Category of shareholder	Pre-Issue					Shares Pledged or otherwise encumbered	
		No. of share holders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		No. of equity shares	As a percentage
					As a percentage of (A+B)	As a percentage of (A+B+C)		
(e)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Sub-Total (A)(1)</b>	<b>7</b>	<b>12,47,902</b>	<b>NIL</b>	<b>56.78</b>	<b>56.78</b>	<b>NIL</b>	<b>NIL</b>
<b>-2</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(b)	Bodies Corporate	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Sub-Total (A)(2)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	<b>Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+ (A)(2)</b>	<b>7</b>	<b>12,47,902</b>	<b>NIL</b>	<b>56.78</b>	<b>56.78</b>	<b>NIL</b>	<b>NIL</b>
<b>(B)</b>	<b>Public shareholding</b>							
<b>-1</b>	<b>Institutions</b>							
(a)	Mutual Funds/UTI	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(b)	Financial Institutions/ Banks	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Central Government/ State Government(s)	NIL	NIL	NIL	NIL	NIL	NIL	NIL



Category code	Category of shareholder	Pre-Issue					Shares Pledged or otherwise encumbered	
		No. of share holders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		No. of equity shares	As a percentage
					As a percentage of (A+B)	As a percentage of (A+B+C)		
(d)	Venture Capital Funds	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(e)	Insurance Companies	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(f)	Foreign Institutional Investors	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(g)	Foreign Venture Capital Investors	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(h)	Nominated investors (as defined in Chapter XB of SEBI (ICDR) Regulations)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(i)	Market Makers	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(j)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Sub-Total (B)(1)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
<b>-2</b>	<b>Non-institutions</b>						NIL	NIL
(a)	Bodies Corporate	1	9,50,000	NIL	43.22	43.22	NIL	NIL
(b)	Individuals –							
	i. Individual shareholders holding nominal share capital up to Rs.1 lakh	NIL	NIL	NIL	NIL	NIL	NIL	NIL



Category code	Category of shareholder	Pre-Issue					Shares Pledged or otherwise encumbered	
		No. of share holders	Total number of shares	Number of shares held in dematerialised form	Total shareholding as a percentage of total number of shares		No. of equity shares	As a percentage
					As a percentage of (A+B)	As a percentage of (A+B+C)		
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	<b>Sub-Total (B)(2)</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	<b>Total Public Shareholding (B)= (B)(1)+ (B)(2)</b>	<b>1</b>	<b>950,000</b>	<b>NIL</b>	<b>43.22</b>	<b>43.22</b>	<b>NIL</b>	<b>NIL</b>
	<b>TOTAL (A)+(B)</b>	<b>8</b>	<b>21,97,902</b>	<b>NIL</b>	<b>100.00</b>	<b>100.00</b>	<b>NIL</b>	<b>NIL</b>
(C)	<b>Shares held by Custodians and against which Depository Receipts have been issued</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>
	<b>GRAND TOTAL (A)+(B)+(C)</b>	<b>8</b>	<b>21,97,902</b>	<b>NIL</b>	<b>100.00</b>	<b>100.00</b>	<b>NIL</b>	<b>NIL</b>

**6. Except as set forth below, none of our Directors or Key Management Personnel hold Equity Shares**

Sr. No.	Name of shareholder	Number of Equity Shares held	Pre Issue %	Post Issue %
1.	Mr. Harish Chandak	3,72,000	16.93%	10.71%
2.	Mr. Shailesh Chandak	85,334	3.88%	2.46%
3.	Mrs. Sarika Chandak	6,56,934	29.89%	18.92%

**7. Neither the Company, nor its Promoter, Directors of Promoter, Directors, nor the Lead Manager have entered**



into any buy-back and/or standby arrangements for the purchase of Equity Shares of the Company from any person.

8. Other than as set out below, our Company has not issued any Equity Shares at a price less than the Issue Price in the last one year preceding the date of filing of the Draft Prospectus.

Allotment Date	No. of shares	Issue Price (Rs.)	Reason for Allotment
March 31, 2012	5,23,600	10	Business takeover pursuant to Share Swap Agreement

9. The Lead Manager and its associates do not hold any Equity Shares as on the date of filing of the Draft Prospectus.
10. As of the date of the Draft Prospectus, there are no outstanding financial instruments or warrants or any other right that would entitle the existing Promoters or Shareholders, or any other person any option to receive Equity Shares after the offering.

**11. The top ten shareholders of our Company and their shareholding are set as forth below:**

As on the date of the Draft Prospectus, our Company has 8 (Eight) shareholders.

- (a) Our top ten shareholders and the number of Equity Shares held by them, as on the date of the Draft Prospectus:

Sr. No.	Shareholder	No. of Equity Shares	Pre Issue %
1.	Lakhotia Polyester (India) Limited	9,50,000	43.22%
2.	Mrs. Sarika Chandak	6,56,934	29.89%
3.	Mr. Harish Chandak	3,72,000	16.93%
4.	Mrs. Sudha Chandak	1,33,334	6.07%
5.	Mr. Shailesh Chandak	85,334	3.88%
6.	Mr. Omprakash Daga	100	Negligible
7.	Harish Kumar Chandak (HUF)	100	Negligible
8.	Shailesh Chandak (HUF)	100	Negligible
	<b>Total</b>	<b>21,97,902</b>	<b>100.00%</b>

- (b) Our top ten shareholders and the number of Equity Shares held by them ten days prior to the date of this Draft Prospectus:

S. No.	Shareholder	No. of Equity Shares	%
1.	Lakhotia Polyester (India) Limited	9,50,000	43.22%
2.	Mrs. Sarika Chandak	6,56,934	29.89%
3.	Mr. Harish Chandak	3,72,000	16.93%
4.	Mrs. Sudha Chandak	1,33,334	6.07%
5.	Mr. Shailesh Chandak	85,334	3.88%
6.	Mr. Omprakash Daga	100	Negligible
7.	Harish Kumar Chandak (HUF)	100	Negligible
8.	Shailesh Chandak (HUF)	100	Negligible
	<b>Total</b>	<b>21,97,902</b>	<b>100.00%</b>

- (c) Our top ten shareholders two years prior to the date of this Draft Prospectus:

S. No.	Shareholder	No. of Equity Shares Held	%
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S. No.	Shareholder	No. of Equity Shares Held	%
1.	Mr. Harish Chandak	2,55,000	50.00%
2.	Mr. Shailesh Chandak	5,000	0.98%
3.	Mrs. Sudha Chandak	1,25,000	24.51%
4.	Mrs. Sarika Chandak	1,25,000	24.51%
	<b>Total</b>	<b>5,10,000</b>	<b>100.00%</b>

12. As on the date of the Draft Prospectus, none of the shares held by our Promoters/ Promoter Group are pledged with any financial institutions or banks or any third party as security for repayment of loans.
13. Our Company has not issued any Equity Shares out of its revaluation reserves. The details of bonus shares allotted by our Company on October 10, 2011 are as follows:
  - 34,002 Equity Shares in the ratio of 1 bonus shares for every 15 Equity Share held aggregating Rs. 3,40,020, through capitalisation of Profit and Loss Account to the extent of Rs. 3,40,020.
14. Our Company has not raised any bridge loan against the Issue Proceeds. For details on use of Proceeds, see the Section titled “*Objects of the Issue*” beginning on page 57 of the Draft Prospectus.
15. The Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of filing the Draft Prospectus.
16. The Equity Shares issued pursuant to this Issue shall be fully paid-up at the time of Allotment, failing which no allotment shall be made.
17. Our Company has not made any public issue or rights issue of any kind or class of securities since its incorporation.
18. Except as disclosed under section titled “*Issue Structure*” beginning on page 178 of the Draft Prospectus, there will be no further issue of Equity Shares either 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 Prospectus with SEBI until the Equity Shares have been listed.
19. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any Equity Shares to our employees under ESOS/ESPS scheme from the proposed Issue.
20. Except as disclosed under this section, none of our Directors, their immediate relatives, Promoters, its Directors and/or the members of our Promoter Group have purchased or sold any securities of our Company, during a period of six months preceding the date of filing the Draft Prospectus with SEBI.
21. Our Company shall ensure that transactions in the Equity Shares by our Promoters and our Promoter Group between the date of registering the Draft Prospectus with the RoC and the Issue Closing Date shall be reported to the Stock Exchange within twenty-four hours of such transaction.
22. Our Promoters or Promoter Group will not participate in the Issue.
23. The Equity Shares which are subject to lock-in shall carry the inscription ‘non-transferable’ and the non-transferability details shall be informed to the depositories. The details of lock-in shall also be provided to the stock exchanges, where the shares are to be listed, before the listing of the securities.
24. Our Company does not have any intention, proposal, negotiations or consideration to alter its capital structure by way of split /consolidation of the denomination of the Equity Shares, or issue of Equity Shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities, within a period of six months from the Issue Opening Date.



25. During the period of six months immediately preceding the date of filing of the Draft Prospectus, no financing arrangements existed for buying whereby our Promoters, its Directors, our Promoter Group, our Directors and their relatives may have financed the purchase of Equity Shares by any other person, other than in the normal course of the business of such financing entity.
26. In case of over-subscription in all categories the allocation in the issue shall be as per the requirements of Regulation 43 (4) of SEBI (ICDR) Regulations, 2009 and its amendments from time to time.
27. This issue is being made through Fixed Price method.
28. Our Company has Eight (8) shareholders as on the date of filing the Draft Prospectus.
29. No person connected with the Issue shall offer any incentive, whether direct or indirect, in any manner, whether in cash, kind, services or otherwise, to any Applicant.
30. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law.
31. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
32. Under subscription, if any, in any category, shall be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the Lead Manager and the Designated Stock Exchange i.e. BSE.
33. There are no safety net arrangements for this public issue.
34. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the minimum allotment lot and multiple of one share thereafter, while finalizing the Basis of Allotment. Consequently, the actual allotment may go up by a maximum of 10% of the Issue as a result of which, the post-issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by the Promoters and subject to lock- in shall be suitably increased so as to ensure that 20% of the Post Issue paid-up capital is locked in for 3 years.





## OBJECTS OF THE ISSUE

We intend to use the proceeds of the Issue for the following purposes:

1. To meet long-term working capital requirement
2. To meet General Corporate expenses
3. To meet Public Issue Expenses

(Collectively referred to hereinafter as the “**Objects**”)

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

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

We intend to utilize the Issue Proceeds, after deducting public issue expenses for financing the growth of our business.

### Requirement of funds

The following table summarizes the requirement of funds:

(Rs. In Lakhs)

Sr. No.	Particulars	Amount
1	Long term working capital requirement	350.00
2	General Corporate Expenses	120.00
3	Issue Expenses	40.00
	<b>Total</b>	<b>510.00</b>

### Means of Finance

(Rs. In Lakhs)

Sr. No.	Particulars	Amount
1	<b>Public Issue Proceeds</b>	<b>510.00</b>

The entire requirement of funds is proposed to be funded through the proceeds of the Issue.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may, subject to compliance with applicable laws and regulations, also include rescheduling the proposed utilization of Issue Proceeds and increasing or decreasing expenditure for a particular object *vis-à-vis* the utilization of Issue Proceeds. In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals. Also, any decreased fund requirements that lead to additional funds available for deployment as compared to the funding requirements mentioned below, the same shall be utilized as per the discretion of our management for general corporate purposes. In case of any delay in raising the funds proposed through this Issue, the company shall utilize its Internal Accruals to pay for the Issue related expenses till then.

Our Company confirms that it is not required to make firm arrangements of finance through verifiable means towards 75% of the stated means of finance, as it intends to raise the amount through proposed public issue.



## Details of the use of the proceeds

### 1. Long-term Working Capital Requirement

Our business is working capital intensive and we avail majority of our working capital from our Bankers and the balance is funded through internal accruals. As on this date of the Draft Prospectus, we have been sanctioned overdraft limits of Rs. 105 lakhs.

We expect a further increase in the working capital requirements in view of current and potential operations that may be awarded. Accordingly, we have proposed to use Rs. 350 lakhs out of the issue proceeds to meet the increase in long term working capital requirements.

(Rs. In lakhs)

	Particulars	As at 31.03.2012	As at 31.8.2012	As at 31.03.2013	As at 31.03.2014
		Restated	Restated	Estimated	Estimated
<b>A.</b>	<b>Current Assets</b>				
	Inventories	70.09	61.39	163.62	248.96
	Receivables	61.77	127.68	212.88	307.40
	Other Current Assets	-	30.36	69.04	90.41
	<b>Total Current Assets</b>	<b>131.86</b>	<b>219.43</b>	<b>445.54</b>	<b>646.77</b>
<b>B.</b>	<b>Current Liabilities</b>				
	Trade Payables	16.72	67.26	38.50	48.28
	Other Current Liabilities	7.23	16.72	9.62	12.07
	<b>Total Current Liabilities</b>	<b>23.95</b>	<b>83.98</b>	<b>48.12</b>	<b>60.35</b>
<b>C.</b>	<b>Working Capital Gap (A-B)</b>	<b>107.91</b>	<b>135.45</b>	<b>397.42</b>	<b>586.41</b>
<b>D.</b>	<b>Fund-based working capital limited used/ estimated from bank</b>	<b>38.71</b>	<b>22.18</b>	<b>105.00</b>	<b>105.00</b>
<b>E.</b>	<b>Internal Accruals available for working capital</b>	<b>69.20</b>	<b>113.27</b>	<b>117.42</b>	<b>131.41</b>
<b>F.</b>	<b>Working Capital funding through IPO proceeds</b>	<b>-</b>	<b>-</b>	<b>175.00</b>	<b>350.00</b>

As per our estimates we would require Rs. 350 lakhs out of the issue proceeds to meet the working capital requirements.

We have estimated future working capital requirements based on the following:

(No. of days)

Particulars	Basis	FY 2012	FY 2013 (5 months) - Annualised	FY 2013	FY 2014
Receivables	Debtors Collection Period	72	86	111	102
Inventory WIP	Days of Cost of Goods sold	93	49	102	99
Other Current Assets	Days based on total turnover	-	20	36	30
Trade payables and Other current liabilities	Creditors Payment Period	32	67	30	24



## 2. General Corporate Purposes

We intend to use approximately Rs. 120 lakhs from the Proceeds of the Issue towards general corporate expenses as decided by our Board from time to time, including but not restricted to for our working capital requirements, bank deposits, deposits for renting or otherwise acquiring business premises, margin money, acquiring business assets, starting new products, obtaining new or enabling accreditations and licenses, investment in business venture, strategic alignment, strategic initiatives as per the objects of the Company, expansion into new geographies, investment in securities, brand building exercises, strengthening of our production and marketing capabilities, implementing enterprise resource planning tools and methodology, in our operations and other project related investments and commitments and execution capabilities in order to strengthen our operations.

Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

## 3. Public Issue Expenses

The estimated issue related expenses include, among others, market making fees, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar's fees, depository fees and listing Fees. The total expenses for this Issue are estimated to be approximately Rs. 40.00 lakhs, which is 7.84% of the Issue size.

All the Issue related expenses shall be met out of the proceeds of the Issue and the break-up of the same is as follows:

Activity	Expenses (Rs. in lakhs)	Percentage of Issue Expenses	Percentage of the Issue Size
Payment to Merchant Bankers, market making fees, selling commissions, underwriting commissions, brokerages, payment to other intermediaries such as Legal Advisors, Registrars, Bankers etc and other out of pocket expenses	23.00	57.50%	4.51%
Printing and Stationery and postage expenses	5.00	12.50%	0.98%
Advertising and Marketing expenses	4.00	10.00%	0.78%
Regulatory fees and expenses	7.00	17.50%	1.37%
Other Expenses	1.00	2.50%	0.20%
<b>Total estimated issue expenses</b>	<b>40.00</b>	<b>100.00%</b>	<b>7.84%</b>

### Appraisal

None of the Objects have been appraised by any bank or financial institution or any other independent third party organization. The funding requirements of our Company and the deployment of the proceeds of the Issue are currently based on management estimates. The funding requirements of our Company are dependent on a number of factors which may not be in the control of our management, including variations in interest rate structures, changes in our financial condition and current commercial conditions and are subject to change in light of changes in external circumstances or in our financial condition, business or strategy.

### Monitoring Utilization of Funds

The management of the Company will monitor the utilization of funds raised through this public issue. Pursuant to Clause 52 of the SME Listing Agreement, our Company shall on half-yearly basis disclose to the Audit Committee the Applications of the proceeds of the Issue. On an annual basis, our Company shall prepare a statement of funds utilized for purposes other than stated in this Draft Prospectus and place it before the Audit Committee. Such



disclosures shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the Statutory Auditors of our Company.

#### Funds deployed

Our Statutory Auditors - M/s. Sanjay Maheshwari & Associates have vide certificate dated January 5, 2013 confirmed that as on January 5, 2013, the Company has deployed the following funds from the proposed Requirement of Funds mentioned above:

(Rs. in Lakhs)

Sr. No.	Particulars	Amount deployed
1	Issue Expenses	7.58
	<b>Total</b>	<b>7.58</b>

They have also further confirmed that the same were deployed from the Internal Accruals of the Company.

#### Estimated Schedule of Implementation and Deployment of Funds

(Rs. in Lakhs)

Sr. No.	Particulars	Amount already incurred upto January 5, 2013	Amount to be deployed in F.Y. 2012-13	Amount to be deployed in F.Y. 2013-14
1	Long term working capital requirement	-	175.00	175.00
2	General Corporate Purposes	-	120.00	-
3	Issue Expenses	7.58	32.42	-
	<b>Total</b>	<b>7.58</b>	<b>327.42</b>	<b>175.00</b>

#### Interim Use of Proceeds

Our management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds of the Issue for the purposes described above, we may invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks or temporarily deploy the funds in working capital loan accounts and other investment grade interest bearing securities as may be approved by the Board. Such investments would be in accordance with the investment policies approved by our Board from time to time and at the prevailing commercial rates at the time of investment. No part of the Issue proceeds will be paid to our Promoters, Directors, key management personnel or Promoter Group Company/entity.



## BASIS FOR ISSUE PRICE

The Issue Price has been determined by our Company in consultation with the Lead Manager on the basis of the key business strengths. The face value of the Equity Shares is Rs.10/- and Issue Price is Rs.40/- per Equity Shares and is 4 times the face value.

Investors should read the following summary with the "Risk factors" beginning from page no. 12 of this Draft Prospectus, section titled "History and Certain Corporate Matters" beginning from page 94 and "Financial Information" beginning from page 126 of this Draft Prospectus. The trading price of the Equity Shares of our Company could decline due to these risk factors and you may lose all or part of your investments.

### ***Qualitative Factors***

We believe that our business strengths listed below deliver that cutting edge that enables us to remain competitive in textile related businesses:

- Experienced Promoters backed by strong management team
- Existing customer relationship
- Existing customer relationship
- Existing relationship with suppliers

For further details regarding some of the qualitative factors, which form the basis for computing the Issue Price, see the chapters titled "Business Overview" and "Risk Factors" beginning on pages 78 and 12, respectively, of this Draft Prospectus.

### ***Quantitative Factors***

Information presented in this section is derived from our Company's restated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

#### **1. Weighted Average Earnings Per Share (Basic EPS)**

Period	Basic EPS (Rs.)	Weight
FY 2009-10	0.26	1
FY 2010-11	0.38	2
FY 2011-12	1.23	3
<b>Weighted Average</b>	<b>0.79</b>	
Five months ended August 31, 2012 (Not Annualised)	0.90	

*Note: EPS represents basic earnings per share calculated as per Accounting Standard-20 issued by Institute of Chartered Accountants of India.*

#### **2. Price/Earning (P/E) ratio in relation to Issue Price of Rs.40/-**

Particulars	P/E Ratio
P/E ratio based on Basic EPS for FY 2011-12	32.52
P/E ratio based on Weighted Average EPS	50.63

#### **Peer Group**

Particulars	P/E Ratio
<b>Industry P/E<sup>#</sup></b>	
Highest (Bombay Dyeing & Mfg. Co. Limited)	36.60
Lowest (Blue Blends (India) Ltd.)	1.30
<b>Average</b>	<b>5.10</b>



<sup>#</sup>Source: Capital Market volume no. XXVII/23 dated January 07 – 20, 2013, Industry-Textile Processing.

### 3. Average Return On Net Worth\*

Period	RONW (%)	Weight
FY 2009-10	2.69	1
FY 2010-11	3.85	2
FY 2011-12	5.92	3
<b>Weighted Average</b>	4.69	
Five months ended August 31, 2012 (Not Annualised)	1.68	

- \*Networth is defined as share capital + reserves and surplus – miscellaneous expenditure
- Return on Networth has been calculated as per the following formula:  
(Net profit after tax as restated / Networth at the end of the year or period)

### 4. Minimum Return on Net Worth after Issue needed to maintain Pre-Issue Basic EPS for the FY 2011-12 (based on restated financials) at the Issue Price of Rs. 40/- is 3.94%.

### 5. Net Asset Value (NAV) per Equity Shares

Particulars	NAV (Rs.)
As on March 31, 2010	10.13
As on March 31, 2011	10.60
As on March 31, 2012	10.63
As on August 31, 2012	26.18
NAV Post-Issue	31.25
Issue Price (Rs.)	40.00

### 6. Comparison with other listed companies

Particulars	Sales (Rs. In cr.)	EPS (Rs.)	P/E	Return On Net Worth (%)	Book Value Per Share (Rs.)	Face Value (Rs.)
Kavita Fabrics Limited*	3.13	1.23	32.52	5.92	10.63	10
Peer Group**						
Gini Silk Mills Limited	32.84	3.55	9.15	8.53	41.65	10
Garden Silk Mills Limited	3506.49	(20.60)	-	(16.06)	128.27	10

Source: BSE

P/E based on closing price on January 4, 2013 on BSE and the standalone net profits for Fiscal 2012.

\*The figures for Kavita Fabrics Limited are based on the restated results for the year ended March 31, 2012.

\*\*The figures for the peer group are taken from the Annual Reports of the Company for the year ended March 31, 2012 on standalone basis.

The face value of Equity shares of our company is Rs. 10/- and the Issue price is 4 times of the Face value. The company in consultation with the Lead Manager believes that the Issue price of Rs. 40/- per share for the public issue is justified in view of the above parameters. The Investors may also want to peruse the Risk Factors and Financials of the Company including important profitability and return ratios, as set out in the Auditors' report in this Draft Prospectus to have more informed view about the investment proposition.



## STATEMENT OF TAX BENEFITS

To  
The Board of Directors,  
**Kavita Fabrics Limited**  
105, Balaji Industrial Society -1  
Udhna-Magdalla Road,  
Surat – 305 007, Gujarat

**Sub: Statement of possible tax benefits available to Kavita Fabrics Limited and its shareholders**

Dear Sirs,

We hereby certify that the enclosed statement states the probable tax benefits that may be available to Kavita Fabrics Limited (the “Company”) and to the shareholders of the Company under the applicable provisions of the Direct Taxes presently in force in India. Several of these tax benefits are subject to 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 tax benefits is subject to fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. No assurance is given that the revenue authorities will concur with the views expressed herein.

The benefits discussed in the enclosed statement are neither exhaustive nor are they conclusive. This statement is only intended to provide general information and to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

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

*No assurance is given that the revenue authorities/Courts will concur with the views expressed herein. Our views are based on existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume any responsibility to update the views consequent to such changes. We shall not be liable to the Company for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We are not liable to any other person in respect of this statement.*

This certificate is provided solely for the purpose of assisting the addressee Company in discharging its responsibilities under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

For Sanjay Maheshwari & Associates  
Chartered Accountants  
(FRN 113289W)

Date: November 30, 2012  
Place: Surat

(CA Sanjay Maheshwari)  
Partner  
(Mem. No. 46361)





## **1. Tax benefits available under Income Tax Act, 1961 (the Act).**

### **A. Benefits available to the Company**

- a. Under section 10(34) of the Act, income by way of dividends referred to in section 115-O received on shares of any domestic company is exempt from tax.
- b. Under section 10(38) of the Act, long term capital gains arising on transfer of equity shares held in another Company or an unit of an equity oriented fund would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax. However, when the company is liable to tax on book profits under section 115JB of the Act, the said income is required to be included in book profits and taken into account in computing the book profit tax payable under section 115 JB.
- c. Under section 32 of the Act, the deduction for depreciation will be available at the prescribed rates on tangible assets such as building, plant and machinery, furniture and fixtures, etc. and intangible assets. such as patents, trademarks, copy rights, know how, licences, franchise or any other business or commercial rights of similar nature.
- d. Under section 32(2) of the Act, the unabsorbed depreciation arising due to absence/ insufficiency of profits or gains chargeable to tax can be carried forward. The amount is allowed to be carried forward and set off for the succeeding years until the amount is exhausted without any time limit.
- e. Under section 10(35) of the Act, any income (other than capital gains) received in respect of the units of a Mutual Fund specified under section 10(23D) of the Act is exempt from tax.
- f. Under section 35D of the Act, the deduction, subject to prescribed limits, will be available in respect of the expenditure incurred of the nature specified in the said section, including expenditure in connection with the present issue, such as underwriting commission, brokerage and other expenses, as specified in the said section, by way of amortization over a period of five years.
- g. As per the provisions of section 80G of the Act, the deduction will be available in respect of donations to various charitable institutions and funds covered under that section, subject to fulfillment of the conditions specified therein.
- h. In the computation of long term capital gains (which is not exempt from tax), as per the provisions of section 48, the actual cost of acquisition may be substituted by the indexed cost of acquisition i.e. the actual cost is scaled up by the prescribed index factor, resulting into reduced taxable income.
- i. Under section 115JAA (1A) of the Act, tax credit shall be allowed in respect of Minimum Alternate Tax (MAT) paid under section 115JB of the Act for any assessment year commencing on or after 1st April, 2006. The credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set off beyond ten years immediately succeeding the year in which the MAT credit initially arose.
- j. Under section 36 (1) (xv) of the Act, the Securities Transaction Tax paid by the Company in respect of the transactions, the income whereof is chargeable as Business Income, will be allowable as deduction against such income.

### **B. Benefits available to resident shareholders**

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



c. In the computation of long term capital gains (which is not exempt from tax), as per the provisions of section 48, the actual cost of acquisition may be substituted by the indexed cost of acquisition i.e. the actual cost is scaled up by the prescribed index factor, resulting into the reduced taxable income.

d. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gains is invested within six months after the date of such transfer in the bonds (long term specified assets) issued by:

- 1) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
- 2) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gains is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bear to the whole of the capital gains. The cost of the long term specified assets, which has been considered under this section for calculating capital gains, shall not be allowed as a deduction from the income -tax under section 80C of the Act.

e. Under section 54F of the Act, subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under section 10(38) of the Act) arising to an individual or a Hindu Undivided Family on transfer of shares of the Company will be exempt from capital gains tax, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of such transfer.

f. Under section 111A of the Act, short -term capital gains (i.e., equity shares held for a period not exceeding 12 months) arising on transfer of equity shares in the Company would be taxable at a rate of 15 percent (plus applicable surcharge, education cess) where the transaction is done through a recognized stock exchange in India and is liable to securities transaction tax.

However in the case of an individual or a Hindu Undivided Family, being resident, where the total income as reduced by such short term capital gains is below the maximum amount which is not chargeable to income tax then, such short term capital gains shall be reduced by the amount by which total income as so reduced falls short of the maximum amount which is not chargeable to income tax and the tax on the balance of such short term capital gains shall be computed at the rate of ten percent. Where the gross total income of an assessee includes any short term capital gains referred herein above then the deduction under chapter VI – A of the Act shall be allowed from the gross total income as reduced by such capital gains.

g. Under section 112 of the Act and other relevant provisions of the Act, long term capital gains, (other than those exempt under section 10(38) of the Act) arising on transfer of shares of the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge, education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge, education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of the shares.

However in the case of an individual or a Hindu Undivided Family where the total income as reduced by such long term capital gains is below the maximum amount which is not chargeable to income tax, then, such long term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income tax and the balance of such long term capital gains shall be computed at the rate of 20% (plus applicable education cesses).

h. Under section 36 (1) (xv) of the Act, the amount of Securities Transaction Tax paid in respect of taxable securities transactions offered to tax as business income shall be allowable as a deduction against such income.

**C. Benefits available to non-resident shareholders (other than Foreign Institutional Investors and Foreign Venture Capital Investors).**



- a. Under section 10(34) of the Act, income by way of dividends referred to in section 115-O received on the shares of the Company would be exempt from income tax in the hands of shareholders.
- b. Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
- c. In the computation of long term capital gains (which is not exempt from tax), as per the provisions of section 48, the actual cost of acquisition may be substituted by the indexed cost of acquisition i.e. the actual cost is scaled up by the prescribed index factor, resulting into reduced taxable income.
- d. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gains is invested within six months after the date of such transfer in the bonds (long term specified assets) issued by:
  - 1) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - 2) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gains is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gains. The cost of the long term specified assets, which has been considered under this section for calculating capital gains, shall not be allowed as a deduction from the income -tax under section 80C of the Act.

- e. Under section 54F of the Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under section 10(38) of the Act) arising to an individual or a Hindu Undivided Family on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
- f. Under section 111A of the Act and other relevant provisions of the Act, short -term capital gains arising on transfer of equity shares in the Company would be taxable at a rate of 15 percent (plus applicable surcharge, education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.
- g. Under section 112 of the Act and other relevant provisions of the Act, long term capital gains, (other than those exempt under section 10(38) of the Act) arising on transfer of shares in the Company, would be subject to tax at the rate of 20 percent (plus applicable surcharge, education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge, education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
- h. As per section 90(2) of the Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the non resident shareholder would prevail over the provisions of the Act to the extent they are more beneficial to the non resident shareholder.
- i. Taxation of income from investment and long term capital gains (other than those exempt under section 10(38) of the Act).
  - 1) A non-resident Indian i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the specific provisions contained in Chapter XII-A of the Act, i.e. "Special provisions relating to certain income of non-residents".



- 2) As per the provisions of section 115E of the Act, where shares in the company are subscribed for in convertible foreign exchange by a non- resident Indian, capital gains arising on transfer of shares held for the period exceeding 12 months shall be concessionaly taxed at a flat rate of 10% (plus applicable education cesses) without indexation benefit but with protection against foreign currency fluctuation under the first proviso to section 48 of the Act.
- 3) Under the provisions of section 115F of the Act, long term capital gains arising to a non- resident Indian from transfer of shares of the Company subscribed to in convertible foreign exchange shall be exempt from tax if the net consideration is reinvested in specified assets within six months of the date of transfer. Conversely, under the provisions of the said section, long term capital gains arising to a non resident Indian from transfer of specified assets subscribed to in convertible foreign exchange shall be exempt from tax if net consideration is reinvested in the shares of the Company within six months of date of transfer. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced.
- 4) Under section 115-G of the Act, it shall not be necessary for a non resident Indian to furnish his return of income if his only source of income, liable to tax in India, is investment income or long term capital gains or both arising out of assets acquired, purchased with or subscribed to in convertible foreign exchange and tax deductible at source has been deducted there from.
- 5) As per the provisions of section 115-I of the Act, a non resident Indian may elect not to be governed by the provisions of Chapter XII-A of the Act for the any assessment year by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year, and if he does so, the provisions of this Chapter shall not apply to him. In such a case the tax on investment income and long term capital gains would be computed as per normal provisions of the Act.

#### **D. Benefits available to foreign institutional investors (FIIs)**

- a. Under section 10(34) of the Act, income by way of dividends referred to in section 115-O received on the shares of the Company would be exempt from income tax in the hands of shareholders.
- b. Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.
- c. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gains is invested within six months after the date of such transfer in the bonds (long term specified assets) issued by:
  - 1) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - 2) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gains is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gains. The cost of the long term specified assets, which has been considered under this section for calculating capital gains, shall not be allowed as a deduction from the income -tax under section 80C of the Act.

- d. As per section 90(2) of the Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the Act to the extent they are more beneficial to the FII.



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

#### **E. Tax Benefits available to Mutual Funds**

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

#### **F. Benefits available to Venture Capital Companies / Funds**

As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies ('VCC') / Funds ('VCF') (set up to raise funds for investment in a Venture Capital Undertaking registered and notified in this behalf) registered with the Securities and Exchange Board of India, would be exempt from Income-tax, subject to the conditions specified therein.

However, the exemption is restricted to the VCC and VCF set up to raise funds for investment in a Venture Capital Undertaking, which is engaged in the business as specified under Section 10(23FB)(c).

However, the income distributed by the Venture Capital Companies/ Funds to its investors would be taxable in the hands of the recipients.

Further, the Ministry of Finance, Government of India, on March 16, 2012, presented the Finance Bill 2012 before the Parliament for the Financial Year 2012-13. The Finance Bill 2012 has proposed to the following amend Section 10(23FB) and Section 115U of the Act:

- There will be no sectoral restrictions;
- The income accruing to VCC / VCF will be taxable in the hands of the investors on accrual basis;
- The income paid by VCC / VCF will be liable to Tax Deduction at Source / Dividend Distribution Tax as the case may be; and

The proposed amendment subject to enactment (with or without modification) and will be effective from 1 April 2012.

In the case of Foreign Venture Capital Companies / Funds who are non-residents, as per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the relevant tax treaty to the extent they are more beneficial to the non-resident. Thus, the applicable Tax Treaty provisions also need to be examined and factored for final and more favorable implications.

#### **2. Benefits available under the Wealth Tax Act, 1957**

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

#### **3. Gift of shares not liable to tax, subject to satisfaction of certain conditions**

- a) Gift of shares would not attract gift tax as such. However, pursuant to section 56 (2) (vii) of the Act, if shares of the company, the fair market value whereof is more than Rs. 50,000/- are transferred by the shareholder of the Company to a Hindu Undivided Family or any individual who is not a relative as defined in the explanation to section 56(2)(vi)] of the shareholder, without consideration or for an inadequate consideration, then, the fair market value of the shares or the difference between the fair market value of the shares and the actual



consideration, as the case may be, shall be included in the taxable income of the transferee and taxed as per the provisions of the Act.

- b) After the shares of the Company are listed, transfer of the shares of the Company by any person to any partnership firm, Limited Liability Partnership or closely held company would not attract tax liability under section 56(viia) in the hands of the transferee in a case where the transfer is effected without any consideration or for an inadequate consideration.

#### **4. Special Benefits**

There are no special tax benefits to the Company or to the shareholder of the Company.

#### **Notes:**

1. The above statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.
2. The tax benefits listed above are not exhaustive.
3. The above Statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences.
4. The stated benefits will be available only to the sole/first named holder in case the shares are held by joint holders.
5. 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.
6. In view of the individual nature of tax consequences, each investor is advised to consult his/her/its own tax advisor with respect to specific tax consequences of his/her/its participation in the scheme.
7. No assurance is given that the revenue authorities / courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

For Sanjay Maheshwari & Associates  
Chartered Accountants  
(FRN 113289W)

Date: November 30, 2012  
Place: Surat

(CA Sanjay Maheshwari)  
Partner  
(Mem. No. 46361)



## SECTION IV: ABOUT THE COMPANY

### INDUSTRY OVERVIEW

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#### Macro Economic Indicators

The domestic economy has not shown any significant signs of turning around during the first six months of the current fiscal. While the economy got support from some positive triggers, the political and global uncertainties have affected growth prospects. A turnaround is expected in the light of the reforms measures initiated by the Government recently. However, any positive change will be gradual and would take time to show some material impact.

#### GDP Growth

The Indian economy has moderated quarter after quarter, clocking an impressive 8% growth in Q1 FY12 and coming down to 5.5% in Q1FY13. The Agriculture sector has slightly improved on a sequential basis but remained lower on Y-o-Y basis. The Manufacturing sector in the latest quarter grew by 0.20% against negative figure reported in the last quarter. However, the sector plunged heavily on Y-o-Y basis from 7.3% to 0.2%. Apart from prevailing high interest rate and higher input cost, the sector witnessed demand fall from overseas markets also. The Mining and quarrying sector witnessed a sequential slide in Q1FY13 at 0.10% against 4.30% recorded a quarter before. The sector wise quarterly growth is mentioned below –

Quarterly Growth – sector-wise (%)		
Sector	Q1 FY12	Q1 FY13
Agri & allied	3.70	2.90
Community, social & personal services	3.20	7.90
Construction	3.50	10.90
Electricity, gas etc.	8.00	6.30
Financing, insurance, etc.	9.40	10.80
Manufacturing	7.30	0.20
Mining & Quarrying	-0.20	0.10
Trade, hotels, etc.	13.80	4.00
<b>GDP (factor cost)</b>	<b>8.00</b>	<b>5.50</b>

Source: Central Statistical Organisation

#### Industrial Growth

The Index of Industrial Production (IIP) recorded a 1.8% contraction in June 2012 against the healthy 9.5% expansion in June 2011. The slowdown in overall industrial activity is pertinent from the decline in IIP numbers in the last couple of months. The table mentioned below captures the synopsis of the industrial activity.



Industrial Growth – sector-wise (%)				
FY13	HP	Mining	Manufacturing	Electricity
April	-1.30	-2.80	-1.80	4.60
May	2.50	-0.60	2.60	5.90
June	-1.60	0.20	-3.10	8.80
July	0.10	-0.70	-0.20	2.80
August	2.70	2.00	2.90	1.90
<b>Apr-Aug</b>	<b>0.48</b>	<b>-0.38</b>	<b>0.08</b>	<b>4.80</b>

*Source: Central Statistical Organisation*

### Inflation

Headline inflation rose to 7.81% in September 2012 from 7.55% in August 2012 in y-o-y terms, led by Fuel & Power (up 11.9% from 8.3%) and minerals (up 12.4% from 9.7%). All three components of inflation, namely, that of primary products, fuel and power and manufactured goods have been high this year.

To some extent, the pass through of the diesel price hike to prices of manufactured products may be offset if the rupee remains at current levels. Nevertheless, core inflation is expected to remain firm in the ongoing quarter. The movement of crude oil prices and the rupee might critically impact the inflation trajectory, going forward. The table below illustrates the trend in inflation during the current fiscal –

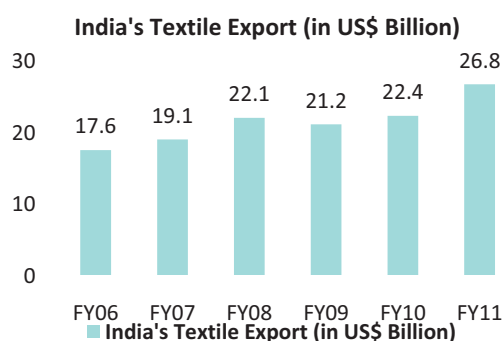
Inflation Trend-Monthly FY13				
Month	Overall (WPI)	Primary Articles	Fuel & Power	Manufactured Goods
April	7.5	9.6	12.1	5.3
May	7.6	10.3	11.5	5.2
June	7.6	9.8	12.1	5.4
July	6.9	10.4	6.0	5.6
August	7.6	10.1	8.3	6.1
September	7.8	8.8	11.9	6.3

*Source: Central Statistical Organisation*

### Indian Textile Industry

The Indian Textile Industry is one of the leading industries in the world. Liberalisation of the Indian economy in 1991 gave the much-needed thrust to the Indian economy, which is now turning out to be the largest in the world.

The Indian Textiles Industry has a vast presence in the economic life of the country. Apart from providing the basic necessities of life, it also plays a significant role through its contribution to various macro-economic factors of the country. At present, it contributes about 14% to industrial production, 4% to the Gross Domestic Product (GDP), and 17% to the country's export earnings. It is also one of the largest sectors in the country in terms of employment



*Source: Ministry of Textiles.*





generation. It provides direct employment to over 35 million people, which includes a substantial number of Schedule Caste / Schedule Tribe, and women. It not only generates job in this industry but also opens up space in other ancillary sectors. Its proximity to agriculture and the ancient culture and tradition of country also make the Indian textiles sector unique compared to the textiles industry of other countries.\*

The Indian textile industry is one of the largest contributors to Indian exports. A report on increasing India's manufacturing exports submitted by the Working Group constituted by the Planning Commission during the XIIth Five Year Plan (2012-17), envisages India's exports of Textiles and Clothing at \$32.35 billion by the end of the XIth Five Year plan, against the earlier target of \$55 billion envisaged in the Report of Working Group on Textiles for the XIth Five Year Plan and based on historic growth rate of 10%, Compounded Annualised Growth Rate (CAGR). A business-as-usual approach will result in exports of \$52 billion by the end of the XIth Plan. An export target of \$65 billion and creation of 25 million additional jobs has been proposed with a CAGR of 15% during the XII Plan.\*

The Indian textiles industry is extremely varied. It includes hand-spun and hand-woven sector on one hand and capital intensive, sophisticated mill sector on the other. Powerlooms / hosiery and knitting sectors are also some of the largest sections of the Textiles sector. The major sub-sectors that comprise the textiles sector include the organized Cotton/Man-Made Fibre Textiles Mill Industry, the Man-Made Fibre / Filament Yarn Industry, the Wool and Woolen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

The Government of India is also promoting a number of policies for the textile sector. Some of the measures taken by the Government are as under:

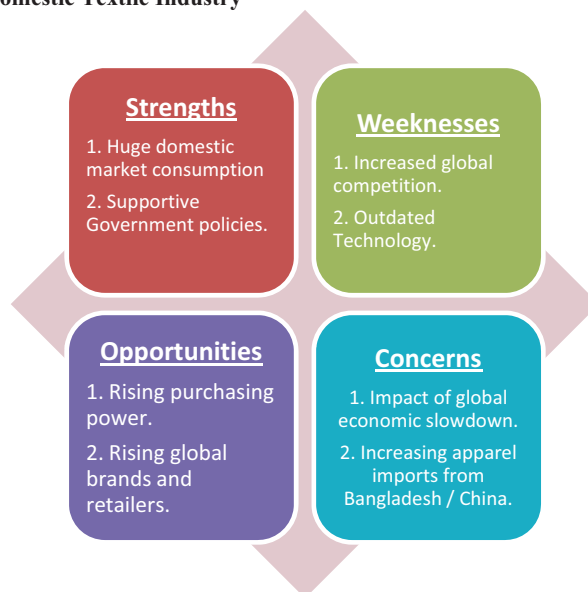
- Health insurance and life insurance cover to the weavers and ancillary workers under Rajiv Gandhi Shilpi Swasthya Bima Yojna.
- Technology Upgradation Fund Scheme (TUFS) has also been introduced which provides interest reimbursement / capital subsidy and margin money subsidy for technology upgradation, which will lead to cost effectiveness as well as improve quality.
- The Textile Workers' Rehabilitation Fund Scheme (TWRFS) came into force with the objective to provide interim relief to textile workers rendered unemployed as a consequence of permanent closure of any particular portion or the entire textile unit.
- The schemes for mega cluster has been launched which will provide for development of all the facets of selected clusters like raw material support, design inputs, upgradation of technology, infrastructure development, marketing support, welfare of weavers etc.
- Providing facility of E-Marketing.
- Through "Integrated Skill Development program", lots of people are being trained.
- Financial package for waiver of overdues has also been announced.
- Several textile parks with world-class infrastructure facility has also been approved which would lead to employment generation.

In 2011-2012, the Indian economy has witnessed moderation in growth. Turbulent global conditions, rupee depreciation, rising inflation, coupled with a weak industrial sector have emerged as key challenges for the Indian economy. However, despite these challenges, favourable demographic conditions and rising income level will help to keep growth story of India's domestic demand intact.

*\*Source: Ministry of Textiles, Annual Report – 2011-12*



### SWOT analysis of domestic Textile Industry



### Man-made Fibre Textiles

The man-made fibre textile industry is one of the largest organized industries in the country in terms of employment and number of units. Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes and chemicals.

Textile production covering man-made fibres, man-made filament yarn and cotton yarn is showing a decreasing trend. Blended and 100% non-cotton yarn production recorded an increase of 5.2% during 2011-12 (April – October 2011). The production of spun yarn during April-October (2011-12) has shown a decrease of 8.1%. The production of cotton yarn during 2011-12 (April-October 2011) recorded a decrease of 12.7% (Provisional)\*.

*\*Source: Annual Report, Ministry of Textiles, 2011-12.*

### Textile Industry of Surat

Surat is known as the textile city of Gujarat. The textile industry is one of the oldest and the most widespread industries in Surat. A major part of the city's population is associated with the textile industry. The textile industry in Surat is mainly engaged in the activities of yarn production, weaving, processing as well as embroidery. Surat is well known for its synthetic products market. It is mainly engaged in the production and trading of synthetic textile products. Nearly 30 million metres of raw fabric and 25 million metres of processed fabric are produced in Surat daily. The city has several textile markets that exist since times immemorial. Zampa Bazaar, Bombay Market, JJ Textile Market and Jash Market are among them. Katat Gam, Magdalla and Udhana are the areas in Surat where manufacturing is mainly concentrated. In the course of time, people from various other places like Rajasthan and Kolkata have settled in Surat in order to carry out their textile business. The famous brands of Garden and Vimal textiles evolved from Surat. A few other brands like Parag and Prafful from Surat became famous within a short time. The main market for Surat's textile products are India and other Asian countries. Around 90% of polyester used in India comes from Surat. The Middle East is the major export market for Surat's textile products. The Surat textile industry has grown considerably over time. As per recent figures, textile production in Surat has grown by 10% in the last 5 years, while the market for embroidery has grown from an almost negligible amount to around Rs. 30,000 million over the same period. One of the main reasons behind the growth of Surat's textile industry is the



city's ability to adapt to changes and the latest trends. The city is quick to respond to any changes in the preference of people. The industrialists here have strong entrepreneurial skills.

Gujarat has 130 mills with 18.93% of spindles and 30.69% looms of the country. The industry provides employment to over 2.5 lakh workers. The state has a long tradition in cloth weaving. It enjoys facilities of raw cotton, large market, capital, and port and transport facilities. At present, the state contributes about 8.1% of the mill production of cotton yarn and 33.15% of the mill production of cotton clothes in the country.

The city of Ahmedabad alone houses 51 cotton mills, installing 12.7% of the spindles and 23% of the total looms of the country. It ranks next to Mumbai in respect of cotton textile industry. It produces sarees and dhotis besides a large variety of grey, bleached, coloured or printed fabrics. Bharuch, Vadodara, Rajkot, Bhavnagar, Kalol, Surat, Cambay, Nandiad, Morvi and Viramgaon are other important centres for cotton textile industry. Surat is also an important Jari producing centre. Surat and Cambay also have large number of power looms.

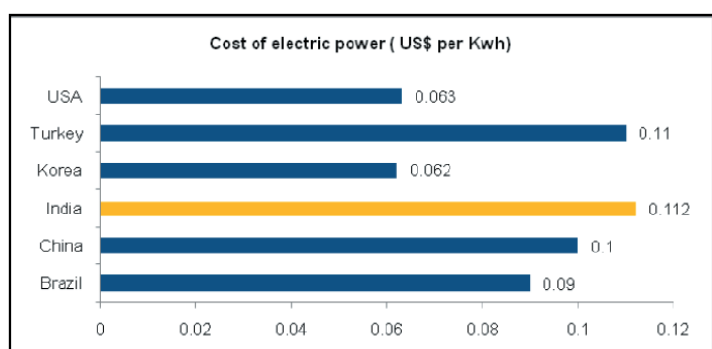
### Factors impacting the production of Fabrics

The major factors impacting the production of fabrics are as follows –

**Raw Material:** India has adequate raw materials required for manufacturing major man-made fibers, though some quantity is met through imports. However, the import intensity is high for fiber intermediates like acrylonitrile and rayon grade wood pulp, where there is a clear shortage in domestic production. During the last year, there has been a rise in imports of certain key raw materials like Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG) on account of some shortage. However, more capacity addition in the industry is underway. According to industry estimates, over 1,000 Kilo Tonnes per Annum (KTA) of PTA capacity and 325 KTA of MEG capacity are likely to come up in near future. The Ministry of Textiles is also taking important steps so that adequate raw materials are available in the market and with the help of information technology, it intends to supply the information of availability of raw material, market trend etc. on its website.

**Labour:** The textile industry is a labour-intensive sector and man-made fabric industry alone houses 6.5 lakh powerloom machines, 400 dyeing and printing units, 50,000 embroidery machines and more than one lakh texturising machines. According to industry sources, among the textile workers in Surat, only 10% of the workers are from Gujarat and the rest 90% are migrant workers from all over India. As most of the production unit work in two shifts of eight hours each, the management has to maintain a friendly relationship with workers. Along with wages, many organizations also provide them with food, clothes and shelter. The Government schemes like National Rural Employment Guarantee Act (NREGA) are providing migrant workers ample opportunities to work and earn money in their home states and hence mill owners must provide them with enough work and incentives to retain them.

**Power:** The increase in the cost of industrial gas charges and electricity has negatively impacted the industry in the past couple of years. The higher cost is decreasing India's competitive edge in the global market as represented by the table below.





**Design:** The design of the end-product plays the most crucial role in establishing the brand name in the sector. There are many small players and some of them typically rely on the design floated by bigger players. However, the company that has an experienced designer in-house and can come out with a unique design frequently will have a huge clientele and bigger market share. Textile design requires special skills and imagination to create innovative designs. The skills required for effective textile design making are:

- Creative imagination
- Technical skills
- Commercial awareness of textile industry with continuous updating of fashion trends
- Research and data handling
- Critical evaluation and interpretation of materials
- On-spot decision making ability

The core area of textile designing involves the following:

- Designing fabric by using different technique comprising printing, weaving, ornamenting fabric, print technique, tracing embroidery and colour detailing.
- Providing support to clients to visualize design.
- Helping clients to correct samples while executing prototypes.

**Machinery:** The technology used in the production of yarns plays an important role in terms of productivity and cost. Surat is known for manufacturing of synthetic and man-made fibre fabrics and produces approximately 50% of synthetic/man-made fibre fabrics manufactured by the entire powerloom industry in India. As far as machinery and other equipment are concerned in Surat region, there are approximately 4,000 water-jet looms, 2,500 rapier looms used for dress materials, sarees and home textiles and approximately 2,000 shuttle-change auto looms with doobby attachments. The numbers of projectile and air-jet looms are limited to 50 or so. As far as various other products are concerned, Surat is already manufacturing taffeta cloth, filter cloth, umbrella cloth, bolting cloth, home furnishing using nylon, polyester, and cotton fibres on conventional and auto shuttleless looms for domestic market.

### Synthetic Yarn –Uses

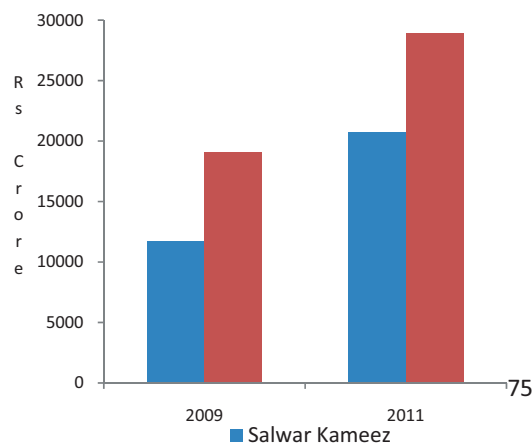
The synthetic yarn is extensively used in textiles and garment industries. The sarees and dress materials produced are sent to different parts of the country and since India is a country of diverse religions there is one festival or another happening round the year and thus there is always a robust demand for the product.

### Indian Ethnic Wear

The Indian ethnic wear is a major source of demand for metallic yarns. Zari, brocade etc are used extensively in these segments. Apart from clothing, Indian footwear in the form of bordered and embroidered chappals uses metallic yarns. The old kolhapuri chappal has also been innovated upon.

As per Technopak Advisors, the size of the ethnic wear market in India is pegged at Rs 56,800 crore as of 2010-2011. The size of the salwar kameez and saree market is estimated at Rs 20,700 crore and Rs 28,900 crore, respectively. This segment remains mostly unorganized with 90% of the ethnic wear market being unorganized. The market is estimated to grow at 10% annually between 2012 and 2015.

The ethnic wear dominates the women's wear apparel industry in India. The salwar kameez segment within this industry has grown from Rs 11,660 crore in 2009 to 20,700 crore in 2011. The Saree segment has grown from Rs 19,040 crore in 2009 to Rs 28,900 crore in 2011. Most importantly, in spite of greater urbanization, the ethnic





wear market continues to grow from strength to strength. Moreover, the salwar kameez dominates the women's work wear segment. Estimates by Technopak advisors place the working women population at 40-50 million by 2016.

The ethnic wear segment also thrives on the bridal wear segment. The Indian wedding industry is estimated at Rs. 1,25,000 crore and is expected to grow at an annual average rate of 25%. The industry is seasonal in nature and is limited to the auspicious months of the year. However, orders for bridal wear begin at the outset of season. An estimated 20 million weddings were performed in 2011. The majority of the households spend lavishly on bridal and bridegroom's apparel with the former costing about \$1000 or Rs. 45,000 – 50,000 and the later being sold at \$800 or Rs. 36,000 –40,000.

In the global textile and apparel market, the Indian market scores over other regions on the back of its large pool of skilled low-cost labour. Moreover, the Government's initiatives, which range from technology upgradation funds to integrated textile parks to prop up the textile sector is likely to sustain the growth momentum.

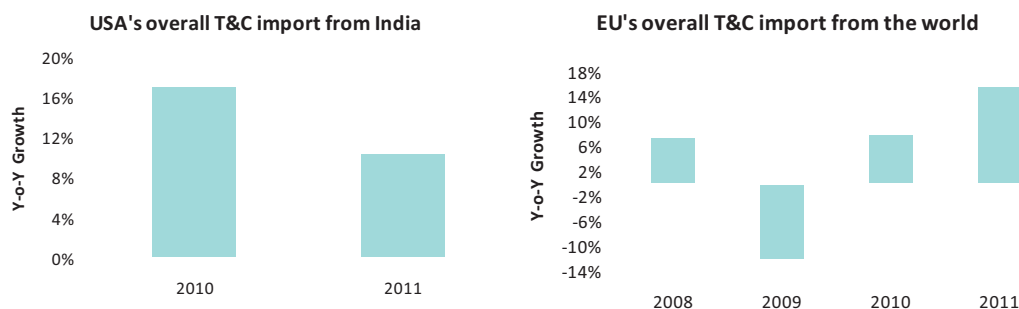
### Global Market

*Textile & Clothes (T&C) manufacturing base witnessing strategic shift / T&C manufacturing shifting to low-cost countries*

Global T&C industry has undergone major redistribution as far as the production and consumption patterns are concerned. Over the years, T&C manufacturing base has geographically shifted to the emerging economies like India, China and Bangladesh from the developed economies like the U.S. and Europe. Low-cost labor advantage played a pivotal role in this shift. However, it is yet to be seen that these economies can replace the mature economies in the consumption pattern, where the American and the European markets command the bulk of the global consumption.

*Recovery from the economic slowdown*

Following August 2008, major T&C consumer markets like the United States (U.S.), European Union (EU) and Japan witnessed recessionary conditions and financial crisis, thus adversely impacting the business prospects of the production hubs in the emerging economies.



Source: Global Trade Information Services

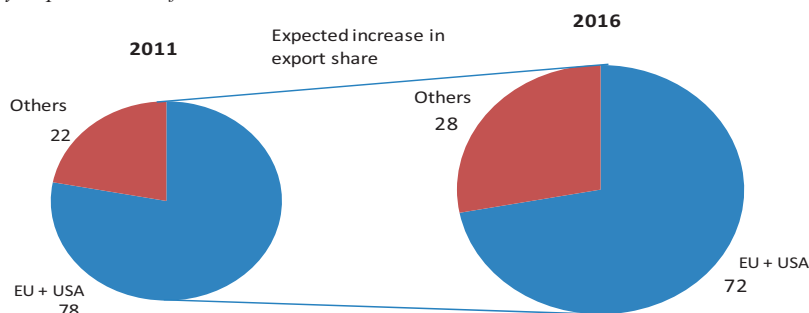
However, these adverse economic conditions appeared to have abated somewhat since 2010 with the U.S., the single largest importer of textiles and clothing items, observing a positive growth of 14.22% and 17.03% in its import of T&C from the world and India respectively during the calendar year 2010. Similar positive Y-o-Y growth was also seen in the EU's import for the T&C segment during 2010 and 2011.

*Region-wise T&C Import*



India holds a commendable position in the T&C export market. According to World Trade Organisation (WTO) - 2010 data, India ranks 3<sup>rd</sup> in textile exports and 6<sup>th</sup> in clothing exports, falling behind Turkey, Bangladesh, Hong Kong, EU27 and China.

#### Key Export markets for India



India derives its bulk export revenue for apparels from the U.S. and E.U., accounting for almost 78% of India's total apparel exports in 2011. Rest of the markets hold 22% export share, valued at \$2.8 billion as on 2011. These markets comprise countries like South Africa, Latin America, Japan, South Korea and Australia, which hold immense demand for Indian apparels. It is estimated that India can push its current share of exports from 22% to 28% by 2016 from these countries.

#### Future Looks Bright

The demand for man-made fibres depends on the demand for yarns and fabrics, which in turn depends upon the consumption of finished textiles viz. apparel and made-ups. Thus, in order to determine the future requirements for man-made fibres/ filament yarns, we first need to assess demand for fabrics and finished textiles made from man-made fibres, both for the domestic market as well as exports.

The table below shows the man-made fibres requirement under different GDP growth scenario (in million kg). The data has been calculated keeping in mind the past consumption pattern.

	FY15E			FY20E		
	7%	8%	9%	7%	8%	9%
Domestic demand	3782.5	3921.1	4067.6	5651.6	6000.6	6386.9
(+) Exports	453.9	470.5	488.1	678.2	720.1	766.4
(-) Imports	151.3	156.8	162.7	226.1	240.0	255.5
<b>Total fibre requirement</b>	<b>4085.1</b>	<b>4234.8</b>	<b>4393.1</b>	<b>6103.8</b>	<b>6480.6</b>	<b>6897.9</b>

Source: Dun & Bradstreet

The future fibre demand for different man-made fibres has been compared with existing capacities. The current level of existing capacities of all man-made fibres would be insufficient to meet the future demand and hence the above MMFs would require capacity additions by manufacturers.



## BUSINESS OVERVIEW

Incorporated in 2005, our Company established its manufacturing unit at Surat (Gujarat) in 2008, mainly with the object of manufacturing synthetic fabrics from man-made yarns by using weaving technology. Our Company has its registered office and manufacturing units in Surat, India. Our Company started commercial production in 2008. Our Company, under the guidance of experienced promoters, initially installed 12 jacquard power looms to manufacture synthetic fabrics from man-made yarns in 2008. Thereafter, in the year 2012, our Company increased its production capacity by purchasing additional 24 jacquard power looms. Currently, our Company owns 36 jacquard power looms to undertake the weaving of the synthetic fabrics from man-made yarns.

Currently, our Company manufactures synthetic fabrics in the form of semi-finished sarees and dress materials. These products are offered in various designs as per customer requirements. Semi-finished sarees and dress materials manufactured by our Company are further processed by our customers before selling to the end-users. The main raw material for our product is man-made yarn, which is sourced from local markets.

Our Company based on its experience and its standards, conforms to major specifications and customer requirements. We firmly believe in benchmark product quality, customer centric approach, people focus, ethical business practices and good corporate citizenship. We draw our strength from an age old tradition of quality products.

Our on-going manufacturing units are equipped with all equipment and facilities for manufacturing synthetic fabrics, including jacquard power looms alongwith all the other allied equipments. For more details on the Equipments owned by the Company, please refer the para titled "Equipments" later in this chapter.

### *Financial Snapshot*

Our Income from operations as per the restated financials has grown from Rs. 54.42 lakhs in the year 2008-09 to Rs. 312.83 lakhs in the year 2011-12 and Rs. 226.93 lakhs for the five months period ended August 31, 2012 exhibiting a compounded annual growth rate of 53.02%% for the period of past three financial years.

Our Profit after tax as per the restated financials has grown from 0.24 lakhs in the year 2008-09 to 6.71 lakhs in the year 2011-12 and Rs. 9.69 lakhs for the five months period ended August 31, 2012 exhibiting a compounded annual growth rate of 119.90% over the period of past three financial years.

### *Production capacities*

The production and utilized capacities of our Company for manufacturing of grey cloth for the past three years and also the projected capacities and utilizations for the subsequent three years are set forth in the following tables:

#### **Synthetic Fabrics (Grey Cloth)**

Particulars	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
	Actual	Actual	Actual	Projected	Projected	Projected
Total Installed Capacity (metres)	1,50,000	1,50,000	1,50,000	4,50,000	4,50,000	4,50,000
Capacity Utilisations (%)	75.61	67.15	74.25	60.00	80.00	80.00
Production (metres)	1,13,414	1,00,729	1,11,370	2,70,000	3,60,000	3,60,000
Period available (Months)	12	12	12	12	12	12

\* Our Company has increased its Licensed & Installed capacity in Sep, 2012

### *Our Strengths*

#### **1. Experienced Promoters backed by strong management team**

Our management team combines youth and experience to outline plans for the future development of the company. Our management team together between them have several years of experience in textile industry. Our executive



directors have almost 55 years of combined experience in the textile industry. We believe that their strong technical experience and industry networks will help us grow our business operations and in achieving our key business strategies.

For further details regarding the experience and qualifications of our management and promoters please refer to the sections titled “Our Management”, “Our Promoters” and “Our Promoter Group and Group Entities” beginning on pages 97, 111 and 116 of this Draft Prospectus respectively.

## **2. Existing customer relationship**

We believe that we constantly try to address customer needs around a variety of products. Our existing customer relationships help us to get repeat business from our customers. This has helped us maintain a long term working relationship with our customers and improve our customer retention strategy. We have existing customer relationships with companies which get us repeat orders. We believe that our existing relationship with our customers represents a competitive advantage in gaining new customers and increasing our business.

## **3. Fully Integrated Manufacturing Facility**

Our manufacturing unit is fully integrated and self sufficient. The raw materials and consumables are readily available. Further, all other utilities like power and human resources have posed no hurdle till date. All the equipments required for manufacturing the synthetic fabrics are in place. Our manufacturing unit undertakes the entire process of manufacturing the synthetic fabrics; which begins from yarn twisting upto weaving and packing of the finished product. For further details on the list of equipments owned by our Company, please refer the para “Equipments” on page 82 of the Draft Prospectus.

## **4. Existing relationship with suppliers**

We have manufactured synthetic fabrics for our customers. We have acquired raw materials from several suppliers and have contacts with them for a long time. We believe that our strong relationships with suppliers will enable us to continue to grow our business. Due to our relationships with our suppliers, we get quality and timely supplies of raw materials. This enables us to manage our inventories and supply quality products on timely basis to our customers. This in turn has enabled us to generate repeat business.

### ***Our Business Strategy***

#### **1. Improving operational efficiencies**

Our Company intends to improve efficiencies to achieve cost reductions so that they can be competitive. We believe that this can be done through domestic presence and economies of scale. Increasing our penetration in existing regions with new range of products, will enable us to penetrate into new catchment areas within these regions and optimize our infrastructure. As a result of these measures, our Company will be able to increase its market share and profitability.

#### **2. Leveraging our Market skills and Relationships**

This is a continuous process in our organization and the skills that we impart in our people give importance to customers. We aim to do this by leveraging our marketing skills and relationships and further enhancing customer satisfaction. We plan to increase our customers by meeting orders in hand on time, maintaining our customer relationship and renewing our relationship with existing buyers.

#### **3. Focus on consistently meeting quality standards**

Our Company intends to focus on adhering to the quality standards of the products. This is necessary so as to make sure that we get repeat orders from our customers. This will also aid us in enhancing our brand value.

#### **4. Enhance customer base by entering new geographies to establish long-term relationships**

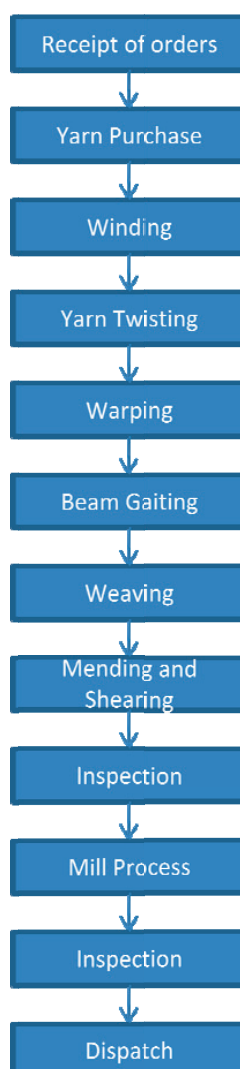




We intend to cater to the increasing demand of our existing customers and also to increase our existing customer base by enhancing the distribution reach of our products in different parts of the country. Our Company operates out of Surat, Gujarat in India. We propose to increase our marketing and sales team which can focus in different regions and also maintain and establish relationship with customers. Enhancing our presence in additional regions will enable us to reach out to a larger population. Further, our Company believes in maintaining long term relationships with our customers in terms of increased sales. We aim to achieve this by adding value to our customers through innovation, quality assurance and timely delivery of our products.

### ***Manufacturing Process***

The weaving process uses a loom. The lengthway threads are known as the warp, and the cross way threads are known as the weft. A summary of the steps involved in the manufacturing process of manufacturing synthetic fabrics are set-out below:





### **Receipt of orders**

The Company manufactures products majorly on order basis.

### **Yarn Purchase**

Our Company purchases yarn from the local market. Our Company uses man-made yarns like polyester, nylon, metallic yarn, etc. to manufacture synthetic fabrics. These raw materials are received on paper tubes, packed in cartons.

### **Winding**

The yarn from paper tubes is shifted to aluminium cops with the assistance of the winding machine.

### **Yarn Twisting**

To increase the strength of the yarn, the yarn has to go through the twisting process, which is done by TFO twisting machine. Further, in this process the yarn gets shifted from aluminium cops to the warping roll.

*Note: Our Company used to outsource this process to one of its group entity M/s. Shree Balaji Twisting Works (proprietorship firm of Harish Kumar Chandak (HUF)). From September 2012 onwards, our Company does this in-house.*

### **Warping**

This is a process of preparing beams for the looms. The rolls are loaded on the creel stand of the warping machines. The threads from all the rolls are passed through the reed to the warping drum as per the desired designs. Thereafter, the threads are rolled onto the beams pipes. These beam pipes are placed on the looms for further process.

### **Beam gaiting**

The drawn beam is then placed on the loom. This gaiting process takes approximately one hour.

### **Weaving**

Weaving is one of the process that is required in textile in terms of producing a fabric. Weaving is a process of interlacing two types of yarn known as warp or ends (run parallel to the weaving machine known as loom) and weft or filling yarn (run perpendicular to the loom) to produce a rigid fabric. The weaving process uses a loom. A loom is a device used to weave cloth. The basic purpose of any loom is to hold the warp threads under tension to facilitate the interweaving of the weft threads through shuttle. The precise shape of the loom and its mechanics may vary, but the basic function is the same.

*Note: Our Group Entities M/s. Kavita Fabrics (proprietorship firm of Mrs. Sudha Chandak), M/s. Swayam Textiles (proprietorship firm of Ms. Kavita Bajaj) and M/s. Shiv Enterprises (proprietorship firm of Mr. Shailesh Chandak) possess 12, 12 and 20 jaquard power looms each respectively. These firms were manufacturing synthetic fabric solely for our Company on job-work basis. M/s. Kavita Fabrics (proprietorship firm of Mrs. Sudha Chandak), M/s. Swayam Textiles (proprietorship firm of Ms. Kavita Bajaj) closed down their business in August 2012. Though M/s. Shiv Enterprises (proprietorship firm of Mr. Shailesh Chandak) still continue to manufacture products for our Company solely on job-work basis. Our Company has purchased additional 24 jaquard power looms in September 2012.*

### **Mending and Shearing**

This is the process of removing the unwanted portion of the woven fabric by using the shearing machine and whatever defects are found in them, are removed on mending tables.



### **Inspection**

The product is made to pass onto inspection equipment for quality checkup before sending it for the mill process.

*Note: Till March 2012, our Company used to sale its products after this stage. The sale was made to its then group entity M/s. Aayush Creation (proprietorship firm of Mrs. Sarika Chandak), which used to undertake the further processes as mentioned hereafter. Our Company took over the entire business of M/s. Aayush Creation vide Share Swap Agreement dated March 31, 2012, pursuant to which equity shares of our Company has been allotted. Since, April 2012, the below mentioned processes are also undertaken by our Company.*

### **Mill Process**

This process is undertaken by the dyeing house, wherein the washing of the fabrics is undertaken by using speciality chemicals. Thereafter, the width alignment of the fabrics is done through centre machine.

### **Inspection**

The products so received from the mills are again transferred onto inspection equipment for quality checkup.

### **Dispatch**

Once, the product passes the quality checks, the fabrics is cut into the desired length for saree or dress materials and packed for dispatch to our customers.

Thereafter, our customers further processes the synthetic fabrics as sold by us as per their requirement, which includes tapela dyeing and any other additional work.

### ***Infrastructure facilities***

#### **Equipments**

Some of the major equipments owned by us at present and available at our existing units are:

<b>Name of Equipment</b>	<b>Nos.</b>
Jaquard Power Looms with allied machineries	36
Bobbing Machine	2
TFO	2
Zari Twisting	3
Warping Machines	3
Winding Machines	2

#### ***Equipment to be purchased out of the proceeds of the Issue***

For details please refer to the chapter titled “*Objects of the Issue*” beginning on page [●] of the Draft Prospectus.

#### **Technology**

We have not entered into any technical collaboration agreements with any party.

#### **Utilities**

#### ***Raw Materials***

The primary raw material required for our manufacturing process is man-made yarn. They are readily available in domestic market and we purchase the same locally. The assessment of the requirement of the raw material is done.



Based on the requirement, the supplier is finalised through the process of negotiation and lead-time in supply of materials.

#### **Water**

Water requirement for the manufacturing and allied processes is very minimal and the same is procured locally by way of existing water supply network in that area.

#### **Power**

The requirement of power for our operations, like power for lighting and operating the machinery/equipment is met through the local power distribution company where the units are located.

#### **Human Resource**

As on December 31, 2012 we employ 27 full-time employees at our registered office and manufacturing premises. Our manpower is a prudent mix of the experienced and youth which gives us the dual advantage of stability and growth. Our work processes and skilled resources together with our strong management team have enabled us to successfully implement our growth plans. Apart from the above employees, we also employ casual labour or temporary labour.

Our employees are not members of any unions and we have not entered into any collective bargaining agreements with them. We have not experienced any work stoppages or action by or with our employees and we consider our relationship with our employees to be good.

#### **Marketing**

Our success lies in the strength of our relationship with our customers who have been associated with our Company for a long period. Our promoters, Mr. Harish Chandak and Mr. Shailesh Chandak, through their vast experience and good rapport with clients owing to timely and quality delivery of products plays an instrumental role in creating and expanding a work platform for our Company. To retain our customers, we regularly interact with them and focus on gaining an insight into the designs and other additional needs of such customers. We mainly manufacture products on the order basis and our major clients are located in the southern part of India. We have the locational advantage as regards to our manufacturing facility located in Surat (Gujarat), which is known for its textile products. With large sales potential, low infrastructure costs, raw material proximity and the availability of professional expertise of our Promoters, we plan to grow geographically.

#### **Collaborations**

We have not entered into any technical or other collaboration till date.

#### **Locations**

<b>Sr. No.</b>	<b>Location of Property</b>	<b>Property kind</b>
1.	105, 1 <sup>st</sup> Floor, Balaji Industrial Society – 1, Udhna Magdalla Road, Surat – 395 007, Gujarat, India	Registered Office and Manufacturing Unit
2.	105-B, Ground, Upper and Second Floor, Balaji Industrial Society – 1, Udhna Magdalla Road, Surat – 395 007, Gujarat, India	Manufacturing unit and Administrative office
3.	Shop no. 257 (part area – 125 sq. ft.) and 258 (part area – 200 sq. ft.), 3 <sup>rd</sup> Floor, 451 Textile Market, Ring Road, Surat – 395 002, Gujarat, India	Packaging and Dispatch unit
4.	105, Ground and Second Floor, Balaji Industrial Society – 1, Udhna Magdalla Road, Surat – 395 007, Gujarat, India	Manufacturing unit
5.	105-A, Ground and Second Floor, Balaji Industrial Society – 1, Udhna Magdalla Road, Surat – 395 007, Gujarat, India	Manufacturing unit



### **Competition**

Much of the market in which we operate is unorganized and fragmented with many small and medium-sized entities. We face substantial competition for our products from other manufacturers in domestic market. Our competition varies for our products and regions. We compete with other manufacturers on the basis of product range, product quality, and product price including factors, based on reputation, regional needs, and customer convenience. While these factors are key parameters in client's decisions matrix in purchasing goods; product range, product quality and product price is often the deciding factor in most deals.

Due to industry's fragmented nature, there is no authentic data available to our Company on total industry size and markets share of our Company vis-a-vis the competitors.

### **Seasonality and weather conditions**

Our business and our products are not dependant on seasons or weather conditions. Synthetic fabrics are manufactured and used in all weather conditions and in all seasons.

### **Insurance**

We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate. We maintain insurance for standard fire and special perils policy, which provides insurance cover against loss or damage by fire, earthquake, explosion, which we believe is in accordance with customary industry practices. We have also availed out various insurance policies to cover our vehicles at our all the offices and manufacturing units.

### **Property**

#### **Freehold Properties**

Our Company does not hold any freehold property / land as on the date of this Draft Prospectus.

#### **Leasehold Properties**

<b>Sr. No.</b>	<b>Location of Property</b>	<b>Property kind</b>	<b>Document and Date</b>	<b>Lessor / Licensor</b>	<b>Key Terms of the Agreement</b>	<b>Consideration</b>
1.	105, 1 <sup>st</sup> Floor, Balaji Industrial Society – 1, Udhna Magdalla Road, Surat – 395 007, Gujarat, India	Registered Office and Manufacturing Unit	Leave and Licence Deed dated April 1, 2012	Mrs. Sudha Chandak, our Promoter	<p><b>Lease tenure and renewal terms:</b></p> <ul style="list-style-type: none"> <li>• The tenure of this Deed is 11 months starting from April 1, 2012</li> </ul> <p><b>Other terms and condition:</b></p> <ul style="list-style-type: none"> <li>• The Company shall use the said premises for the purpose of doing textile business.</li> <li>• The Company shall not make any permanent structural changes in the said premises without the permission of the licensor.</li> <li>• The Company shall pay all kinds of charges like maintenance charges, electricity charges, other expenses, etc. during the tenure of the agreement.</li> </ul>	Monthly rent of Rs. 10,000/-



2.	105-B, Ground, Upper and Second Floor, Balaji Industrial Society – 1, Udhna Magdalla Road, Surat – 395 007, Gujarat, India	Manufactur ing unit and Administra tive office	Leave and Licence Deed dated April 1, 2012	Mr. Shailesh Chandak, our Promoter	<p><b>Lease tenure and renewal terms:</b></p> <ul style="list-style-type: none"> <li>• The tenure of this Deed is 11 months starting from April 1, 2012</li> </ul> <p><b>Other terms and condition:</b></p> <ul style="list-style-type: none"> <li>• The Company shall use the said premises for the purpose of doing textile business.</li> <li>• The Company shall not make any permanent structural changes in the said premises without the permission of the licensor.</li> <li>• The Company shall pay all kinds of charges like maintenance charges, electricity charges, other expenses, etc. during the tenure of the agreement.</li> </ul>	Monthly rent of Rs. 25,000/-
3.	Shop no. 257 (part area – 125 sq. ft.) and 258 (part area – 200 sq. ft.), 3 <sup>rd</sup> Floor, 451 Textile Market, Ring Road, Surat – 395 002 Gujarat, India	Packaging and Dispatch unit	Leave and Licence Deed dated April 1, 2012	Mr. Shailesh Chandak, our Promoter	<p><b>Lease tenure and renewal terms:</b></p> <ul style="list-style-type: none"> <li>• The tenure of this Deed is 11 months starting from April 1, 2012</li> </ul> <p><b>Other terms and condition:</b></p> <ul style="list-style-type: none"> <li>• M/s. Aayush Creation, a unit of our Company has entered into the said agreement.</li> <li>• The Company shall use the said premises for the purpose of doing textile business.</li> <li>• The Company shall not make any permanent structural changes in the said premises without the permission of the licensor.</li> <li>• The Company shall pay all kinds of charges like maintenance charges, electricity charges, other expenses, etc. during the tenure of the agreement.</li> </ul>	Monthly rent of Rs. 8,000/-



4.	105, Ground and Second Floor, Balaji Industrial Society – 1, Udhna Magdalla Road, Surat – 395 007, Gujarat, India	Manufacturing unit	Leave and Licence Deed dated September 1, 2012	Mrs. Sudha Chandak, our Promoter	<b>Lease tenure and renewal terms:</b> <ul style="list-style-type: none"><li>• The tenure of this Deed is 11 months starting from September 1, 2012</li></ul> <b>Other terms and condition:</b> <ul style="list-style-type: none"><li>• The Company shall use the said premises for the purpose of doing textile business.</li><li>• The Company shall not make any permanent structural changes in the said premises without the permission of the licensor.</li><li>• The Company shall pay all kinds of charges like maintenance charges, electricity charges, other expenses, etc. during the tenure of the agreement.</li></ul>	Monthly rent of Rs. 20,000/-
5.	105-A, Ground and Second Floor, Balaji Industrial Society – 1, Udhna Magdalla Road, Surat – 395 007, Gujarat, India	Manufacturing unit	Leave and Licence Deed dated September 1, 2012	Mr. Harish Chandak, our Promoter	<b>Lease tenure and renewal terms:</b> <ul style="list-style-type: none"><li>• The tenure of this Deed is 11 months starting from September 1, 2012</li></ul> <b>Other terms and condition:</b> <ul style="list-style-type: none"><li>• The Company shall use the said premises for the purpose of doing textile business.</li><li>• The Company shall not make any permanent structural changes in the said premises without the permission of the licensor.</li><li>• The Company shall pay all kinds of charges like maintenance charges, electricity charges, other expenses, etc. during the tenure of the agreement.</li></ul>	Monthly rent of Rs. 20,000/-

#### ***Our Intellectual Property***

Our Company has filed an application dated October 18, 2012 bearing no. 2415559 before the Trade Marks Registry for registration of its trademark under  class 24. The application is pending registration.



## KEY INDUSTRY REGULATIONS AND POLICIES

*The business of our Company requires, at various stages, the sanction of the concerned authorities under the relevant state legislation and local bye-laws. The following description is an overview of certain laws and regulations in India, which are relevant to our Company. Certain information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and are only intended to provide general information to Applicants and is neither designed nor intended to be a substitute for professional legal advice.*

*The statements below are based on current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. For details of government approvals obtained by us, see the section titled "Government and Other Approvals" beginning on page 159 of the Draft Prospectus.*

### **Laws regulating foreign trade and investment**

#### ***FEMA Regulations***

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

### **Corporate laws**

#### ***The Companies Act, 1956***

The Act deals with laws relating to companies and certain other associations. It was enacted by the parliament in 1956. The Companies Act primarily regulates the formation, financing, functioning and winding up of companies. The Act prescribes regulatory mechanism regarding all relevant aspects including organizational, financial and managerial aspects of companies. Regulation of the financial and management aspects constitutes the main focus of the Act. In the functioning of the corporate sector, although freedom of companies is important, protection of the investors and shareholders, on whose funds they flourish, is equally important. The Companies Act plays the balancing role between these two competing factors, namely, management autonomy and investor protection.

#### ***The Competition Act, 2002***

The Competition Act, 2002 (the "**Competition Act**") prohibits anti competitive agreements, abuse of dominant positions by enterprises and regulates "combinations" in India. The Competition Act also established the Competition Commission of India (the "**CCI**") as the authority mandated to implement the Competition Act. The provisions of the Competition Act relating to combinations were notified recently on March 4, 2011 and came into effect on June 1, 2011. Combinations which are Likely to cause an appreciable adverse effect on competition in a relevant market in India are void under the Competition Act. A combination is defined under Section 5 of the Competition Act as an acquisition, merger or amalgamation of enterprise(s) that meets certain asset or turnover thresholds. There are also different thresholds for those categorized as "Individuals and "Group. The CCI may enquire into all combinations, even if taking place outside India, or between parties outside India, if such combination is Likely to have an appreciable adverse effect on competition in India. Effective June 1, 2011, all combinations have to be notified to the CCI within 30 days of the execution of any agreement or other document for any acquisition of assets, shares, voting rights or control of an enterprise under Section 5(a) and (b) of the Competition Act (including any binding document conveying an agreement or decision to acquire control, shares,





voting rights or assets of an enterprise); or the board of directors of a company (or an equivalent authority in case of other entities) approving a proposal for a merger or amalgamation under Section 5(c) of the Competition Act. The obligation to notify a combination to the CCI falls upon the acquirer in case of an acquisition, and on all parties to the combination jointly in case of a merger or amalgamation.

### **Intellectual property laws**

#### ***Trade Marks Act, 1999***

The Indian Law on trademarks is enshrined in the Trade Marks Act, 1999. Under the existing Legislation, a trademark is a mark used in relation to goods so as to indicate a connection in the course of trade between the goods and some person having the right as proprietor to use the mark. A mark may consist of a word or invented word, signature, device, Letter, numeral, brand, heading, Label, name written in a particular style and so forth. The trademark once applied for, is advertised in the trademarks journal, oppositions, if any are invited and after satisfactory adjudications of the same, a certificate of registration is issued. The right to use the mark can be exercised either by the registered proprietor or a registered user. The present term of registration of a trademark is ten years, which may be renewed for similar periods on payment of prescribed renewal fee.

#### ***The Patents Act, 1970***

The Patents Act, 1970 (“Patents Act”) is the primary legislation governing patent protection in India. In addition to broadly requiring that an invention satisfy the requirements of novelty, utility and non obviousness in order for it to avail patent protection, the Patents Act further provides that patent protection may not be granted to certain specified types of inventions and materials even if they satisfy the above criteria. The term of a patent granted under the Patents Act is for a period of twenty years from the date of filing of application for the patent. The Patents Act deems that computer programmes per se are not ‘inventions’ and are therefore not entitled to patent protection.

### **Property related laws**

#### ***Registration Act, 1908***

The Registration Act, 1908 (the “Registration Act”) details the formalities for registering an instrument. Section 17 of the Registration Act identifies documents for which registration is compulsory and includes, *inter alia*, any non-testamentary instrument which purports or operates to create, declare, assign, limit or extinguish, whether in the present or in future, any right, title or interest, whether vested or contingent, in immovable property of the value of Rs. 100 or more, and a lease of immovable property for any term exceeding one year or reserving a yearly rent. The Registration Act also stipulates the time for registration, the place for registration and the persons who may present documents for registration.

Any document which is required to be compulsorily registered but is not registered will not affect the subject property, nor be received as evidence of any transaction affecting such property (except as evidence of a contract in a suit for specific performance or as evidence of part performance of a contract under the TP Act or as evidence of any collateral transaction not required to be effected by registered instrument), unless it has been registered.

#### ***Indian Stamp Act, 1899***

Stamp duty is payable on all instruments/ documents evidencing a transfer or creation or extinguishment of any right, title or interest in immoveable property. The Indian Stamp Act, 1899 (the “Stamp Act”) provides for the imposition of stamp duty at the specified rates on instruments listed in Schedule I of the Stamp Act. However, under the Constitution of India, the states are also empowered to prescribe or alter the stamp duty payable on such documents executed within the state.

Instruments chargeable to duty under the Stamp Act but which have not been duly stamped, are incapable of being admitted in court as evidence of the transaction contained therein. The Stamp Act also provides for impounding of instruments by certain specified authorities and bodies and imposition of penalties, for instruments which are not



sufficiently stamped or not stamped at all. Instruments which have not been properly stamped instruments can be validated by paying a penalty of up to 10 times of the total duty payable on such instruments.

### ***Indian Easements Act, 1882***

The law relating to easements and licenses in property is governed by the Easements Act, 1882 (the “Easements Act”). The right of easement has been defined under the Easements Act to mean a right which the owner or occupier of any land possesses over the land of another for beneficial enjoyment of his land. Such right may allow the owner of the land to do and continue to do something or to prevent and continue to prevent something being done, in or upon any parcel of land which is not his own.

Easementary rights may be acquired or created by (a) an express grant; or (b) a grant or reservation implied from a certain transfer of property; or (c) by prescription, on account of long use, for a period of twenty years without interruption; or (d) local custom.

### **Taxation laws**

#### ***Income-tax Act, 1961***

The Income Tax Act, 1961 deals with the taxation of individuals, corporates, partnership firms and others. As per the provisions of this Act the rates at which they are required to pay tax is calculated on the income declared by them or assessed by the authorities, after availing the deductions and concessions accorded under the Act. The maintenance of Books of Accounts and relevant supporting documents and registers are mandatory under the Act. Filing of returns of Income is compulsory for all assesses.

#### ***Central Sales Tax Act (CST)***

The main object of this act is to formulate principles for determining (a) when a sale or purchase takes place in the course of trade or commerce (b) When a sale or purchase takes place outside a State (c) When a sale or purchase takes place in the course of imports into or export from India, to provide for Levy, collection and distribution of taxes on sales of goods in the course of trade or commerce, to declare certain goods to be of special importance trade or commerce and specify the restrictions and conditions to which State Laws imposing taxes on sale or purchase of such goods of special importance (called as declared goods) shall be subject. CST Act imposes the tax on interstate sales and states the principles and restrictions as per the powers conferred by Constitution.

#### ***Value Added Tax (“VAT”)***

VAT is a system of multi-point Levy on each of the purchases in the supply chain with the facility of set-off input tax on sales whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. VAT is based on the value addition of goods, and the related VAT Liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT is a consumption tax applicable to all commercial activities involving the production and distribution of goods and the provisions of services, and each state that has introduced VAT has its own VAT Act, under which, persons Liable to pay VAT must register and obtain a registration number from Sales Tax Officer of the respective State.

### **Industrial laws**

#### ***Industrial (Development and Regulation) Act, 1955***

The Industrial (Development and Regulation) Act, 1951 has been Liberalized under the New Industrial Policy dated July 24, 1991, and all industrial undertakings are exempt from Licensing except for certain industries such as distillation and brewing of alcoholic drinks, cigars and cigarettes of tobacco and manufactured tobacco substitutes, all types of electronic aerospace and defense equipment, industrial explosives including detonating fuses, safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals and those reserved for the small scale sector. An industrial undertaking, which is exempt from Licensing, is required to file an Industrial Entrepreneurs



Memorandum ("IEM") with the Secretariat for Industrial Assistance, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, and no further approvals are required.

***Shops & Commercial Establishments Acts of the respective States in which Our Company has an established place of business/ office ("Shops Act")***

The Shops Act provides for the regulation of conditions of work in shops, commercial establishments, restaurants, theatres and other establishments. The Act is enforced by the Chief Inspector of Shops (CIS) and various inspectors under the supervision and control of Deputy/Assistant Labour Commissioners of the concerned District, who in turn functions under the supervision of Labour Commissioner.

***Motor Vehicles Act, 1988 and Central Motor Vehicle Rules, 1989***

The purpose of Motor Vehicles Act, 1988 is to regulate the activities associated with the driving licences, vehicle registration, vehicles safety etc. The Central Motor Vehicle Rules, 1989 framed under the above Act also prescribe various road safety measures. The Motor Vehicles Act, 1988 and the Central Motor Vehicle Rules, 1989 (Chapter-II) prescribes stringent procedure for grant of Driving Licences. Changes in the said Act and related rules have a bearing on the business of the Company

**Labour laws**

***The Factories Act, 1948***

The Factories Act, 1948 is a social Legislation which has been enacted to regulate the occupational safety, health and welfare of workers at work places. This Legislation is being enforced by the Government through officers appointed under the Act i.e. Inspectors of Factories, Deputy Chief Inspectors of Factories who work under the control of the Chief Inspector of Factories and overall control of the Labour Commissioner. The ambit of operation of this Act includes the approval of Factory Building Plans before construction/extension, investigation of complaints with regard to health, safety, welfare and working conditions of the workers employed in a factory, the maintenance of registers and the submission of yearly and half-yearly returns.

The Factories Act, 1948 ("Factories Act") defines a 'factory' to cover any premises which employs ten or more workers and in which manufacturing process is carried on with the aid of power and any premises where there are at least twenty workers even though there is or no electrically aided manufacturing process being carried on. Each State Government has rules in respect of the prior submission of plans and their approval for the establishment of factories and registration and licensing of factories. The Factories Act provides that an occupier of a factory i.e. the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, must ensure the health, safety and welfare of all workers. There is a prohibition on employing children below the age of fourteen years in a factory.

***Payment of Wages Act, 1936 ("Wages Act")***

Wages Act applies to the persons employed in the factories and to persons employed in industrial or other establishments where the monthly wages payable to such persons is Less than Rs 10,000/-. The Act confers on the person(s) responsible for payment of wages certain obligations with respect to the maintenance of registers and the display in such factory/establishment, of the abstracts of this Act and Rules made there under.

***The Minimum Wages Act, 1948 ("Minimum Wages Act")***

Minimum Wages Act was enacted to provide for minimum wages in certain employments. Under this Act, the Central and the State Governments are the authorities to stipulate the scheduled employment and to fix minimum wages. The Act contains List of Agricultural and Non Agricultural employment where the prescribed minimum rate of wages is to be paid to the workers. The minimum wages are calculated and fixed based on the basic requirement of food, clothing, housing required by an average Indian adult.



### ***Employees (Provident Fund and Miscellaneous Provisions) Act, 1952***

The Act is applicable to factories employing more than 20 employees and may also apply to such establishments and industrial undertakings as notified by the Government from time to time. ALL the establishments under the Act are required to be registered with the Provident Fund Commissioners of the State. Also, in accordance with the provisions of the Act the employers are required to contribute to the Employees' Provident Fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance (if any) payable to the employees. The employee shall also be required to make the equal contribution to the fund. As per the provision of the Act, employers are to contribute 12% of the basic wages, dearness allowances and remaining allowances (if any) payable for the time being to the employees. A monthly return in Form 12 A is required to be submitted to the commissioner in addition to the maintenance of registers by the employers.

### ***Payment of Gratuity Act, 1972***

A terminal Lump sum benefit paid to a worker when he or she Leaves employment after having worked for the employer for a prescribed minimum number of years is referred to as "gratuity." The provisions of the Act are applicable to all the factories. The Act provides that within 30 days of opening of the establishment, it has to notify the controlling authority in Form A and thereafter whenever there is any change in the name, address or change in the nature of the business of the establishment a notice in Form B has to be filed with the authority. The Employer is also required to display an abstract of the Act and the rules made there-under in Form U to be affixed at the or near the main entrance. Further, every employer has to obtain insurance for his Liability towards gratuity payment to be made under Payment of Gratuity Act 1972, with Life Insurance Corporation or any other approved insurance fund.

### ***Payment of Bonus Act, 1965***

The Payment of Bonus Act, 1965 is applicable to every establishment employing 20 or more employees. The said Act provides for payment of the minimum bonus to the employees specified under the Act. It further requires the maintenance of certain books and registers such as the register showing computation of the allocable surplus; the register showing the set on & set off of the allocable surplus and register showing the details of the amount of Bonus due to the employees. Further it also require for the submission of Annual Return in the prescribed form (FORM D) to be submitted by the employer within 30 days of payment of the bonus to the Inspector appointed under the Act.

### ***Employment (Standing Orders) Act, 1950***

The Industrial Employment (standing orders) Act requires employers in industrial establishments to formally define conditions of employment under them. It applies to every industrial establishment wherein 100 (reduced to 50 by the Central Government in respect of the establishments for which it is the Appropriate Government) or more workmen are employed. The Act calls for the submission of such conditions of work to the relevant authorities for their approval.

### ***The Equal Remuneration Act, 1976 ("Equal Remuneration Act") and Equal Remuneration Rules, 1976***

The Constitution of India provides for equal pay for equal work for both men and women. To give effect to this provision, the Equal Remuneration Act, 1976 was implemented. The Act provides that no discrimination shall be shown on the basis of sex for performing similar works and that equal remuneration shall be paid to both men and women when the same work is being done.

### ***Employees State Insurance Act, 1948***

ALL the establishments to which the Employees State Insurance (ESI) Act applies are required to be registered under the Act with the Employees State Insurance Corporation. The Act applies to those establishments where 20 or more persons are employed. The Act requires all the employees of the factories and establishments to which the Act applies to be insured in the manner provided under the Act. Further, employer and employees both are required to make contribution to the fund. The return of the contribution made is required to be filed with the ESI department.



### ***The Maternity Benefit Act, 1961 ("Maternity Act")***

The purpose of Maternity Act 1961 is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides inter-alia for payment of maternity benefits, medical bonus and enacts prohibition on dismissal, reduction of wages paid to pregnant women etc.

### ***Child Labour (Prohibition and Regulation) Act, 1986***

This statute prohibits employment of children below 14 years of age in certain occupations and processes and provides for regulation of employment of children in all other occupations and processes. Under this Act the employment of child labour in the building and construction industry is prohibited.

### **Criminal laws**

#### ***Negotiable Instruments Act, 1881***

In India, the laws governing monetary instruments such as cheques are contained in the Negotiable Instruments Act, 1881, which is largely a codification of the English Law on the subject. To ensure prompt remedy against defaulters and to ensure credibility of the holders of the negotiable instrument a criminal remedy of penalty was inserted in Negotiable Instruments Act, 1881 in form of the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment), 1988 which were further modified by the Negotiable Instruments (Amendment and Miscellaneous Provisions) Act, 2002. The Act provides effective legal provision to restrain people from issuing cheques without having sufficient funds in their account or any stringent provision to punish them in the event of such cheque not being honoured by their bankers and returned unpaid. Section 138 of the Act, creates statutory offence in the matter of dishonour of cheques on the ground of insufficiency of funds in the account maintained by a person with the banker which is punishable with imprisonment for a term which may extend to two year, or with fine which may extend to twice the amount of the cheque, or with both.

### **Business laws**

#### ***Indian Contract Act 1872***

Indian Contract Act 1872 is the main source of law regulating contracts in Indian law, as subsequently amended. The Indian Contract Act 1872 sections 1-75 came into force on 1 September 1872. It applies to the whole of India except the state of Jammu and Kashmir. It is not a complete and exhaustive law on all types of contracts.

It determines the circumstances in which promise made by the parties to a contract shall be legally binding on them. Each contract creates some right and duties upon the contracting parties. Indian contract deals with the enforcement of these rights and duties upon the parties. As per the provisions of the Indian Contract Act all agreements are contracts if they are made by the free consent of the parties competent to contract, for a lawful consideration and with a lawful object and are not expressly declared to be void. The parties to a contract must either perform or offer to perform their respective promises unless such performance is dispensed with or excused under the provisions of the Act or of any other law. Promises bind the representative of the promisers in case of death of such promisers before performance, unless a contrary intention appears from the contract. When a contract has been broken the party who suffers by such breach is entitled to receive from the party who has broken the contract, compensation for any loss or damage caused to him thereby, which naturally arose in the usual course of things from such breach or which the parties knew, when they made the contract, to be likely to result from the breach of it. Under the Act it is also provided that when a contract has been broken, if a sum is named in the contract as the amount to be paid in case of such breach, or if the contract contains any other stipulation by way of penalty, the party complaining of the breach is entitled, whether or not actual damage or loss is proved to have been caused thereby, to receive from the party who has broken the contract reasonable compensation not exceeding the amount so named or, as the case may be, the penalty stipulated for. Even a person who rightfully rescinds a contract is entitled to a compensation for any damage which he has sustained for a non-fulfillment of the contract. The Indian Contract Act also lays down provisions of indemnity, guarantee, bailment and agency. Provisions relating to sale of goods and partnership which were originally in the act are now subject matter of separate enactments viz., the Sale of Goods Act and the Indian Partnership Act.



### ***Sale of Goods Act, 1930***

Sale of Goods Act is one of very old mercantile law. Sale of Goods is one of the special types of Contract. Initially, this was part of Indian Contract Act itself in chapter VII (sections 76 to 123). Later these sections in Contract Act were deleted, and separate Sale of Goods Act was passed in 1930. The Sale of Goods Act is complimentary to Contract Act. Basic provisions of Contract Act apply to contract of Sale of Goods also. Basic requirements of contract i.e. offer and acceptance, legally enforceable agreement, mutual consent, parties competent to contract, free consent, lawful object, consideration etc. apply to contract of Sale of Goods also.

The law relating to the sale of goods is codified in the Sale of Goods Act, 1930. It defines sale and agreement to sell as a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a price and provides that there may be a contract of sale between part owner and another and that the contract of sale may be absolute or conditional. According to the provisions of this act, a contract of sale is made by an offer to buy or sell the goods for a price and the acceptance of such offer. The act further provides that the contract may provide for the immediate delivery of the goods or immediate payment of the price or both or for the delivery or payment by installments or that the delivery or payment or both shall be postponed. Provisions are made in this Act for existing or future goods, perishable goods, ascertainment of price, conditions and warranties, effects of the contract, delivery to carrier, duties of seller and buyer, buyers right of examining the goods, liability of buyer for neglecting or refusing the delivery of goods, rights of unpaid seller, suits for breach of the contract, sale, etc.



## HISTORY AND CERTAIN CORPORATE MATTERS

### Our History and Background

Our Company was incorporated as Kavita Fabrics Private Limited on October 18, 2005 under the Companies Act, bearing Registration No. U17110GJ2005PTC46929 having its Registered Office at Surat, Gujarat, India. Subsequently, the Company became a Public Limited Company in pursuance to a special resolution passed by the members of our Company at the Extraordinary General Meeting held on July 31, 2012. The fresh Certificate of Incorporation consequent to change of name as a result of conversion to a public limited company was issued on September 26, 2012 by the Registrar of Companies, Gujarat, Dadra and Nagar Haveli. The Company's Corporate Identity Number is U17110GJ2005PLC046929.

### Changes in the Registered Office of the Company

Our company has not changed its registered office since incorporation.

### Capital raising (Debt / Equity)

For details of the equity capital raising of our Company, please refer to the section titled "Capital Structure" on page 42 of this Draft Prospectus.

We have not done any debt issuances or raised any long term debt since incorporation till date. As of the date of this Draft Prospectus, the Company has 8 holders of Equity Shares.

### Main Objects of our Company

The Main Objects of our Company, as set out in its Memorandum of Association are:

- To carry on the business of exporters, importers, buyers, sellers, manufacturers, producers, buying agents, selling agents, commission agents, distributors, stockist, agents, traders and suppliers of and dealers in all classes and kinds of cotton, cloths, textiles, yarns, threads, fibres and other fibrous products and fashions garments.*
- To carry on the business of manufacturing, job workers or undertake, dyeing, bleaching, sanforising, mercerising, printing or otherwise processing of manmade cotton, cloths, fibres, cotton fibres, fabrics of cotton, silk, nylon, art silk, polyester, chiffon, acrylic, rayon, wool, shoddy, jute, hamp and other fibres and fabrics or textile products whether on handlooms or powerlooms or in textile mills and whether on company's account or on behalf of others.*
- To carry on the business of manufacturers, twistors, texturisers, crimpers, processors, spinners, doublers, weavers, ginners, balers of cotton, industrial fabric, synthetic yarn, synthetic fabrics, cotton, wool, silk, rayon, flexhemp, twine of all kinds of whatsoever description like art silk, nylon, polyester, acrylic, viscose, polypropylene, tarelene, linen, canvas and all other kinds of fibrous materials or substances.*

The Main Objects clause and the Objects incidental or ancillary to the Main Objects of our memorandum enable us to undertake activities for which funds are being raised through this Issue. The existing activities of our Company are in accordance with the Objects clause of our Memorandum of Association.

### Changes in Memorandum of Association

Date of Resolution	Changes in Memorandum of Association
March 22, 2007	<b>Alteration in Capital Clause</b> Increased from 10,000 Equity Shares of Rs. 10/- each aggregating to Rs. 1 lakh to 5,10,000 Equity Shares of Rs. 10/- each aggregating to 51 lakhs
October 10, 2011	<b>Alteration in Capital Clause</b>





Date of Resolution	Changes in Memorandum of Association
	Increased from 5,10,000 Equity Shares of Rs. 10/- each aggregating to Rs. 51 lakhs to 12,00,000 Equity Shares of Rs. 10/- each aggregating to 120 lakhs
July 31, 2012	<b>Alteration in Capital Clause</b> Increased from 12,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 120 lakhs to 40,00,000 Equity Shares of Rs. 10/- each aggregating to 400 lakhs
	<b>Change of Name</b> Change of name from Kavita Fabrics Private Limited to Kavita Fabrics Limited. Fresh Certificate Of Incorporation consequent to change of name to Kavita Fabrics Limited issued by RoC dated September 26, 2012
September 13, 2012	<b>Alteration in Other Object Clause</b> New Clause added in the Other Objects of the Company vide Special Resolution by the members in the EOGM held on September 13, 2012

#### Key Events and Milestones of Our Company

Year	Milestone
2005	Incorporation as 'Kavita Fabrics Private Limited'
2008	Commenced commercial production
2012	Business purchase of Aayush Creation, a proprietorship firm of one of our Promoters, Mrs. Sarika Chandak
2012	Conversion of the Company into a Public Limited Company
2012	Purchased 24 new jacquard power looms

#### Total Number of Shareholders in our Company

As on the date of this Draft Prospectus, our Company has 8 shareholders.

#### Injunctions or restraining orders

Our Company is not operating under any injunction or restraining order.

#### Shareholders Agreements

There are no shareholders agreements involving our Company to which either our Promoters or our Company is a party as on the date of the Draft Prospectus.

#### Acquisition of business/undertakings

Our Company, vide the share swap agreement dated March 31, 2012 with Mrs. Sarika Chandak for the acquisition of the entire business of M/s. Aayush Creation, a proprietorship concern on Mrs. Sarika Chandak, for which our Company has issued 5,23,600 Equity shares of Rs. 10/- each fully paid-up of our Company.

#### Other Agreements

As on the date of this Draft Prospectus our Company has not entered into any agreements other than those entered into in the ordinary course of business and there are no material agreements entered into more than two years before the date of this Draft Prospectus.

#### Strategic Partners

Our Company does not have any strategic partners.





**Financial Partners**

Our Company does not have any financial partners.

**Our Subsidiaries**

Our Company does not have any subsidiary as on the date of this Draft Prospectus.

**Defaults or re-scheduling of borrowings**

The Company has not defaulted or re-scheduled its borrowings. Furthermore, none of the Company's loans have been converted into equity in the past.



## OUR MANAGEMENT

Under our Articles of Association, we are required to have not less than 3 directors and not more than 12 Directors. As on the date of the Draft Prospectus, our Company has six directors on the Board.

The following table sets forth the details regarding our Board of Directors as on the date of filing of the Draft Prospectus:

Sr. No.	Name, Designation, Age, Father's Name, DIN, Address, Occupation of Director and Nationality	Date of Appointment and Term	Other Directorships	Details of current and past Directorship(s) in listed companies.
1.	<p><b>Mr. Harish Bhagirath Chandak</b></p> <p>Designation: Chairman and Managing Director</p> <p>Age: 59 years</p> <p>Father's name: Mr. Bhagirath Chandak</p> <p>DIN: 01058531</p> <p>Address: 10, Raghuvir Bunglow, Near Meghna Park, City Light Road, Surat City - 395 007, Gujarat, India</p> <p>Occupation: Business</p> <p>Nationality: Indian</p>	<p>Appointed as Director since incorporation</p> <p>Re-appointed as Managing Director w.e.f. September 1, 2012</p> <p>Term: 5 years</p>	Nil	<p>Whose shares have been/were suspended from being traded on BSE/NSE- <b>Nil</b></p> <p>Which have been/were delisted from the Stock Exchanges- <b>Nil</b></p>
2.	<p><b>Mr. Shailesh Harish Chandak</b></p> <p>Designation: Executive Director</p> <p>Age: 33 years</p> <p>Father's name: Mr. Harish Chandak</p> <p>DIN: 01058498</p> <p>Address: 10, Raghuvir Bunglow, Near Meghna Park, City Light Road, Surat City- 395 007, Gujarat, India</p> <p>Occupation: Business</p>	<p>Appointed as Director since incorporation</p> <p>Term: Liable to retire by rotation</p>	Nil	<p>Whose shares have been/were suspended from being traded on BSE/NSE- <b>Nil</b></p> <p>Which have been/were delisted from the Stock Exchanges- <b>Nil</b></p>



Sr. No.	Name, Designation, Age, Father's Name, DIN, Address, Occupation of Director and Nationality	Date of Appointment and Term	Other Directorships	Details of current and past Directorship(s) in listed companies.
	Nationality: Indian			
3.	<p><b>Mrs. Sarika Shailesh Chandak</b></p> <p>Designation: Executive Director</p> <p>Age: 33 years</p> <p>Father's name: Mr. Tansukhrai Somani</p> <p>DIN: 06361388</p> <p>Address: 10, Raghuvir Bunglow, Near Meghna Park, City Light Road, Surat City- 395 007, Gujarat, India</p> <p>Occupation: Business</p> <p>Nationality: Indian</p>	<p>Appointed as Executive Director on July 25, 2012</p> <p>Term: Liable to retire by rotation</p>	Nil	<p>Whose shares have been/were suspended from being traded on BSE/NSE- <b>Nil</b></p> <p>Which have been/were delisted from the Stock Exchanges- <b>Nil</b></p>
4.	<p><b>Mr. Govindlal Saboo</b></p> <p>Designation: Independent Director</p> <p>Age: 70 years</p> <p>Father's Name: Mr. Meghraj Saboo</p> <p>DIN: 06398313</p> <p>Address: 404, Balaji Darshan, Indralok Phase 3, Navghar Village Road, Bhayander - East, Thane - 401105, Maharashtra, India</p> <p>Occupation: Business</p> <p>Nationality: Indian</p>	<p>October 10, 2012</p> <p>Term: Liable to retire by rotation</p>	Nil	<p>Whose shares have been/were suspended from being traded on BSE/NSE- <b>Nil</b></p> <p>Which have been/were delisted from the Stock Exchanges- <b>Nil</b></p>
5.	<p><b>Mr. Kishan Kumar Sarda</b></p> <p>Designation: Independent Director</p>	<p>October 10, 2012</p> <p>Term: Liable to retire by rotation</p>	Nil	<p>Whose shares have been/were suspended from being traded on BSE/NSE- <b>Nil</b></p> <p>Which have been/were</p>



Sr. No.	Name, Designation, Age, Father's Name, DIN, Address, Occupation of Director and Nationality	Date of Appointment and Term	Other Directorships	Details of current and past Directorship(s) in listed companies.
	Age: 41 years  Father's Name: Mr. Shiv Shankar Sarada  DIN: 06410244  Address: M-4, Jalaram Krupa, Opp. Indrajeet Apartment, Bhatar Road, Surat – 395 001, Gujarat, India  Occupation: Business  Nationality: Indian			delisted from the Stock Exchanges– Nil
6.	<b>Mr. Nitin Maheshwari</b>  Designation: Independent Director  Age: 27 years  Father's Name: Mr. Kailash Maheshwari  DIN: 06400077  Address: 603, Uday Jyot Apartment, Near Uma Bhavan, Bhatar Road, Surat – 395 007, Gujarat, India  Occupation: Profession  Nationality: Indian	October 10, 2012  Term: Liable to retire by rotation	Nil	Whose shares have been/were suspended from being traded on BSE/NSE- Nil  Which have been/were delisted from the Stock Exchanges– Nil

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

#### ***1. Mr. Harish Chandak, Chairman and Managing Director***

Mr. Harish Chandak, 59 years is the Managing Director of our Company. He is also one of the Promoters and subscriber to the Memorandum of Association of our Company. He is a resident Indian national. He completed his senior secondary education from Jodhpur, Rajasthan in the year 1970. Since 1971, he has been associated with the textile industry in one manner or other, like acting as commission agent in the textile industry or trading in various kinds of textile fabrics, etc. In 2005, he formed Kavita Fabrics Private Limited to carry out the manufacturing of synthetic fabrics, especially sarees. Though, Kavita Fabrics Private Limited was formed in 2005, it started manufacturing operations in 2008. He has over 4 decades of experience in the textile industry. With such vast experience and entrepreneurial skills, he has played a key role in the growth of our Company coupled with his inputs on manufacturing process, strategic planning and business development. He has been associated as a Director of our



Company since its incorporation and is actively involved in managing the day-to-day manufacturing process and business development functions of our Company. Apart from business, he is also involved in various social activities.

**2. Mr. Shailesh Chandak, Executive Director**

Mr. Shailesh Chandak, 33 years is Executive Director of our Company. He is also one of the Promoters and subscriber to the Memorandum of Association of our Company. He is a resident Indian national. In the year 2000, he did his commerce graduation from Andhra University. He joined his family business of manufacturing of synthetic fabrics in 2001. Thereafter, he also traded in all kinds of fabrics and also traded in grey cloth. In 2005, he formed Kavita Fabrics Private Limited to carry out the manufacturing of synthetic fabrics, especially sarees. In 2008, he started his business into the capital markets. He started his business of acting as sub-broker for the share broking business of the BSE (cash market segment) through a registered broker Saikripa Securities Limited. His experience in diversified businesses assists the Company with the growth strategies. He looks after the corporate affairs of the Company which involves managing the accounts, taxation and finance related functions. Further, he also looks after the corporate relationship, strategic planning and marketing functions of our Company. Apart from business, he is also involved in various social activities.

**3. Mrs. Sarika Chandak, Executive Director**

Mrs. Sarika Chandak, 33 years is an Executive Director of our Company. She is a resident Indian national. She is associated with our Company since July 25, 2012. She did her commerce graduation from Gujarat University in the year 1999. In August 2005, she commenced the business of manufacturing of synthetic fabrics. Thereafter in 2008, she closed the manufacturing unit. In April 2010, she started the business of trading in synthetic fabrics, mostly semi-finished sarees. In April 2012, she also started her business into the capital markets. She became the sub-broker for the share broking business of the BSE and NSE (cash market segment) a registered broker SPS Share Broker Private Limited. She also is an authorized Person for the NSE (FOO segment) and MCX through a registered broker SPS Share Broker Private Limited. With such relevant experience in the field of textile industry, she assists in the designing process of fabric manufacturing. In addition, she looks after the administration and human resource functions of our Company.

**4. Mr. Govindlal Saboo, Independent Director**

Mr. Govindlal Saboo, 71 years is a Non-Executive and Independent Director of our Company. He is associated with our Company since October 10, 2012. He has done his Bachelors in Science from Rajasthan University. He has been associated with various businesses during his lifetime. This includes dealing in petroleum products, general merchandise, authorised agency of Rajasthan State Mineral Development Corporation for selling of its mineral products. Since the mid 1980s, he has been engaged in the business of dealing in papers and paper products. He has over 5 decades of entrepreneurial experience and his experience in diversified businesses assists the Company with the growth strategies.

**5. Mr. Kishan Kumar Sarda, Independent Director**

Mr. Kishan Kuamr Sarda, 42 years is a Non-Executive and Independent Director of our Company. He is associated with our Company since October 10, 2012. He is a commerce graduate. He has been associated with the textile industry since 1990. Previously, he has been involved in the business of trading of sarees and manufacturing of garments. Currently, he is engaged in the business of trading of sarees. His experience in textile industry assists our Company with insights into the textile industry.

**6. Mr. Nitin Maheshwari, Independent Director**

Mr. Nitin Maheshwari, 27 years is a Non-Executive and Independent Director of our Company. He is associated with our Company since October 10, 2012. He is a Chartered Accountant from the Institute of Chartered Accountants of India (ICAI). He is an associate member of the ICAI since August 2010. He completed his Company Secretary course from The Institute of Company Secretaries of India in December 2010. He practises as a Chartered Accountant and holds a Certificate of Practice from ICAI since August 2010. His experience in accounts, audits,



taxation and company law matters will assist Company. He specialises in various types of audits such as tax, statutory, banks and PSUs. His experience and qualification supports our Company in regulatory and compliance related matters.

### **Confirmations**

None of the above mentioned Directors are on the RBI List of willful defaulters as on date of filing the Draft Prospectus.

Further, our Company, our Promoters, persons forming part of our Promoter Group, Directors and persons in control of our Company have not been/are not debarred from accessing the capital market by SEBI.

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

Our Directors have not entered into any service contract with our Company providing for benefits upon termination of employment.

None of our Directors are “relatives” within the meaning of Section 6 of the Companies Act.

### **Borrowing Powers of our Board of Directors**

Pursuant to a Special Resolution passed by our shareholders at the EGM held on August 31, 2012 and subject to the provisions of the Companies Act, 1956 and other laws in force, our Articles of Association authorize our Board of Directors to borrow any sum or sums of money from time to time at their discretion, for the purpose of the business of the Company on such terms and conditions as it may think appropriate, which together with the monies already borrowed by the Company, (apart from temporary loans obtained from the Company’s Bankers in the ordinary course of business) may exceed at any time, the aggregate of the paid-up capital of the Company and its free reserves (that is to say, reserves, not set apart for any specific purpose) by a sum not exceeding Rs. 10 crores only.

We confirm that the borrowing powers of directors are in compliance with the relevant provision of the Companies Act, 1956.

For further details of the provisions of our Articles of Association regarding borrowing powers, please refer to the section titled “*Main Provisions of the Articles of Association*” beginning on page [●] of the Draft Prospectus.

### **Remuneration / Compensation of Directors**

#### **A) Executive Directors**

##### **1) Mr. Harish Chandak**

The remuneration of our Managing Director, Mr. Harish Chandak as per resolution passed in the meeting of the Board of Directors held on August 8, 2012 is detailed hereunder:

<b>Salary</b>	Salary Rs. 30,000/- per month
<b>Consolidated Allowance</b>	Nil
<b>Perquisites</b>	Nil

##### **2) Mr. Shailesh Chandak**

The remuneration of our Executive Director, Mr. Shailesh Chandak as per resolution passed in the meeting of the Board of Directors held on April 1, 2012 is detailed hereunder:

<b>Salary</b>	Salary Rs. 30,000/- per month
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<b>Consolidated Allowance</b>	Nil
<b>Perquisites</b>	Nil

### 3) Mrs. Sarika Chandak

The remuneration of our Executive Director, Mrs. Sarika Chandak as per resolution passed in the meeting of the Board of Directors held on July 25, 2012 is detailed hereunder:

<b>Salary</b>	Salary Rs. 30,000/- per month
<b>Consolidated Allowance</b>	Nil
<b>Perquisites</b>	Nil

### Remuneration/Compensation to Managing Director/ Directors for the year ended March 31, 2012

(Rs. in Lakhs)

Sr. No.	Name of the Director	Salaries & Perquisites	Total
1.	Mr. Harish Chandak	3.00	3.00
2.	Mr. Shailesh Chandak	Nil	Nil
3.	Mrs. Sarika Chandak	Nil	Nil
	<b>Total</b>	<b>3.00</b>	<b>3.00</b>

### B) Non-Executive and Independent Directors

#### *Commission to Non-Executive Directors*

We do not pay any commission to any of our Non-Executive Directors.

#### *Sitting Fees*

The Board of Directors have accorded their approval for payment of sitting fee, in their meeting held on November 24, 2012 whereby the Non-Executive Directors of our Company would be entitled to a sitting fee of Rs. 1,000/- for attending every meeting of board or its committee thereof.

No amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees, grant of stock options or benefits under any Keyman Insurance Policy taken by the Company.

#### *Shareholding of the Directors including qualification shares, if any*

As per the Article of Association of our Company, a Director is not required to hold any shares in our Company to qualify him for the office of Director of our Company. However, as on date of the Draft Prospectus, the following directors hold shares, details of which are as under:

Sr. No.	Name of Director	No. of Shares held	% of Pre- Issue Paid-up Share Capital
1.	Mr. Harish Chandak	3,72,000	16.93%
2.	Mr. Shailesh Chandak	85,334	3.88%
3.	Mrs. Sarika Chandak	6,56,934	29.89%

These shares are held by the said Directors in their personal capacity and either as sole or first holder.

#### *Interests of Directors*



Our Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company and reimbursement of expenses payable to them under our Articles of Association.

All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them as disclosed above or that may be subscribed by and allotted to them and to companies and firms in which they are interested as directors/members/partners.

All our Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they hold directorships or any partnership firm in which they are partners. For further details, please refer the chapter titled “Related Party Transactions” beginning on page 124 of the Draft Prospectus.

#### ***Interest as to Property***

Except as stated/referred to in the paragraph titled “Property” on page 84 of chapter titled “Business Overview” beginning on page 78 of the Draft Prospectus, our Directors do not have any interest:

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

#### ***Changes in the Board of Directors in the last three years***

<b>Name and Designation of Directors</b>	<b>Date of Appointment</b>	<b>Date of Cessation</b>	<b>Reasons</b>
Mrs. Sarika Chandak Executive Director	July 25, 2012	-	Appointed as Executive Director
Mr. Harish Chandak Managing Director	September 1, 2012	-	Re-appointed as Managing Director
Mr. Govindlal Saboo Independent Director	October 10, 2012	-	Appointed as Independent Director
Mr. Kishan Kumar Sarda Independent Director	October 10, 2012	-	Appointed as Independent Director
Mr. Nitin Maheshwari Independent Director	October 10, 2012	-	Appointed as Independent Director
Mr. Harish Chandak Managing Director	November 24, 2012	-	Appointed as Chairman

None of our Director has been selected as Director or member of senior management pursuant to any agreement or understanding with major shareholders, customers or others.

Except as stated in the Draft Prospectus, none of our Directors have entered into any service contracts which would entitle them for any benefits upon termination of employment.

#### ***Corporate Governance***

The provisions of the listing agreements, to be entered into by our Company with the Stock Exchanges, will be applicable to our Company immediately upon the listing of our Equity Shares with the Stock Exchanges. We have complied with the corporate governance code in accordance with Clause 52 (as applicable) of the listing agreement, particularly in relation to appointment of Independent Directors to our Board and constitution of the audit committee, shareholders’/ investors’ grievance committee and compensation committee. Our Company undertakes to take all necessary steps to continue to comply with all the requirements of Clause 52 of the listing agreement. In addition, our Company intends to adopt a code of conduct for prevention of insider trading.





We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

- a) Audit Committee
- b) Shareholders'/ Investors' Grievance Committee
- c) Remuneration Compensation Committee
- d) IPO Committee

#### **Composition of Board of Directors**

The Board of Directors of our Company has an optimum combination of executive and non-executive Directors as envisaged in Clause 52 of the Listing Agreement. Our Board has 6 Directors out of which 3 are independent Directors, and our Chairman is Executive Director and is a Promoter of our Company in accordance with the requirement of Clause 52 of the listing agreement of the stock exchanges.

#### **Board Structure**

<b>Name</b>	<b>Nature of Directorship</b>
Mr. Harish Chandak	Chairman and Managing Director
Mr. Shailesh Chandak	Executive Director
Mrs. Sarika Chandak	Executive Director
Mr. Govindlal Saboo	Non-executive & Independent Director
Mr. Kishan Kumar Sarda	Non-executive & Independent Director
Mr. Nitin Maheshwari	Non-executive & Independent Director

*Note: As per Clause 52 of the Listing Agreement,*

*Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors.*

*Provided that where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.*

#### **Audit Committee**

Our Company has constituted an Audit Committee, as per the provisions of Section 292A of the Companies Act. The constitution of the Audit Committee was approved at the Meeting of the Board of Directors held on November 24, 2012. The committee functions as prescribed under Section 292A of the Companies Act, 1956 and Clause 52 of the listing agreement. The members of the committee at present are:

<b>Name of Director</b>	<b>Designation in Committee</b>	<b>Nature of Directorship</b>
Mr. Nitin Maheshwari	Chairman	Non-Executive and Independent
Mr. Kishan Kumar Sarda	Member	Non-Executive and Independent
Mr. Shailesh Chandak	Member	Executive Director

#### *Powers of the Audit Committee*

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice; and
4. To secure attendance of outsiders with reasonable expertise, if considered necessary.



**The terms of reference of the audit committee are broadly defined as under:**

- a) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- c) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- d) Appointment, removal and terms of remuneration of internal auditors.
- e) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act 1956;
  - ii. Changes, if any, in accounting policies and practices and reasons for the same;
  - iii. Major accounting entries involving estimates based on the exercise of judgment by management;
  - iv. Significant adjustments made in the financial statements arising out of audit findings;
  - v. Compliance with listing and other legal requirements relating to the financial statements;
  - vi. Disclosure of any related party transactions;
  - vii. Qualifications in the draft audit report.
- f) Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- g) Monitoring the use of the proceeds of the proposed initial public offering of the Company.
- h) Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- i) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- j) Discussions with internal auditors on any significant findings and follow up thereon.
- k) Reviewing internal audit reports and adequacy of the internal control systems.
- l) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- m) Reviewing management letters/letters of internal control weaknesses issued by the statutory auditors
- n) Discussion with internal auditors any significant findings and follow up there on.
- o) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- p) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- q) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- r) To review the functioning of the whistle blower mechanism, when the same is adopted by the Company and is existing.
- s) Carrying out any other function as may be statutorily required to be carried out by the Audit Committee.
- t) The Audit Committee shall have full access to financial and other allied information contained in the records of the Company and external professional advice, if necessary.

**Meeting of Audit Committee and relevant quorum**

The audit committee shall meet at least 4 times in a year and not more than 4 months shall elapse between 2 meetings. The quorum shall be either 2 members or one third of the members of the Audit Committee whichever is greater, but there shall be a minimum of 2 Independent Directors, who are members, present.

**Shareholders'/ Investors' Grievance Committee**



Our Company has constituted a Shareholders'/Investors' Grievance Committee. The constitution of the Shareholders'/Investor' Grievance Committee was approved by a Meeting of the Board of Directors held on November 24, 2012. The committee is formed to specifically look into the redressal of shareholder and investor complaints. The members of the committee at present are:

Name of Director	Designation in Committee	Nature of Directorship
Mr. Kishan Kumar Sarda	Chairman	Non-Executive and Independent
Mr. Nitin Maheshwari	Member	Non-Executive and Independent
Mr. Shailesh Chandak	Member	Executive Director

**The terms of reference of the Shareholders' / Investors' Grievance Committee shall be as follows:**

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

**Quorum for Shareholders' / Investors' Grievance Committee**

The quorum necessary for a meeting of the Shareholders' / Investors' Grievance Committee shall be 2 members or one third of the members, whichever is greater.

**Remuneration / Compensation Committee**

Our Company has constituted a Remuneration/ Compensation Committee. The constitution of the Remuneration Compensation committee was approved by a Meeting of the Board of Directors held on November 24, 2012. The said committee is comprised as under:

Sr. No.	Name of Director	Designation in Committee	Nature of Directorship
1.	Mr. Nitin Maheshwari	Chairman	Non-Executive and Independent
2.	Mr. Kishan Kumar Sarda	Member	Non-Executive and Independent
3.	Mr. Govindlal Saboo	Member	Non-Executive and Independent

**The terms of reference of the compensation committee are:**

- To recommend to the Board, the remuneration packages of the Company's Managing/Joint Managing/ Deputy Managing/Whole time / Executive Directors, including all elements of remuneration package (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirement benefits, details of fixed component and performance linked incentives along with the performance criteria, service contracts, notice period, severance fees etc.);
- To be authorized at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Company's Managing/Joint Managing/ Deputy Managing/ Whole time/ Executive Directors, including pension rights and any compensation payment.



### **Quorum for Remuneration Committee**

The quorum necessary for a meeting of the Remuneration Committee shall be 2 members or one third of the members, whichever is greater.

### **IPO Committee**

Our Company has constituted an IPO Committee. The constitution of the IPO Committee was approved by a meeting of the Board of Directors held on November 24, 2012. The said committee is comprised as under:

<b>Name of Director</b>	<b>Designation in Committee</b>	<b>Nature of Directorship</b>
Mr. Shailesh Chandak	Chairman	Executive Director
Mr. Harish Chandak	Member	Managing Director
Mr. Nitin Maheshwari	Member	Non-Executive & Independent

### **The terms of reference of the IPO Committee are:**

- a) to decide on the actual size of the IPO, including any offer for sale by promoters/shareholders, and/or reservation for employees or shareholders of promoting companies or shareholders of group companies and/or any other reservations or firm allotments as may be permitted, timing, pricing and all the terms and conditions of the issue of the shares, including the price, and to accept any amendments, modifications, variations or alterations thereto;
- b) to appoint and enter into arrangements with the book running lead manager, co-managers to the issue, underwriters to the issue, syndicate members to the issue, advisors to the issue, stabilizing agent, brokers to the issue, escrow collection bankers to the issue, registrars, legal advisors to the Company, legal advisors as to Indian and overseas jurisdictions, advertising and/or promotion or public relations agencies and any other agencies or persons;
- c) to finalize and settle and to execute and deliver or arrange the delivery of the offering documents (the Draft Red Herring Prospectus, the Red Herring Prospectus, Final Prospectus (including the draft international wrap and final international wrap, if required, for marketing of the Issue in jurisdictions outside India), syndicate agreement, underwriting agreement, escrow agreement, stabilization agreement and all other documents, deeds, agreements and instruments as may be required or desirable in connection with the issue of shares or the IPO by the Company;
- d) to open one or more separate current account(s) in such name and style as may be decided, with a scheduled bank to receive applications along with application monies in respect of the issue of the shares of the Company;
- e) to open one or more bank account of the Company such name and style as may be decided for the handling of refunds for the Issue;
- f) to make any applications to the RBI, FIPB and such other authorities, as may be required, for the purpose of issue of shares by the Company to non-resident investors including but not limited to NRIs, FIIs, FVCI's and other non-residents;
- g) to make applications for listing of the equity shares of the Company in one or more stock exchange(s) and to execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s);
- h) to settle all questions, difficulties or doubts that may arise in regard to the Issue or allotment of shares as it may, in its absolute discretion deem fit; and



- i) to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose, or otherwise in relation to the Issue or any matter incidental or ancillary in relation to the Issue, including without limitation, allocation and allotment of the shares as permissible in law, issue of share;
- j) Certificates in accordance with the relevant rules.

#### **Quorum for IPO Committee**

The quorum necessary for a meeting of the IPO Committee shall be 2 members.

#### **Policy on Disclosure and Internal procedure for prevention of Insider Trading**

Our Company undertakes to comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 after listing of our Company's Equity Shares on the Stock Exchanges. Mr. Amit Merai, Compliance Officer is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the Board.

#### **ORGANISATION CHART OF OUR COMPANY**

As on the date of the Draft Prospectus, the following is the organization structure of our Company:

#### ***Our Key Managerial Personnel***

<b>Sr. No.</b>	<b>Name, Designation, Age, Qualification</b>	<b>Date of Appointment</b>	<b>Remuneration for FY 2012 (Rs.)</b>	<b>Experience in the Company</b>	<b>Previous Company and Total Experience</b>
<b>1.</b>	<b>Mr. Ambrish Bajaj</b> <b>Designation:</b> Production Head <b>Age:</b> 33 years <b>Qualification:</b> S.Y.B.Com	April 1, 2012	-	9 months	<b>Previous employment:</b> Self Employed  <b>Total Experience:</b> 5 years
<b>2.</b>	<b>Mr. Amit Merai</b>	September 1,	-	4 months	<b>Previous</b>



Sr. No.	Name, Designation, Age, Qualification	Date of Appointment	Remuneration for FY 2012 (Rs.)	Experience in the Company	Previous Company and Total Experience
	<b>Designation:</b> Compliance Officer and Accounts Manager <b>Age:</b> 37 years <b>Qualification:</b> B.A.	2012			<b>employment:</b> Ventura Securities, Angel Broking limited  <b>Total Experience:</b> 10 years
3.	<b>Mr. Mohanlal Karnani</b> <b>Designation:</b> Admin Head <b>Age:</b> 47 years <b>Qualification:</b> S.S.C.	September 1, 2012	-	4 months	<b>Previous employment:</b> M/s. Aayush Creation  <b>Total Experience:</b> 20 years
4.	<b>Ms. Nikita Sukheja Wadhvani</b> <b>Designation:</b> Company Secretary <b>Age:</b> 26 years <b>Qualification:</b> B.Com., Company Secretary, L.L.B.	November 26, 2012	-	1 month	<b>Previous employment:</b> Comfort Securities Limited, Mega Corporation Limited  <b>Total Experience:</b> 3 years

#### Shareholding of Key Managerial Personnel

None of the Key Managerial Personnel of our Company hold any shares of our Company as on the date of filling of the Draft Prospectus.

#### Bonus or Profit Sharing Plan for the key Managerial Personnel during last 3 years

Our Company does not have any bonus/profit sharing plan for any of the employees, directors, key managerial personnel.

#### Changes in the Key Managerial Personnel during last 3 years

Sr. No.	Name & Designation	Date of appointment	Date of Resignation	Reason
1.	<b>Ms. Nikita Sukheja Wadhvani</b> Company Secretary	November 26, 2012	-	Appointment
2.	<b>Mr. Mohanlal Karnani</b> Admin - Head	September 1, 2012	-	Appointment
3.	<b>Mr. Amit Merai</b> Compliance Officer and Accounts Manager	September 1, 2012	-	Appointment



Sr. No.	Name & Designation	Date of appointment	Date of Resignation	Reason
4.	Mr. Ambrish Bajaj Production - Head	April 1, 2012	-	Appointment

**Notes:**

*All the Key Managerial Personnel mentioned above are on the payrolls of our company as the permanent employees.*

*There is no understanding with major shareholders, customers, suppliers or any others pursuant of which any of the above mentioned personnel have been recruited.*

*The Key Management Personnel mentioned above are not related parties as per the Accounting Standard 18.*

**Employees**

The details about our employees appear under the paragraph titled “*Human Resources*” beginning on page 83 of the Draft Prospectus.

**ESOP/ESPS Scheme to Employees**

Presently, we do not have ESOP/ESPS scheme for employees.

**Payment or Benefit to our officers**

Except for the payment of salaries and yearly bonus, we do not provide any other benefits to our employees.

**Interest of Key Managerial Personnel**

The Key Managerial Personnel of our Company do not have any interest in our Company, other than to the extent of remuneration of benefits to which they are entitled as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. Further, if any Equity Shares are allotted to our Key Managerial Personnel prior to/ in terms of this Issue, they will be deemed to be interested to the extent of their shareholding and / or dividends paid or payable on the same.

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

Except stated herein below, none of the Promoters/Directors of our Company have any relationship whatsoever except as stated below, with any of our Key Managerial personnel:

Mr. Amrish Bajaj is the son-in-law of Mr. Harish Chandak and Mrs. Sudha Chandak, brother-in-law of Mr. Shailesh Chandak and Mrs. Sarika Chandak.

**Loans taken by Key Management Personnel**

None of our Key Managerial Personnel have taken any loan from our Company.




## OUR PROMOTERS

The following are the Promoters of our Company:


- Mr. Harish Chandak
- Mr. Shailesh Chandak
- Mrs. Sarika Chandak
- Mrs. Sudha Chandak

### Profile of our Promoters

#### Mr. Harish Chandak

	Particulars	Details
	Name	Ms. Harish Chandak
	Age	59 years
	Educational Qualification	Passed Senior Secondary Exams
	Experience	42 years
	PAN No.	AAMPC2311A
	Passport No.	A8202305
	Driving License No.	GJ05 19780051617
	Voter ID	CTL5400379
	Bank Account No.	08710140000340
	Name of Bank & Branch	Kotak Mahindra , Ghod Dod Road, Surat
	% of pre-issue shareholding in the Company (Kavita Fabrics Limited)	16.93%
	DIN	01058531


#### Mr. Shailesh Chandak

	Particulars	Details
	Name	Mr. Shailesh Chandak
	Age	33 years
	Educational Qualification	B. Com (Andhra University)
	Experience	12 years
	PAN No.	ABMPC1402H
	Passport No.	K2706112
	Driving License No.	GJ05 20010407210
	Voter ID	CTL 5398755
	Bank Account No.	08710140000329
	Name of Bank & Branch	Kotak Mahindra , Ghod Dod Road, Surat
	% of pre-issue shareholding in the company (Kavita Fabrics Limited)	3.88%
	DIN	01058498






**Mrs. Sarika Chandak**

	Particulars	Details
	<b>Name</b>	Mrs. Sarika Chandak
	<b>Age</b>	33 years
	<b>Educational Qualification</b>	B. Com. (Gujarat University)
	<b>Experience</b>	7 years
	<b>PAN No.</b>	AFSPS5846M
	<b>Passport No.</b>	K2706113
	<b>Driving License No.</b>	GJ05 20110021141
	<b>Voter ID</b>	CTL5400395
	<b>Bank Account No.</b>	08710140000316
	<b>Name of Bank &amp; Branch</b>	Kotak Mahindra , Ghod Dod Road, Surat
	<b>% of pre-issue shareholding in the Company (Kavita Fabrics Limited)</b>	29.89%
	<b>DIN</b>	06361388

**Mrs. Sudha Chandak**

	Particulars	Details
	<b>Name and Profile</b>	Mrs. Sudha Chandak, 51 years is one of the Promoters of our Company. She is a non-matriculate. She started the business of manufacturing synthetic fabrics from man-made yarns in the year 1987. She was an owner of a sole proprietorship which was engaged in the same business, doing work for the Company on job-work basis, which she discontinued since August 31, 2012. Apart from business, she is also involved in various social activities.
	<b>Age</b>	51 years
	<b>Educational Qualification</b>	8 <sup>th</sup> Class Pass from Rajasthan University
	<b>Experience</b>	25 years
	<b>PAN No.</b>	AAQPC7174F
	<b>Passport No.</b>	A8202424
	<b>Driving License No.</b>	N. A.
	<b>Voter ID</b>	CTL5400387
	<b>Bank Account No.</b>	08710140000353
	<b>Name of Bank &amp; Branch</b>	Kotak Mahindra , Ghod Dod Road, Surat
	<b>% of pre-issue shareholding in the Company (Kavita Fabrics Limited)</b>	6.07%
	<b>DIN</b>	N. A.



For a detailed profile and information of Mr. Harish Chandak, Mr. Shailesh Chandak and Mrs. Sarika Chandak, please refer to chapter titled 'Our Management' beginning on page 97 of this Draft Prospectus.

#### **Declarations and confirmations**

We confirm that the PAN, Bank Account number and Passport Number of our Promoters shall be submitted to the Stock Exchange at the time of filing the Draft Prospectus with them.

Our Promoters and Promoter Group confirm that they have not been declared as a willful defaulter by the RBI or any other governmental authority and there have been no violations of securities laws committed by them or any entities they own or are connected with in the past and no proceedings pertaining to such penalties are pending against them.

None of the Promoters, Promoter Group, our Group Entities or persons in control of the Promoters or bodies corporate forming part of the Promoter Group has been (i) prohibited from accessing the capital market under any order or direction passed by SEBI or any other authority or (ii) refused listing of any of the securities issued by such entity by any stock exchange, in India or abroad. None of the Promoters is or has ever been a promoter, director or person in control of any other company which is debarred from accessing the capital markets under any order or direction passed by the SEBI.

#### **Relationship of Promoters with each other, our Directors and Our Key Managerial Personnel**

<b>Sr. No.</b>	<b>Name of Promoter</b>	<b>Relationship Details</b>
1.	Ms. Harish Chandak	Father of Mr. Shailesh Chandak (Promoter and Director), Husband of Mrs. Sudha Chandak (Promoter), Father-in-law of Mrs. Sarika Chandak (Promoter and Director)
2.	Mr. Shailesh Chandak	Son of Mr. Harish Chandak (Promoter and Director), Son of Mrs. Sudha Chandak (Promoter), Husband of Mrs. Sarika Chandak (Promoter and Director)
3.	Mrs. Sarika Chandak	Wife of Mr. Shailesh Chandak (Promoter and Director), Daughter-in-law of Mr. Harish Chandak (Promoter and Director), Daughter-in-law of Mrs. Sudha Chandak (Promoter)
4.	Mrs. Sudha Chandak	Wife of Mr. Harish Chandak (Promoter and Director), Mother of Mr. Shailesh Chandak (Promoter and Director), Mother-in-law of Mrs. Sarika Chandak (Promoter and Director)

#### **Changes in our Promoters**

Our present Promoters are our original Promoters and there have been no changes in the control of our Company since its incorporation.

#### **Common Pursuits**

Except as described below the Promoters / any member of Promoter Group do not have interest in any venture that is involved in any activities similar to those conducted by our Company.

<b>Sr. No.</b>	<b>Name of Firm</b>	<b>Commencement of business</b>	<b>Activity</b>
1.	M/s. Shiv Enterprises	September 2011	Manufacturing of synthetic fabrics

For further details, please see the chapter titled "Our Promoter Group and Group Entities" beginning on page 116 of the Draft Prospectus.



### Interest of Promoters

Our promoters are interested in our Company to the extent that they have promoted the Company, to the extent of their shareholding, for which they are entitled to receive the dividend declared, and other distribution in respect of Equity shares if any, by our Company.

Further, our Promoters may be deemed to be interested to the extent of remuneration and/or reimbursement of expenses payable to them for services rendered to us in accordance with the provisions of the Companies Act, terms of the Articles and their terms of appointment.

Further, the Promoters are interested to the extent of equity shares that they are holding and/or allotted to them out of the present Issue, if any, in terms of the Draft Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, our Promoters have given their properties as security and personnel guarantees towards financial facility availed from Bankers to our Company, therefore they are interested to the extent of the said guarantees. Also, our Promoters have provided their properties to our Company on lease and hence they are interest to the extent of the rent received in respect of such properties. For more details, please refer the chapters titled “*Financial Indebtedness*” on page 146, “*Related Party Transactions*” on page 124 and para titled “Property” on page 84.

Our Promoters and their immediate relatives have not given any loans to our Company, secured or unsecured, as on the date of the Draft Prospectus.

Except as stated herein and as stated in the chapter ‘*Related Party Transactions*’ beginning on page 124 of the Draft Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

### Payment or Benefit to our Promoters

Except as stated in the section titled “*Related Party Transactions*” on page 124 of this Draft Prospectus, there is no payment or benefit to our Promoters.

### Related Party Transactions

For details on our related party transactions please refer to the *chapter titled “Related Party Transactions”* beginning on page 124 of the Draft Prospectus.

### Disassociation by the Promoters in the last three years

None of our Promoters have disassociated themselves from any companies, firms or other entities during the last three years preceding the date of the Draft Prospectus except as given below:

Sr. No.	Name of Entity	Promoters' name and stake	Nature of Business	Date and Manner of Disassociation	Reason for Disassociation
1.	M/s. Surat Trading Company (Partnership Firm)	Mr. Shailesh Chandak was a 50% partner	Trading of art silk cloth	Dissolution of firm on March 31, 2011	Dissolution of firm
2.	M/s. Shiv Priya Sarees (Proprietorship Firm)	Shailesh Chandak (HUF) was the proprietor	Trading of sarees	Discontinuation of business in FY 2010-11	Discontinuation of business in the said firm
3.	M/s. Kavita Textiles (Proprietorship Firm)	Mrs. Sarika Chandak was the	Manufacturing (Weaving) of	Discontinuation of business in	Discontinuation of business in the



Sr. No.	Name of Entity	Promoters' name and stake	Nature of Business	Date and Manner of Disassociation	Reason for Disassociation
		proprietor	synthetic fabrics	FY 2008-09	said firm
4.	M/s. Bhagyodaya Industries (Proprietorship Firm)	Mr. Harish Chandak was the proprietor	Manufacturing (Weaving) of synthetic fabrics	Discontinuation of business in FY 2008-09	Discontinuation of business in the said firm
5.	M/s. Kavita Fashions (Proprietorship Firm)	Mr. Shailesh Chandak was the proprietor	Trading of grey cloth and Manufacturing (Weaving) of synthetic fabrics	Discontinuation of business in FY 2008-09	Discontinuation of business in the said firm
6.	M/s. Aayush Creation	Mrs. Sarika Chandak was the proprietor	Trading of semi-finished sarees	Sale of business to our Company on March 31, 2012 vide share swap agreement dated March 31, 2012	Sale of business to our Company
7.	M/s. Kavita Fabrics	Mrs. Sudha Chandak was the proprietor	Manufacturing (Weaving) of synthetic fabrics	Discontinuation of business on August 31, 2012	Discontinuation of business in the said firm
8.	M/s. Shree Balaji Twisting Works	Harish Kumar Chandak (HUF) was the proprietor	Twisting of Yarns	Discontinuation of business on August 31, 2012	Discontinuation of business in the said firm
9.	M/s. Swayam Textiles	Mrs. Kavita Bajaj was the proprietor	Manufacturing (Weaving) of synthetic fabrics	Discontinuation of business on August 31, 2012	Discontinuation of business in the said firm



## OUR PROMOTER GROUP AND GROUP ENTITIES

Our Promoter Group in terms of Regulation 2(1)(zb) of SEBI (ICDR) Regulations, 2009 includes the following persons:

### A. Individuals related to our Promoters

- **Relatives of Mr. Harish Chandak**

Relationship	Names
Spouse	Mrs. Sudha Chandak
Father	Late Mr. Bhagirath Chandak
Mother	Late Mrs. Suvadevi Chandak
Son	Mr. Shailesh Chandak
Daughter (including step daughter)	Mrs. Kavita Bajaj
Brother (including step Brother)	Late Mr. Keshrimal Chandak, Late Mr. Ramchandra Chandak, Late Mr. Parasram Chandak, Mr. Ramdayal Chandak, Mr. Ramakrishna Chandak
Sister (including step sister)	Mrs. Radhadevi, Mrs. Ramedevi
Spouse's Father	Late Mr. Madanlal Daga
Spouse's Mother	Late Mrs. Mangidevi Daga
Spouse's Brother	Mr. Omprakash Daga, Mr. Charanprakash Daga, Mr. Rajendraprasad Daga
Spouse's Sister	Mrs. Basantidevi Bhattar

- **Relatives of Mr. Shailesh Chandak**

Relationship	Names
Spouse	Mrs. Sarika Chandak
Father	Mr. Harish Chandak
Mother	Mrs. Sudha Chandak
Son	Mr. Aayush Chandak, and Mr. Swayam Chandak
Daughter (including step daughter)	-
Brother (including step Brother)	-
Sister (including step sister)	Mrs. Kavita Bajaj
Spouse's Father	Mr. Tansukhrai Somani
Spouse's Mother	Mrs. Kamala Somani
Spouse's Brother	Mr. Rajesh Somani
Spouse's Sister	Mrs. Sunita Kabra

- **Relatives of Mrs. Sarika Chandak**

Relationship	Names
Spouse	Mr. Shailesh Chandak
Father	Mr. Tansukhrai Somani
Mother	Mrs. Kamala Somani
Son	Mr. Aayush Chandak, and Mr. Swayam Chandak
Daughter (including step daughter)	-
Brother (including step Brother)	Mr. Rajesh Somani
Sister (including step sister)	Mrs. Sunita Kabra
Spouse's Father	Mr. Harish Chandak
Spouse's Mother	Mrs. Sudha Chandak
Spouse's Brother	-
Spouse's Sister	Mrs. Kavita Bajaj



• **Relatives of Mrs. Sudha Chandak**

Relationship	Names
Spouse	Mr. Harish Chandak
Father	Late Mr. Madanlal Daga
Mother	Late Mrs. Mangidevi Daga
Son	Mr. Shailesh Chandak
Daughter (including step daughter)	Mrs. Kavita Bajaj
Brother (including step Brother)	Mr. Omprakash Daga, Mr. Charanprakash Daga, Mr. Rajendraprasad Daga
Sister (including step sister)	Mrs. Basantidevi Bhattar
Spouse's Father	Late Mr. Bhagirath Chandak
Spouse's Mother	Late Mrs. Suvadevi Chandak
Spouse's Brother	Late Mr. Keshrimal Chandak, Late Mr. Ramchandra Chandak, Late Mr. Parasram Chandak, Mr. Ramdayal Chandak, Mr. Ramakrishna Chandak
Spouse's Sister	Mrs. Radhadevi, Mrs. Ramedevi

**B. Companies, partnership firms, proprietary concerns, trusts, HUF's related to our Promoters:**

Relationship with Promoters	Promoters			
	Mr. Harish Chandak	Mr. Shailesh Chandak	Mrs. Sarika Chandak	Mrs. Sudha Chandak
Any company in which 10% or more of the share capital is held by the promoter or an immediate relative of the promoter or a firm or HUF in which the promoter or any one or more of his immediate relative is a member	Nil	Nil	Nil	Nil
Any company in which a company (mentioned above) holds 10% of the total holding	Nil	Nil	Nil	Nil
Any HUF or firm in which the aggregate share of the promoter and his immediate relatives is equal to or more than 10% of the total holding	<ul style="list-style-type: none"> <li>• M/s. Balaji Plastochem</li> <li>• M/s. Shree Balaji Investments</li> <li>• M/s. Shiv Enterprises</li> <li>• M/s. Shree Balaji Marketing</li> <li>• Shree Venkateshwar Balaji Manav Seva Trust</li> <li>• Aayush Marriage Trust</li> </ul>	<ul style="list-style-type: none"> <li>• M/s. Balaji Plastochem</li> <li>• M/s. Shree Balaji Investments</li> <li>• M/s. Shiv Enterprises</li> <li>• M/s. Shree Balaji Marketing</li> <li>• Shree Venkateshwar Balaji Manav Seva Trust</li> <li>• Aayush Marriage Trust</li> </ul>	<ul style="list-style-type: none"> <li>• M/s. Balaji Plastochem</li> <li>• M/s. Shree Balaji Investments</li> <li>• M/s. Shiv Enterprises</li> <li>• M/s. Shree Balaji Marketing</li> <li>• Shree Venkateshwar Balaji Manav Seva Trust</li> <li>• Aayush Marriage Trust</li> </ul>	<ul style="list-style-type: none"> <li>• M/s. Balaji Plastochem</li> <li>• M/s. Shree Balaji Investments</li> <li>• M/s. Shiv Enterprises</li> <li>• M/s. Shree Balaji Marketing</li> <li>• Shree Venkateshwar Balaji Manav Seva Trust</li> <li>• Aayush Marriage Trust</li> </ul>



Relationship with Promoters	Promoters			
	Mr. Harish Chandak	Mr. Shailesh Chandak	Mrs. Sarika Chandak	Mrs. Sudha Chandak
	<ul style="list-style-type: none"><li>• Swayam Marriage Trust</li><li>• Harish Kumar Chandak (HUF)</li><li>• Shailesh Chandak (HUF)</li></ul>	<ul style="list-style-type: none"><li>• Swayam Marriage Trust</li><li>• Harish Kumar Chandak (HUF)</li><li>• Shailesh Chandak (HUF)</li></ul>	<ul style="list-style-type: none"><li>• Swayam Marriage Trust</li><li>• Harish Kumar Chandak (HUF)</li><li>• Shailesh Chandak (HUF)</li></ul>	<ul style="list-style-type: none"><li>• Swayam Marriage Trust</li><li>• Harish Kumar Chandak (HUF)</li><li>• Shailesh Chandak (HUF)</li></ul>



## OUR GROUP ENTITIES

As specified in the SEBI (ICDR) Regulations, 2009; the entities promoted by our Promoter, which comprise our Group entities, are:

1. M/s. Balaji Plastochem
2. M/s. Shree Balaji Investments
3. M/s. Shiv Enterprises
4. M/s. Shree Balaji Marketing
5. Shree Venkateshwar Balaji Manav Seva Trust
6. Aayush Marriage Trust
7. Swayam Marriage Trust
8. Harish Kumar Chandak (HUF)
9. Shailesh Chandak (HUF)

### *Listed Companies within our Group Entities:*

There is no Listed Company in our Group entities. No equity shares of our Group Companies and Entities are listed on any stock exchange and they have not made any public or rights issue of securities in the preceding three years.

### *Unlisted Companies within our Group Entities:*

Our Group entities do not comprise of any companies.

### *Partnership firms within our Group entities:*

#### **1. M/s. Balaji Plastochem**

##### **Brief Details of the firm:**

The firm was established as a partnership firm and commenced its business in 2009. One of our promoters, Mr. Shailesh Chandak is one of the partners of this firm. The firm is engaged in the business of import and dealing of plastic raw materials. The firm has done no business in FY 2013 till date.

##### **Partners of M/s. Balaji Plastochem and their respective profit sharing ratio as on December 31, 2012**

Sr. No.	Name of Partner	Profit Sharing Ratio
1.	Mr. Manish Kumar Rathi	45%
2.	Mr. Shailesh Chandak	35%
3.	Mr. Om Prakash Daga	20%

##### **Financial Performance:**

The financial accounts of M/s. Balaji Plastochem for the last three (3) fiscal years are as follows:

(Rs. In lakhs)

Particulars	FY 2012 (Audited)	FY 2011 (Audited)	FY 2010 (Audited)
Partner's Capital	0.17	3.86	9.18
Total Income	94.73	59.31	95.16
Net Profit / (Loss)	0.08	0.09	2.31

### *Proprietorship firms within our Group entities:*

#### **1. M/s. Shree Balaji Investments**



**Brief Details of the firm:**

The firm is the proprietorship firm of one of our Promoter, Mr. Shailesh Chandak and is into the business of shares broking and commodity broking since 2008. It is a sub-broker with the registered broker Saikripa Securities Limited for share broking business. It is also registered as authorized person with Saikripa Commodity Brokers Private Limited. The firm bears the SEBI registration number for undertaking share broking business as INS235460115/23-09707. It was engaged in the business of share broking for BSE (capital markets segment), NSE (capital markets and derivatives segments) and MCX (commodity exchange). Thereafter, in 2012, it discontinued the business of share broking of NSE (capital markets and derivatives segment) and MCX (commodity exchange). Currently, it is engaged only in the business of stock broking for BSE (capital markets segment).

**Financial Performance:**

The financial accounts of M/s. Shree Balaji Investments for the last three (3) fiscal years are as follows:

(Rs. In lakhs)

Particulars	FY 2012 (Unaudited)	FY 2011 (Unaudited)	FY 2010 (Unaudited)
Proprietor's Capital	0.27	0.43	8.26
Total Income	2.25	3.76	6.91
Net Profit / (Loss)	0.08	1.30	1.89

**2. M/s. Shiv Enterprises****Brief Details of the firm:**

The firm is a proprietorship firm of one of our Promoter, Mr. Shailesh Chandak and commenced its business in September 2011. The said firm is engaged in the business of manufacturing synthetic fabrics from man-made yarns by using the weaving technology and jacquard power looms. Our Company outsources some of its work to the said firm and this firm is also doing work only for our Company.

**Financial Performance:**

The financial accounts of M/s. Shiv Enterprises for the last three (3) fiscal years are as follows:

(Rs. In lakhs)

Particulars	FY 2012 (Unaudited)	FY 2011	FY 2010
Proprietor's Capital	2.53	Not Applicable	Not Applicable
Total Income	10.46	Not Applicable	Not Applicable
Net Profit / (Loss)	1.94	Not Applicable	Not Applicable

**3. M/s. Shree Balaji Marketing****Brief Details of the firm:**

This is the proprietorship firm of Shailesh Chandak (HUF). Formerly known as M/s. Maheshwari Tools and Hardware (Proprietorship Firm), it changed its name subsequently to Shree Balaji Marketing. Maheshwari Tools and Hardware was in the business of closed in FY 2010 and there were no operations thereafter. In May 2011, the name was changed to Shree Balaji Marketing.

**Financial Performance:**

There has been no business in this firm, and hence no financial information provided.

**Trusts within our Group entities:****1. Shree Venkateshwar Balaji Manav Seva Trust**

**Brief Details of the Trust:**

Type of Trust	Private Charitable Trust
Trustees	Mr. Harish Chandak, Mrs. Sudha Chandak, Mr. Shailesh Chandak, Mrs. Kavita Bajaj, Mr. Badrinarayan Ladha, Mr. Omprakash Daga, Mr. Mohanlal Karnani
Beneficiaries	Public at large

The Trust is formed in January 1, 2001 with the main object of serving any person in need belonging to any community with facilities such as education, health, food, etc. It also provides health and food services for the animals and birds.

**Financial Performance:**

The financial accounts of Shree Venkateshwar Balaji Manav Seva Trust for the last three (3) fiscal years are as follows:

(Rs. In lakhs)

Particulars	FY 2012 (Audited)	FY 2011 (Audited)	FY 2010 (Audited)
Trust Fund	20.60	20.60	23.63
Total Income	2.55	3.44	2.58
Surplus / (Deficit)	0.46	0.45	0.10

**2. Aayush Marriage Trust****Brief Details of the Trust:**

Type of Trust	Private Trust
Settlor	Mr. Harish Chandak
Trustees	Mr. Shailesh Chandak and Mrs. Sarika Chandak
Beneficiaries	Master Aayush, son of Mr. Shailesh Chandak and Mrs, Sarika Chandak

The trust was formed on August 18, 2010 with the sole purpose of the marriage of Master Aayush Chandak.

**Financial Performance:**

The financial accounts of Aayush Marriage Trust for the last three (3) fiscal years are as follows:

(Rs. In lakhs)

Particulars	FY 2012 (Unaudited)	FY 2011 (Unaudited)	FY 2010
Trustees' Capital Account	2.40	1.18	Not Applicable
Total Income	1.22	0.18	Not Applicable

**3. Swayam Marriage Trust****Brief Details of the Trust:**

Type of Trust	Private Trust
Settlor	Mr. Harish Chandak
Trustees	Mr. Shailesh Chandak and Mrs. Sarika Chandak
Beneficiaries	Master Swayam, son of Mr. Shailesh Chandak and Mrs, Sarika Chandak

The trust was formed on August 18, 2010 with the sole purpose of the marriage of Master Swayam Chandak.

**Financial Performance:**

The financial accounts of Swayam Marriage Trust for the last three (3) fiscal years are as follows:



(Rs. In lakhs)

Particulars	FY 2012 (Unaudited)	FY 2011 (Unaudited)	FY 2010
Trustees' Capital Account	2.41	1.20	Not Applicable
Total Income	1.23	0.20	Not Applicable

*HUFs which form part of the Group Entities*

**1. Harish Kumar Chandak (HUF)**

**Brief Details of the HUF:**

PAN	AAAHH8477C
Name of Karta	Mr. Harish Chandak
Name of Members	Mrs. Sudha Chandak, Mr. Shailesh Chandak, Mrs. Sarika Chandak, Mrs. Kavita Bajaj, Master Aayush Chandak, Master Swayam Chandak

**Financial Performance:**

The financial accounts of Harish Kumar Chandak (HUF) for the last three (3) fiscal years are as follows:

(Rs. In lakhs)

Particulars	FY 2012 (Unaudited)	FY 2011 (Unaudited)	FY 2010 (Unaudited)
Capital	26.77	19.67	17.07
Total Income	8.67	3.55	3.22
Net Profit / (Loss)	8.65	3.53	3.20

**2. Shailesh Chandak (HUF)**

**Brief Details of the HUF:**

PAN	AAOHS1619D
Name of Karta	Mr. Shailesh Chandak
Name of Members	Mrs. Sarika Chandak, Master Aayush Chandak, Master Swayam Chandak

**Financial Performance:**

The financial accounts of Shailesh Chandak (HUF) for the last three (3) fiscal years are as follows:

(Rs. In lakhs)

Particulars	FY 2012 (Audited)	FY 2011 (Audited)	FY 2010 (Audited)
Capital	8.16	4.62	5.13
Total Income	230.60	21.38	3.31
Net Profit / (Loss)	4.06	0.75	3.20

**All persons whose shareholding is aggregated for the purpose of disclosing under the heading 'Shareholding of the promoter group':**

1. Mr. Omprakash Daga

**Group Companies with negative networth, under winding up or which have become a sick industrial company**

None of the entities forming part of Group Companies is a sick company under the meaning of SICA and none of them are under winding up. Further, none of our Group Companies has a negative networth.

**Common Pursuits/Conflict of Interest**



Except as described below the Promoters / any member of Promoter Group does not have interest in any venture that is involved in any activities similar to those conducted by our Company.

Sr. No.	Name of Firm	Commencement of business	Activity
1.	M/s. Shiv Enterprises	September 2011	Manufacturing of synthetic fabrics

Except as disclosed above, none of our Promoter Group is at present in the same line of business as ours.

### **Related Party Transactions**

For details of the related party transactions, see chapter titled “*Related Party Transactions*” beginning on page 124 of the Draft Prospectus.

### **Other confirmations**

#### *Interest in sales and purchases*

Except as disclosed in chapter titled “*Related Party Transactions*” on page 124 of the Draft Prospectus, there have been no sales and purchases between us and our Group Companies and Entities, when such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of our Company.

#### *Business Interests*

Except as disclosed in chapter titled “*Related Party Transactions*” on page 124 of the Draft Prospectus, none of our Group Companies and Entities have any business interests in our Company.

#### *Defunct Group Companies and Entities*

None of our Group Companies and Entities has remained defunct and no application has been made to the Registrar of Companies for striking-off their name from the register of companies, during the five years preceding the date of filing of the Draft Prospectus.

#### *Interest in promotion of our Company*

None of our Group Companies and Entities are interested in the promotion of our Company.

#### *Interest in the property of our Company*

Except as disclosed in the chapters titled “*Business Overview*” and “*Related Party Transactions*” beginning on pages 78 and 124 of the Draft Prospectus, our Group Companies and Entities do not have any interest in any property acquired by or proposed to be acquired by our Company two years prior to filing of the Draft Prospectus.

#### *Interest in the transaction involving acquisition of land*

Except as disclosed in the chapters titled “*Business Overview*” and “*Related Party Transactions*” beginning on pages 78 and 124 of the Draft Prospectus, none of our Group Companies and Entities were interested in any transaction with our Company involving acquisition of land, construction of building or supply of any machinery.



## **RELATED PARTY TRANSACTIONS**

For details of the related party transactions, please refer to the chapter “*Financial Statements*” beginning on page 126 of the Draft Prospectus.



## **DIVIDEND POLICY**

Dividends, other than interim dividends, may be declared at the AGM of our shareholders based on the recommendation of our Board of Directors. Our Board may, at its discretion, recommend dividends to be paid to the shareholders, considering a number of factors including, without limitation, our Company's future expansion plans and capital requirements, profits earned during the Fiscal, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time, legal restrictions, our Articles of Association and other factors considered relevant by the Board of Directors.

In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under the loan or financing arrangements we may enter into to finance our various projects and also the fund requirements for our projects.

Our Company has not paid any dividend since incorporation. However, this is not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.



## SECTION V: FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

#### AUDITORS REPORT

#### ON FINANCIAL INFORMATION OF KAVITA FABRICS LIMITED Auditor's Report as required by Part II of Schedule II to the Companies Act, 1956.

To,  
The Board of Directors,  
Kavita Fabrics Limited  
105, Shri Balaji Industrial Society-1,  
Udhna-Magdalla Road,  
Surat, Gujarat.

Dear Sirs,

#### **Re: Proposed Public Issue of Equity Shares of Kavita Fabrics Limited**

We have examined and found correct the annexed restated summary statements of M/s Kavita Fabrics Limited for the five months period ended August 31, 2012 and year ended March 31, 2012, 2011, 2010, 2009 and 2008 prepared by the Company and approved by its Board of Directors.

At the date of signing this report, we have not come across any material adjustment, which would affect the result shown by these accounts drawn up in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956.

In accordance with the requirements of:

- Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956;
- Securities and Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2009 ('the SEBI ICDR Regulations') and
- The Guidance Note on Reports in Company Prospectus and Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India and terms of reference received from the Company in connection with the proposed public issue of Equity shares of the Company.
- The terms of reference given vide the Company's letter dated October 1, 2012 requesting us to carry out work in connection with the Issue as aforesaid, we report that:-
  1. The summary statement of assets and liabilities, as restated, of the Company as at August 31, 2012, March 31, 2012, 2011, 2010, 2009 and 2008 are as set out in ANNEXURE - I to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and Notes to Accounts along with adjustments on account of audit qualifications as appearing in ANNEXURE - IV to this report.
  2. The summary statement of profit and loss, as restated of the Company for the five months period ended August 31, 2012 and for the year ended March 31, 2012, 2011, 2010, 2009 and 2008 are as set out in ANNEXURE - II to this report. These profits have been arrived after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and Notes to Accounts along with adjustments on account of audit qualifications as appearing in ANNEXURE - IV to this report.
  3. We have examined the summary statement of cash flow, as restated relating to the Company for the five months period ended August 31, 2012 and year ended March 31, 2012, 2011, 2010, 2009 and 2008 appearing in ANNEXURE - III to this report after making such adjustments / restatements and regrouping



as in our opinion are appropriate and are subject to the Significant Accounting Policies and Notes to Accounts along with adjustments on account of audit qualifications as appearing in ANNEXURE - IV to this report.

These statements have been prepared by the Company and approved by its Board of Directors (these statements are herein collectively referred to as the "Restated Summary Statements". These statements have been extracted from the audited financial statement of the Company for the respective period / years.

Audit of the financial statements for the five months period ended August 31, 2012 and for the year ended March 31, 2012, 2011, 2010, 2009 and 2008 have been conducted by Company's Statutory Auditor M/s. Sanjay Maheshwari & Associates, Chartered Accountants. Further, financial statements for the five months period ended August 31, 2012 and year ended March 31, 2012 have been re-audited by us as required under the SEBI ICDR Regulations. This report, in so far as it relates to the amounts included for the financial years ended March 31, 2011, 2010, 2009 and 2008 is based on the audited financial statements of the Company which were audited by the Statutory Auditor M/s. M/s. Sanjay Maheshwari & Associates, Chartered Accountants whose Auditors' report has been relied upon by us for the said periods.

The Restated Summary Statements of the Company as included in this report for the year ended March 31, 2011, 2010, 2009 and 2008 are based on the audited financial statements of the Company which were audited by the Statutory Auditor of the Company and whose Auditors' report has been relied upon by us for the said years and as for the five months period ended August 31, 2012 and for the year ended March 31, 2012 as examined by us as set out in ANNEXURE I, II and III of this report are after making such adjustments and regrouping as in our opinion were appropriate.

Based on the above and also as per the reliance placed by us on the audited financial statements of the Company which were audited by Statutory Auditor and the Auditors' report for the year ended March 31, 2011, 2010, 2009 and 2008, we are of the opinion that the Restated Summary Statements have been made after incorporating:

- i. Adjustments for the changes in accounting policies retrospectively in respective financial period/years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods;
- ii. Adjustments for the material amounts in the respective financial period/years to which they relate;
- iii. There are no qualification in the auditor's report which require any adjustments to the Restated Summary statements
- iv. There are no revaluation reserves which needed to be disclosed separately in the restated financial information in the respective financial years.
- v. And there are no extra-ordinary items that need to be disclosed separately in the accounts.

We have examined the following financial information relating to the Company proposed to be included in the Draft Prospectus as approved by you and annexed to this report. In respect of the financial years ended March 31, 2011, 2010, 2009 and 2008, this information has been included based on the audited financial statements of the Company which were audited by the Statutory Auditor of the Company and whose Auditors' report has been relied upon by us for the said years:

1. Statement of Trade Receivables, as Restated enclosed as Annexure V to this report;
2. Statement of Short Term Provisions as Restated enclosed as Annexure VI to this report;
3. Statement of Inventories as Restated enclosed as Annexure VII to this report;
4. Statement of Long Term Loans & Advances as Restated enclosed as Annexure VIII to this report;
5. Statement of Short Term Loans & Advances as Restated enclosed as Annexure IX to this report;
6. Statement of Other Current Assets as Restated enclosed as Annexure X to this report;
7. Statement of Other Current Liabilities as Restated enclosed as Annexure XI to this report;
8. Statement of Short Term Borrowings as Restated enclosed as Annexure XII to this report;
9. Statement of Long Term Borrowings as Restated enclosed as Annexure XIII to this report;
10. Statement of Other Income as Restated enclosed as Annexure XIV to this report;





11. Capitalisation Statement as Restated At August 31, 2012 enclosed as Annexure XV to this report;
12. Statement of Tax Shelters as Restated enclosed as Annexure XVI to this report;
13. Statement of Non Current Investments as Restated enclosed as Annexure XVII to this report;
14. Statement of Related Party Transactions as Restated enclosed as Annexure XVIII to this report;
15. Statement of Reserves & Surplus as Restated enclosed as Annexure XIX to this report;
16. Statement of Accounting Ratios as Restated enclosed as Annexure XX to this report;

In our opinion the above financial information of the Company for the five months period ended August 31, 2012 and for the year ended March 31, 2012, read with Significant Accounting Policies and Notes to Accounts enclosed in Annexure IV to this report and also as per the reliance place by us on the audited financial statements of the Company which were audited by the Statutory Auditor and the Auditors' report for the years ended March 31, 2011, 2010, 2009 and 2008, after making adjustments / restatements and regroupings as considered appropriate has been prepared in accordance with paragraph B(1) Part II of Schedule II of the Companies Act and the SEBI ICDR Regulations.

This report should not be in any way construed as a reissuance or redrafting of any of the previous audit reports issued by us or by other firm of Chartered Accountants, nor should this report be construed as a new opinion on any of the financial statements referred herein.

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

For R T JAIN & CO  
Chartered Accountants  
(FRN No. 103961W)

(CA BANKIM JAIN)  
Partner  
(M No.: 139447)

Place: Mumbai  
Date: December 24, 2012



Annexure - I

STATEMENT OF ASSETS AND LIABILITIES AS RESTATED (In Rupees)

Sr. No.	Particulars	As At March 31,					As At August 31, 2012
		2008	2009	2010	2011	2012	
<b>A</b>	<b>Non Current Assets</b>						
	f. Fixed Assets						
	i. Tangible Assets	-	634,221	778,342	614,287	677,112	2,495,671
	Less: Depreciation	-	(108,738)	(251,283)	(288,446)	(363,634)	(510,012)
	<i>Net Block</i>	-	<b>525,483</b>	<b>527,059</b>	<b>325,841</b>	<b>313,478</b>	<b>1,985,659</b>
	ii. Capital Work In Progress	-	-	-	-	-	-
	iii. Intangible Assets under development	-	-	-	-	-	-
	g. Non Current Investment	-	-	-	-	-	39,999,926
	h. Deferred Tax Asset	-	3,167	30,219	13,359	-	30,499
	i. Long Term Loans & Advances	-	26,330	33,720	3,505,050	3,528,998	3,555,498
	j. Other Non Current Assets	-	-	-	-	-	-
	<b>Total Non Current Assets</b>	-	<b>554,980</b>	<b>590,998</b>	<b>3,844,250</b>	<b>3,842,476</b>	<b>45,571,582</b>
<b>B</b>	<b>Current Assets</b>						
	f. Inventories	-	2,835,333	2,590,252	2,545,772	7,009,300	6,138,740
	g. Trade Receivables	-	1,389,885	2,023,286	3,060,036	6,177,053	12,768,267
	h. Cash and Cash Equivalents	1,800	208,534	926,698	814,882	601,067	1,532,864
	i. Short Term Loans & Advances	5,000,000	1,711,250	1,084,058	2,251,602	-	3,036,123
	j. Other Current Assets	160,600	128,480	96,360	64,240	32,120	18,737
	<b>Total Current Assets</b>	<b>5,162,400</b>	<b>6,273,482</b>	<b>6,720,654</b>	<b>8,736,532</b>	<b>13,819,540</b>	<b>23,494,731</b>
<b>C</b>	<b>Non Current Liabilities</b>						
	c. Long Term Borrowings	-	-	-	-	-	890,748
	d. Deferred Tax Liabilities	-	-	-	-	17,441	-
	<b>Total Non Current Liabilities</b>	-	-	-	-	<b>17,441</b>	<b>890,748</b>
<b>D</b>	<b>Current Liabilities</b>						
	e. Short Term Borrowings	50,000	131,247	-	5,192,213	3,870,863	2,218,359
	f. Trade Payables	-	545,677	793,113	576,001	1,672,484	6,726,247
	g. Other Current Liabilities	12,400	1,024,637	1,209,725	1,261,037	428,816	961,173
	h. Short Term Provisions	-	2,686	45,778	80,225	293,832	710,402
	<b>Total Current Liabilities</b>	<b>62,400</b>	<b>1,704,247</b>	<b>2,048,616</b>	<b>7,109,476</b>	<b>6,265,995</b>	<b>10,616,181</b>
<b>E</b>	<b>Net Worth (A+B-C-D)</b>	<b>5,100,000</b>	<b>5,124,215</b>	<b>5,263,036</b>	<b>5,471,306</b>	<b>11,378,580</b>	<b>57,559,384</b>
<b>F</b>	<b>Represented by</b>						
	Share Capital	5,100,000	5,100,000	5,100,000	5,100,000	10,676,020	21,979,020
	Reserves & Surplus	-	24,215	163,036	371,306	702,560	35,580,364
	<b>Net Worth</b>	<b>5,100,000</b>	<b>5,124,215</b>	<b>5,263,036</b>	<b>5,471,306</b>	<b>11,378,580</b>	<b>57,559,384</b>



Annexure – II

STATEMENT OF PROFIT & LOSSES AS RESTATED (In Rupees)

Sr. No.	Particulars	For The Year Ended March 31,					For the five months period ended August 31, 2012
		2008	2009	2010	2011	2012	
<b>A</b>	<b>INCOME</b>						
	Revenue from Operations	-	5,441,845	13,359,463	22,542,676	31,282,902	22,693,395
	Other Income	-	348,405	99,062	80,697	-	97,618
	<b>Total Income</b>	-	<b>5,790,250</b>	<b>13,458,525</b>	<b>22,623,373</b>	<b>31,282,902</b>	<b>22,791,013</b>
<b>B</b>	<b>EXPENDITURE</b>						
	Cost of materials consumed	-	4,138,607	6,213,997	14,231,388	20,106,030	14,434,280
	Purchase of stock-in-trade	-	-	-	-	-	-
	Changes in inventories of Finished goods, traded goods and work-in-progress	-	(2,106,414)	721,694	(262,737)	(1,422,434)	(649,186)
	Employee benefit expenses	-	589,379	1,070,845	1,417,086	1,473,668	1,160,056
	Finance costs	-	824	-	165,224	377,273	281,833
	Depreciation and amortisation expense	-	108,738	142,545	118,440	75,188	148,030
	Other Expenses	-	3,028,658	5,151,085	6,602,537	9,657,153	6,083,346
	<b>Total Expenses</b>	-	<b>5,759,792</b>	<b>13,300,166</b>	<b>22,271,938</b>	<b>30,266,878</b>	<b>21,458,359</b>
	<b>Profit before prior period items (A-B)</b>	-	30,458	158,359	351,435	1,016,024	1,332,654
	Prior period items (Net)	-	-	-	-	-	-
	<b>Profit before exceptional, extraordinary items and tax</b>	-	30,458	158,359	351,435	1,016,024	1,332,654
	Exceptional items	-	-	-	-	-	-
	<b>Profit before extraordinary items and tax</b>	-	30,458	158,359	351,435	1,016,024	1,332,654
	Extraordinary items	-	-	-	-	-	-
	<b>Profit before tax</b>	-	<b>30,458</b>	<b>158,359</b>	<b>351,435</b>	<b>1,016,024</b>	<b>1,332,654</b>
	Tax expense:						
	(v) Current tax	-	(9,410)	(48,930)	(108,590)	(313,950)	(411,790)
	(vi) Deferred tax	-	3,167	27,052	(16,860)	(30,800)	47,940
	(vii) MAT Credit	-	-	-	-	-	-
	(viii) Short/(Excess) provision for earlier years	-	-	2,340	(17,715)	-	-
	<b>Profit for the year</b>	-	<b>24,215</b>	<b>138,821</b>	<b>208,270</b>	<b>671,275</b>	<b>968,804</b>



Annexure – III

STATEMENT OF CASH FLOWS FROM RESTATED FINANCIAL STATEMENTS (In Rupees)

Particulars	For The Year Ended March 31,					For five months period Ended August 31, 2012
	2008	2009	2010	2011	2012	
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>						
Net profit before tax for the year	-	30,458	158,359	351,435	1,016,024	1,332,654
Adjustments for:						
Interest paid and Bank Charges	-	824	-	466,640	377,273	296,719
Interest income	-	(348,990)	(99,062)	(302,321)	-	14,886
Depreciation	-	108,738	142,545	118,440	75,188	148,030
(Profit)/Loss on Sale of fixed assets	-	-	-	(77,222)	-	1,317
Loss / (Gain) on Non Refundables	-	-	-	-	5,050	-
Discount paid / (received)	-	-	114,073	66,758	67,188	97,618
Preliminary expenses written off	-	32,120	32,120	32,120	32,120	13,383
Provision for Professional Tax	-	2,686	4,137	6,021	4,145	4,780
Operating profit before working capital changes	-	(174,164)	345,102	605,201	1,576,988	1,909,387
Movements in working capital:						
Decrease / (Increase) in Trade receivables	-	(1,389,885)	(633,401)	(1,036,750)	864,764	(6,591,214)
Decrease / (Increase) in Inventories	-	(2,835,333)	245,081	44,480	(3,498,028)	870,560
Increase / (Decrease) in Trade payables	4,400	1,557,914	432,524	(165,800)	225,226	5,219,342
Increase / (Decrease) in Short Term Borrowings	-	-	-	-	(94,768)	159,791
Decrease / (Increase) in Loans and Advances and Other Current Assets	-	3,253,010	619,237	(4,680,083)	2,222,604	(3,062,623)
Cash generated from operations	4,400	411,542	1,008,543	(5,232,952)	1,296,786	(1,494,757)
Payment of income tax	-	-	(7,070)	(56,670)	104,488	-
<b>Net cash generated from/ (used in) operating activities (A)</b>	<b>4,400</b>	<b>411,542</b>	<b>1,008,543</b>	<b>(5,232,952)</b>	<b>1,192,298</b>	<b>(1,494,757)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>						
Purchase of fixed assets(Including capital	-	(634,221)	(144,121)	-	(8,250)	(1,821,528)



Particulars	For The Year Ended March 31,					For five months period Ended August 31, 2012
	2008	2009	2010	2011	2012	
advances)						
Purchase of investments(Equity & Preference Shares)	-	-	-	-	-	(39,999,926)
Sale of fixed assets	-	-	-	160,000	-	-
Pre-operative Expenditure	(8,200)					
<b>Net cash generated from/ (used in) investing activities (B)</b>	<b>-</b>	<b>(634,221)</b>	<b>(144,121)</b>	<b>160,000</b>	<b>(8,250)</b>	<b>(41,821,454)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES :</b>						
Proceeds from issue of share capital	-	-	-	-	367,948	45,212,000
Proceeds from short term borrowings	-	81,247	(131,247)	5,192,213	(1,321,350)	(1,652,504)
Proceeds of long term borrowings	-	-	-	-	-	1,097,735
Interest paid and bank charges	-	(824)	-	(466,640)	(377,273)	(296,719)
Interest Income	-	348,990	99,062	302,321	-	(14,886)
Discount Expenses	-	-	(114,073)	(66,758)	(67,188)	(97,618)
<b>Net cash generated from / (used in) financing activities (C)</b>	<b>-</b>	<b>429,413</b>	<b>(146,258)</b>	<b>4,961,136</b>	<b>(1,397,863)</b>	<b>44,248,008</b>
Net increase in cash and cash equivalents (A+B+C)	(3,800)	206,734	718,164	(111,816)	(213,815)	931,797
Cash and cash equivalents at the beginning of the period	5,600	1,800	208,534	926,698	814,882	601,067
Cash and cash equivalents at the end of the period	1,800	208,534	926,698	814,882	601,067	1,532,864



**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**A. SIGNIFICANT ACCOUNTING POLICIES:**

**1. Basis of preparation of Financial Statements:**

- (a) These financial statements have been prepared to comply in all material respect with all the applicable Accounting Standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- (b) The financial statements are prepared under the historical cost convention and on the accounting principles of going concern. The Company follows the accrual system of accounting where income & expenditure are recognized on accrual basis.
- (c) Accounting policies not specifically referred to are consistent and in consonance with generally accepted accounting policies.

**2. Use of Estimates:**

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized

**3. Revenue Recognition :**

Sale of goods is recognized on dispatches to customers, which coincide with the transfer of significant risks and rewards associated with ownership, net of Discount.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**4. Fixed Assets:**

Fixed assets are stated at cost, less accumulated depreciation and impairment loss, if any. All cost including any cost attributable in bringing the assets to their working condition for their intended use is capitalized. Expenditure on additions, improvement and renewable is capitalized.

**5. Depreciation:**

Depreciation on fixed assets is provided on written down value (WDV) at the rate and manner prescribed in schedule XIV of the Companies Act, 1956 over their useful life.

**6. Impairment of Assets:**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.



**7. Valuation of Investments:**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Current Investments are carried at the lower of cost or quoted / fair value computed scrip wise, Long Term Investments are stated at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary.

**8. Valuation of Inventories:**

Cost of inventory includes all cost of purchases and other cost incurred in bringing the inventories to their present location and condition.

Closing Stock is valued as under:-

Raw Material	– At cost or net realizable value whichever is less.
Work in Progress	– At cost or net realizable value whichever is less.
Finished Goods	– At cost or net realizable value whichever is less.

**9. Employee Benefits:**

Short-term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss account of the year in which the related service is rendered.

Post employment and other long term employee benefits are recognized as an expense in the Profit and Loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Profit and Loss account.

**10. Provision for Current Tax and Deferred Tax:**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961.

Deferred tax resulting from the timing differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a virtual certainty that the assets will be realized in the future.

**11. Contingent Liabilities / Provisions:**

Contingent liabilities are not provided in the accounts and are disclosed separately in notes on accounts.

Provision is made in the accounts in respect of contingent liabilities which is likely to materialize into liabilities after the year end, till the finalization of accounts and which have material effect on the position stated in the Balance Sheet.

**12. Earnings Per Share:**

Basic earnings per share is computed by dividing the net profit for the year after prior period adjustments attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.



### 13. Miscellaneous Expenditure / Share Issue Expenses

The company has a policy of writing off Miscellaneous Expenditure over a period of ten years.

## B. NOTES TO ACCOUNTS ON RESTATED FINANCIAL STATEMENTS:

### 1. Notes on Adjustments:

Summarized below are the restatements made to the audited financial statements for the respective period/years and their impact on the profit / (loss) of the Company:

Particulars	For the financial year ended					For the five months period ended
	2007-08	2008-09	2009-10	2010-11	2011-12	31-08-12
	Net profit/(Loss) after Tax as per Audited Profit & Loss Account		42,047	154,433	285,179	720,806
<b>Adjustments for:</b>						
Impact of change in Depreciation rates/ policy	-	(8,903)	993	13,033	(1,463)	(117)
Expenses Not allowed	-	-	7,070	56,674	-	-
Deferred Tax Liability / Asset Adjustment	-	3,167	27,052	(16,860)	(44,974)	38,564
Provision for Professional Tax	-	(2,686)	(4,137)	(6,021)	(4,145)	(4,780)
Taxes of Earlier period adjusted in Current period	-	(9,410)	(46,590)	(126,305)	1,050	2,307
Interest Income	-	-	-	2,570	-	(2570)
<b>Net Profit/ (Loss) After Tax as Restated</b>	<b>-</b>	<b>24,215</b>	<b>138,821</b>	<b>208,270</b>	<b>671,275</b>	<b>968,804</b>

**Explanatory notes to the above restatements made in the audited financial statements of the Company for the respective years/period.**

#### Adjustments having impact on Profit:

1. Previously Provision for Professional Tax was not provided for, which has now been provided in the respective years.
2. Provision for Income Tax was taken as expense in the financial year 2009-10 & 2010-11, which has now been disallowed.
3. Previously, the rate of depreciation charged on Fixed Assets was not as per the rate prescribed under Companies Act 1956, which have now been accounted for and depreciation has been charged as per the prescribed rates.
4. In view of the restatement of above expenses the Deferred Tax Assets / Deferred Tax Liability has been recalculated.
5. The interest on Income Tax refund was received in financial year 2010-11 which was not accounted in that year and now it has been restated accordingly.

#### Adjustments having no impact on Profit:

#### **Material Regrouping**

Appropriate adjustments have been made in the restated financial statements, wherever required, by reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in





line with the groupings as per the audited financials of the Company for all the years and the requirements of the Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations 2009.

## 2. Managerial Remuneration

Particulars	Year Ended March 31					For the five months period ended Aug 31 2012
	2008	2009	2010	2011	2012	
	Salary & Allowances	Nil	1,20,000	2,40,000	2,70,000	

## 3. Auditors Remuneration include

Particulars	Year Ended March 31					For the five months period ended Aug 31 2012
	2008	2009	2010	2011	2012	
	Audit Fees	Nil	Nil	8,000	8,000	
Tax Audit Fees	Nil	Nil	Nil	Nil	Nil	Nil
Other Services	Nil	Nil	Nil	Nil	Nil	Nil
<b>Total</b>	<b>Nil</b>	<b>Nil</b>	<b>8,000</b>	<b>8,000</b>	<b>20,000</b>	<b>12,500</b>

## 4. Deferred Tax Liability / (Assets)

As required by Accounting Standard 22 on "Accounting for Taxes on Income", Deferred Tax comprises of the following items:

Particulars	As at March 31,					As at Aug. 31, 2012
	2008	2009	2010	2011	2012	
	In respect of Depreciation	Nil	10,250	97,796	43,233	
Tax Rate	30.90%	30.90%	30.90%	30.90%	30.90%	30.90%
Net Deferred Tax Liability / (Asset)	Nil	3,167	30,219	13,359	(17,441)	30,499

## 5. Segment Reporting

The Company is predominantly in the business of textiles and as such there are no separate reportable segments. The Company's operations are predominantly only in India.



## 6. Share Capital

(In Rupees)

Particulars	As at March 31,					As at Aug. 31, 2012
	2008	2009	2010	2011	2012	
<b>Share Capital</b>						
Equity Share Capital						
<b>Authorised Share capital</b>	5,100,000	5,100,000	5,100,000	5,100,000	12,000,000	40,000,000
Equity Shares of Rs. 10/- each						
<b>Issued, Subscribed &amp; Fully Paid Up share capital</b>	5,100,000	5,100,000	5,100,000	5,100,000	10,676,020	21,979,020
<b>T O T A L</b>	<b>5,100,000</b>	<b>5,100,000</b>	<b>5,100,000</b>	<b>5,100,000</b>	<b>10,676,020</b>	<b>21,979,020</b>

### Reconciliation of number of shares outstanding at the end of year

Particulars	As at March 31,					As at Aug. 31, 2012
	2008	2009	2010	2011	2012	
Equity shares at the beginning of the year	510,000	510,000	510,000	510,000	510,000	1,067,602
Add: Shares allotted pursuant to Bonus Issue	-	-	-	-	34,002	-
Add: Other allotments	-	-	-	-	523,600	1,130,300
<b>T O T A L</b>	<b>510,000</b>	<b>510,000</b>	<b>510,000</b>	<b>510,000</b>	<b>1,067,602</b>	<b>2,197,902</b>

### Details of shareholders holding more than 5% of the aggregate shares in the company

Name of Shareholder	As at 31st March, 2008		As at 31st March, 2009		As at 31st March, 2010		As at 31st March, 2011		As at 31st March, 2012		As at 31st August, 2012	
	No. Of Shares	Percentage	No. Of Shares	Percentage	No. Of Shares	Percentage	No. Of Shares	Percentage	No. Of Shares	Percentage	No. Of Shares	Percentage
Harish Chandak	255,000	50.00%	255,000	50.00%	255,000	50.00%	255,000	50.00%	272,000	25.48%	372,000	16.93%
Sudha Chandak	125,000	24.51%	125,000	24.51%	125,000	24.51%	125,000	24.51%	133,334	12.49%	133,334	6.07%
Sarika Chandak	125,000	24.51%	125,000	24.51%	125,000	24.51%	125,000	24.51%	656,934	61.53%	656,934	29.89%
Lakotia Polyester (India) Limited	-	-	-	-	-	-	-	-	-	-	950,000	43.22%

During the Financial Year 2011-12 34,002 equity shares were Issued as fully paid bonus shares.

During the Financial Year 2011-12 5,23,600 equity shares were Issued pursuant to a share swap agreement.



Annexure – V

**STATEMENT OF TRADE RECEIVABLES AS RESTATED (In Rupees)**

Particulars	As at March 31,					As at August 31,
	2008	2009	2010	2011	2012	2012
Unsecured, considered good						
Less than six months	-	1,389,885	2,023,286	3,060,036	6,177,053	12,768,267
More than six months	-	-	-	-	-	-
<b>TOTAL</b>	-	<b>1,389,885</b>	<b>2,023,286</b>	<b>3,060,036</b>	<b>6,177,053</b>	<b>12,768,267</b>

Out of the above, amounts outstanding from Promoters / Promoter Group / Group Companies/Directors/Relatives of Directors is as follows:

Particulars	As at March 31,					As at August 31,
	2008	2009	2010	2011	2012	2012
From Promoters / Directors / Relatives	-	-	-	-	-	-
From Group Companies	-	-	-	3,039,158	-	-
<b>TOTAL</b>	-	-	-	<b>3,039,158</b>	-	-

Annexure – VI

**STATEMENT OF SHORT TERM PROVISIONS AS RESTATED (In Rupees)**

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Provision for Professional Tax	-	2,686	6,823	12,844	16,989	21,769
Provision for Income Tax	-	-	38,955	67,381	276,843	688,633
<b>TOTAL</b>	-	<b>2,686</b>	<b>45,778</b>	<b>80,225</b>	<b>293,832</b>	<b>710,402</b>

Annexure – VII

**STATEMENT OF INVENTORIES AS RESTATED (In Rupees)**

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Raw materials	-	728,919	1,205,532	898,315	2,973,909	1,454,163
Work-in-progress	-	182,553	322,088	467,385	1,400,776	472,923
Finished goods	-	1,923,861	1,062,632	1,180,072	2,634,615	4,211,654
<b>TOTAL</b>	-	<b>2,835,333</b>	<b>2,590,252</b>	<b>2,545,772</b>	<b>7,009,300</b>	<b>6,138,740</b>

Annexure – VIII

**STATEMENT OF LONG TERM LOANS & ADVANCES AS RESTATED (In Rupees)**

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Unsecured considered good						
Capital Advances	-	-	5,050	3,505,050	3,500,000	3,500,000
Income tax	-	26,330	28,670	-	28,998	55,498
<b>TOTAL</b>	-	<b>26,330</b>	<b>33,720</b>	<b>3,505,050</b>	<b>3,528,998</b>	<b>3,555,498</b>

Out of the above, Amounts outstanding from Promoters/Promoter Group/Group Companies /Directors/Relatives of Directors are as follows:



Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
From Promoters / Directors / Relatives	-	-	-	-	-	-
From Group Companies	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

Annexure – IX

**STATEMENT OF SHORT TERM LOANS & ADVANCES AS RESTATED (In Rupees)**

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Advance to supplier	5,000,000	1,711,250	1,084,058	2,251,602	-	3,000,000
Other Advances	-	-	-	-	-	36,123
<b>TOTAL</b>	<b>5,000,000</b>	<b>1,711,250</b>	<b>1,084,058</b>	<b>2,251,602</b>	-	<b>3,036,123</b>

Out of the above, Amounts outstanding from Promoters/Promoter Group/Group Companies /Directors /Relatives of Directors are as follows:

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
From Promoters / Directors / Relatives	5,000,000	1,711,250	1,082,590	2,251,602	-	-
From Group Companies	-	-	-	-	-	-
<b>TOTAL</b>	<b>5,000,000</b>	<b>1,711,250</b>	<b>1,082,590</b>	<b>2,251,602</b>	-	-

Annexure – X

**STATEMENT OF OTHER CURRENT ASSETS AS RESTATED (In Rupees)**

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Preliminary Expenditure	160,600	128,480	96,360	64,240	32,120	18,737
<b>TOTAL</b>	<b>160,600</b>	<b>128,480</b>	<b>96,360</b>	<b>64,240</b>	<b>32,120</b>	<b>18,737</b>

Annexure – XI

**STATEMENT OF OTHER CURRENT LIABILITIES AS RESTATED (In Rupees)**

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Current maturities of long term debt	-	-	-	-	-	206,987
Creditors for expenses	12,400	1,011,189	1,187,834	1,242,549	414,532	730,577
Statutory dues	-	13,448	21,891	18,488	14,284	23,609
<b>TOTAL</b>	<b>12,400</b>	<b>1,024,637</b>	<b>1,209,725</b>	<b>1,261,037</b>	<b>428,816</b>	<b>961,173</b>

Annexure – XII

**STATEMENT OF SHORT TERM BORROWINGS AS RESTATED (In Rupees)**

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	



Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Secured						
Bank Overdraft	-	-	-	5,192,213	3,870,863	2,218,359
Unsecured						
Loan from related parties	50,000	131,247	-	-	-	-
<b>TOTAL</b>	<b>50,000</b>	<b>131,247</b>	<b>-</b>	<b>5,192,213</b>	<b>3,870,863</b>	<b>2,218,359</b>

Annexure – XIII

STATEMENT OF LONG TERM BORROWINGS AS RESTATED (In Rupees)

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Secured						
Vehicle Loans (secured against motor car)	-	-	-	-	-	1,097,735
Less : Current Maturities	-	-	-	-	-	(206,987)
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>890,748</b>

Annexure – XIV

STATEMENT OF OTHER INCOME AS RESTATED (In Rupees)

Particulars	For the year ended March 31,					For the five months period ended August 31, 2012
	2008	2009	2010	2011	2012	
Other income	-	348,405	99,062	80,697	-	97,618
Net Profit Before Tax as Restated	-	30,458	158,359	351,435	1,016,024	1,332,654
<b>Percentage (%)</b>	<b>-</b>	<b>1,143.90</b>	<b>62.56</b>	<b>22.96</b>	<b>-</b>	<b>7.33</b>

Source of Income

Particulars	For the year ended March 31,					For the five months period ended August 31, 2012	Nature of Income
	2008	2009	2010	2011	2012		
Interest Income	-	348,405	99,062	-	-	-	Recurring and not related to business activity.
Discount Received	-	-	-	3,475	-	97,618	Recurring and related to business activity.
Profit on Sale of Car	-	-	-	77,222	-	-	Non recurring and not related to business



Particulars	For the year ended March 31,					For the five months period ended August 31,	Nature of Income
	2008	2009	2010	2011	2012	2012	
							activity.
<b>Total Other Income</b>	-	348,405	99,062	80,697	-	97,618	

Annexure – XV

CAPITALISATION STATEMENT AS RESTATED AT AUGUST 31, 2012 (In Rupees)

Particulars	Pre Issue	Post Issue
<b>Borrowings</b>		
Short Term Debt (A)	2,218,359	2,218,359
Long Term Debt (B)	890,748	890,748
<b>Total debts (C)</b>	<b>3,109,107</b>	<b>3,109,107</b>
<b>Shareholders' funds</b>		
Equity share capital	21,979,020	34,729,020
Reserve and surplus - as restated	35,580,364	73,830,364
<b>Total shareholders' funds</b>	<b>57,559,384</b>	<b>108,559,384</b>
<b>Long term debt / shareholders' funds</b>	<b>0.02</b>	<b>0.01</b>
<b>Total debt / shareholders' funds</b>	<b>0.05</b>	<b>0.03</b>

Annexure – XVI

STATEMENT OF TAX SHELTERS AS RESTATED (In Rupees)

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Profit before tax as per books (A)	-	30,458	158,359	351,435	1,016,024	1,332,654
Tax Rate (%)	30.90%	30.90%	30.90%	30.90%	30.90%	30.90%
Tax at notional rate on profits	-	9,411	48,933	108,593	313,952	411,790
<b>Adjustments:</b>						
<b>Permanent Differences(B)</b>						
Expenses disallowed under Income Tax Act, 1961	-	-	7,000	(68,818)	14,552	-
<b>Total Permanent Differences(B)</b>	-	-	7,000	(68,818)	14,552	-
<b>Income considered separately (C)</b>						
Short Term Capital Gain	-	-	-	41,470	-	-
<b>Total Income considered separately (C)</b>	-	-	-	41,470	-	-
<b>Timing Differences (D)</b>						
Difference between tax depreciation and book depreciation	-	(10,252)	38,520	47,027	16,898	(154,912)
Difference due to expenses allowable/ disallowable u/s 43B	-	-	-	-	-	-
<b>Total Timing Differences (D)</b>	-	(10,252)	38,520	47,027	16,898	(154,912)
<b>Net Adjustments E = (B+C+D)</b>	-	(10,252)	45,520	19,679	31,450	(154,912)
<b>Tax expense / (saving) thereon</b>	-	(3,168)	14,066	6,081	9,718	(47,868)
<b>Income from Other Sources</b>						



Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Bank Interest	-	-	-	-	-	-
<b>Income from Other Sources (F)</b>	-	-	-	-	-	-
Taxable Income/(Loss) (A+E+F)	-	<b>20,206</b>	<b>203,879</b>	<b>371,114</b>	<b>1,047,474</b>	<b>1,177,742</b>
<b>Taxable Income/(Loss) as per MAT</b>	-	30,458	158,359	351,435	1,016,024	1,332,654
<b>Income Tax as returned/computed</b>	-	-	-	-	-	-
Tax paid as per normal or MAT	Normal	Normal	Normal	Normal	Normal	Normal

Annexure – XVII

STATEMENT OF NON CURRENT INVESTMENTS AS RESTATED (In Rupees)

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
<b>Investments</b>						
2,67,808 Equity Shares of Bonanza Capital Markets Private Limited	-	-	-	-	-	14,999,926
25,00,000 6% Redeemable Preference Shares of Bonanza Capital Markets Private Limited	-	-	-	-	-	25,000,000
<b>TOTAL</b>	-	-	-	-	-	<b>39,999,926</b>



**List of Related Parties (As per AS-18)**

**Key Managerial Personnel & Their Relatives**

1. Mr. Shailesh Chandak
2. Mr. Harish Chandak
3. Mrs. Sarika Chandak
4. Mrs. Sudha Chandak

**Associate Concerns**

1. Kavita Fabrics
2. Swayam Textiles
3. Shree Balaji Twisting Works
4. Shiv Enterprises
5. Shailesh H Chandak(HUF)
6. Kavita Fashions
7. Bhagiyoday Industries
8. Kavita Textiles
9. Shivpriya Sarees
10. Balaji Plastochem
11. Aayush Creation
12. Surat Trading Company

**DETAILS OF RELATED PARTY TRANSACTIONS (In Rupees)**

Name of Party	Nature of Transaction	For the year ended March 31				For the five months period ended August 31
		2009	2010	2011	2012	
Kavita Fabrics (Prop: Sudha Chandak)	Job Work	588,369	1,206,267	1,249,283	1,507,133	681,404
Swayam Textiles (Prop: Kavita Bajaj)	Job Work	679,869	1,212,923	1,351,660	1,751,737	935,712
Shree Balaji Twisting Works (Prop: Harish Chandak)	Job Work	656,693	833,955	1,139,687	2,056,295	1,160,440
	Electricity Bill Paid	127,348	-	-	-	-
Kavita Fashions (Prop: Shailesh Chandak)	Job Work	62,563	-	-	-	-
Shailesh H. Chandak	Asset Purchase	41,918	-	-	-	-
	Loan Given	-	-	2,800,000	2,000,000	-
	Loan Repayment	-	-	2,800,000	2,099,167	-
	Interest	-	-	125,600	99,167	-
Harish B. Chandak	Asset Purchase	164,055	-	-	-	-
	Loan Given	-	589,000	-	-	-
	Loan Repayment	-	539,000	-	-	-
	Director Remuneration	-	-	-	300,000	-
Bhagiyoday Industries (Prop: Harish Chandak)	Loan Repayment	40,000	-	-	-	-
Kavita Textiles (Prop: Sarika Chandak)	Loan Repayment	25,000	-	-	-	-





Name of Party	Nature of Transaction	For the year ended March 31				For the five months period ended August 31
		2009	2010	2011	2012	2012
Shivpriya Sarees (Prop: Shailesh Chandak - HUF)	Loan Given	-	1,800,000	-	-	-
	Loan Repayment	-	800,000	1,089,340	-	-
	Interest	-	91,766	7,500	-	-
Balaji Plastochem (Prop: Shailesh Chandak)	Loan Given	-	-	4,300,000	4,700,000	-
	Loan Repayment	-	-	2,109,930	7,135,950	-
	Interest	-	-	21,133	252,067	-
Shiv Enterprises (Prop: Shailesh Chandak)	Job Work	-	-	-	1,046,330	1,237,972
Aayush Creation# (Prop: Sarika S Chandak)	Sales	-	-	21,446,971	33,219,783	-
Shailesh H Chandak(HUF)	Loan Given	-	-	2,600,000	-	500,000
	Loan Repayment	-	-	2,719,115	-	513,500
	Interest	-	-	132,350	-	15,000
Surat Trading Company (Part: Shailesh Chandak)	Loan Given	1,190,000	200,000	-	-	-
	Loan Repayment	3,290,000	1,911,250	-	-	-
	Interest	346,990	-	-	-	-

#The Company has acquired the entire business of Aayush Creation along with assets & liabilities vide agreement dated 31-03-2012.

#### Outstanding Balances as at the end of the year/period

Nature of Transaction	Name of Party	As at March 31				As at August 31
		2009	2010	2011	2012	2012
Job Work (Payable)/ Receivable	Kavita Fabrics	(81,247)	(398,190)	42,512	(216,226)	(4,15,816)
	Swayam Textiles	(275,864)	(189,243)	(493,871)	(218,331)	(8,14,507)
	Shree Balaji Twisting Works	(397,141)	(189,229)	(346,123)	(88,896)	(6,12,732)
	Shiv Enterprises	-	-	-	(280,867)	(5,56,459)
Loan Given	Shivpriya Sarees	-	1,082,590	-	-	-
	Balaji Plastochem	-	-	2,209,090	-	-
	Surat Trading Company	1,711,250	-	-	-	-
Trade Receivables	Aayush Creation	-	-	3,039,158	-	-

Annexure – XIX

#### STATEMENT OF RESERVES AND SURPLUS AS RESTATED (In Rupees)

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
<b>Profit &amp; Loss Account</b>						
Opening Balance	-	-	24,215	163,036	371,306	702,560
Add: Profit for the year	-	24,215	138,821	208,270	671,275	968,804
Less: Bonus Shares Issue					(340,020)	
<b>Closing Balance(A)</b>	-	<b>24,215</b>	<b>163,036</b>	<b>371,306</b>	<b>702,560</b>	<b>1,671,364</b>
<b>Security Premium</b>						
Opening Balance	-	-	-	-	-	-
Add: Received during the year	-	-	-	-	-	33,909,000
<b>Closing Balance(B)</b>	-	-	-	-	-	<b>33,909,000</b>



Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
<b>TOTAL(A+B)</b>	-	24,215	163,036	371,306	702,560	35,580,364

Annexure – XX

**STATEMENT OF ACCOUNTING RATIOS AS RESTATED**

Particulars	As At March 31,					As at August 31, 2012
	2008	2009	2010	2011	2012	
Net Profit after tax as restated	-	24,215	138,821	208,270	671,275	968,804
Number of equity shares outstanding at end of the year	5,10,000	5,10,000	5,10,000	5,10,000	10,67,602	21,97,902
Weighted Average number of equity shares Outstanding during the year / period considered for Basic EPS	5,44,002	5,44,002	5,44,002	5,44,002	5,45,433	10,70,739
Net Worth*	49,39,400	49,95,735	51,66,676	54,07,066	1,13,46,460	5,75,40,647
Earning Per Share (EPS)	-	0.04	0.26	0.38	1.23	0.90
Return on Net Worth (%)	-	0.48	2.69	3.85	5.92	1.68
Net Asset Value per Equity Share (Rs.)	9.69	9.80	10.13	10.60	10.63	26.18

\*Net Worth for the purpose of the calculation of the above ratios has been computed as the aggregate of equity shares capital and reserves (excluding revaluation reserves) and after deducting miscellaneous expenditure not written off, if any.

The Ratio has been computed as below:

(a) Earnings Per Share (Rs.)

$$\frac{\text{Net Profit after Tax as restated}}{\text{Weighted Average number of Equity shares outstanding during the year}}$$

(b) Return On Net Worth (%)

$$\frac{\text{Net Profit after Tax as restated}}{\text{Net Worth as restated}}$$

(c) Net Asset Value per Share (Rs.)

$$\frac{\text{Net Worth as restated}}{\text{Number of Equity shares outstanding at end of the year}}$$



## FINANCIAL INDEBTEDNESS

The details of the Company's indebtedness, as at January 7, 2013 are as follows:

### Secured Borrowings (Fund Based)

Sr. No.	Name of Lender and Agreements	Nature of Borrowings	Amount Sanctioned (Rs. in Lakhs)	Amount outstanding as on January 7, 2013 (Rs. in Lakhs)	Interest (in % p.a.)	Repayment	Security
1.	Kotak Mahindra Bank Sanction letter dated November 26, 2012	Loan Against Property – Overdraft Facility (LAP-OD)	55.00	39.73	Base Rate + 3.75% p.a., presently 13.50% p.a.	Maximum 96 months, subject to annual review of the Bank	Refer Note 1 and Note 4 below
2.	Kotak Mahindra Bank Sanction letter dated November 27, 2012	Loan Against Property (LAP)	53.00	52.74	Base Rate + 3.00% p.a., presently 12.75% p.a.	Maximum 108 months	Refer Note 2 below
3.	Kotak Mahindra Bank Sanction letter dated December 5, 2012	Overdraft Facility (OD)	50.00	-	Base Rate + 3.75% p.a., presently 13.50% p.a.	Maximum 120 months, subject to annual review by the Bank	Refer Note 3 below

#### **Note 1:**

1. *Primary Security – Mortgage of Residential Property of Promoters - Mr. Shailesh Chandak and Mrs. Sudha Chandak – 10, Raghuvir Bunglow, Near Meghna Park, City Light Road, Surat City - 395 007, Gujarat, India.*
2. *Co-borrowers – Our Promoters, Mr. Harish Chandak, Mrs. Sarika Chandak, Mr. Shailesh Chandak, Mrs. Sudha Chandak. Please note that these parties are co-borrowers as the facility is availed by the Company due the property of our Promoters provided as security to the Bank, and no amount of this sanction is and shall be utilised by anyone other than our Company. Mortgage deed dated December 3, 2012 has been executed in favour of the Bank is executed.*
3. *Repayment – Interest shall be payable monthly on average monthly outstanding. Repayment in maximum 96 months, subject to annual review of the Bank*
4. *The Bank reserves the right at any point of time, to suspend or revoke or cancel or withdraw the overdraft facility sanctioned and/or vary, alter, modify or rescind, amend or change any one or more of the terms and conditions of the overdraft facility, at the bank's sole discretion, without assigning any reason and without giving any prior notice as the bank may deem reasonable. As regards the unutilised limit, if any, under the overdraft facility, the bank reserves the right at any point of time, to suspend or revoke or cancel or withdraw and/or vary, alter or modify such unutilised limit at the bank's sole discretion without assigning any reason and without giving any prior notice.*

#### **Note 2:**

1. *Primary Security – Mortgage of Residential Property of Promoters - Mr. Shailesh Chandak and Mrs. Sudha Chandak – 10, Raghuvir Bunglow, Near Meghna Park, City Light Road, Surat City - 395 007, Gujarat, India*
2. *Co-borrowers – Our Promoters, Mr. Harish Chandak, Mrs. Sarika Chandak, Mr. Shailesh Chandak, Mrs. Sudha Chandak. Please note that these parties are co-borrowers as the facility is availed by the Company due the property of our Promoters provided as security to the Bank, and no amount of this sanction is and shall be utilised by anyone other than our Company. Mortgage deed dated December 3, 2012 has been executed in favour of the Bank is executed.*



3. *Repayment – Monthly instalment of Rs. 82,735 for 108 months*
4. *The bank may revoke in part or in full or withdraw/stop financial assistance at any stage without any notice, or giving any reasons for any purpose whatsoever.*

**Note 3:**

1. *Primary Security – Mortgage of Property of Promoters – Mrs. Sudha Chandak and Mr. Shailesh Chandak - 5-A, Vastu Pooja, Opp. Raghuvir Bunglow, City Light Road, Surat City - 395 007, Gujarat, India*
2. *Co-borrowers – Our Promoters, Mr. Harish Chandak, Mrs. Sarika Chandak, Mr. Shailesh Chandak, Mrs. Sudha Chandak. Please note that these parties are co-borrowers as the facility is availed by the Company due the property of our Promoters provided as security to the Bank, and no amount of this sanction is and shall be utilised by anyone other than our Company.*
3. *Repayment – Interest shall be payable monthly on average monthly outstanding. Repayment in maximum 120 months, subject to annual review of the Bank*
4. *The Bank reserves the right at any point of time, to suspend or revoke or cancel or withdraw the overdraft facility sanctioned and/or vary, alter, modify or rescind, amend or change any one or more of the terms and conditions of the overdraft facility, at the bank's sole discretion, without assigning any reason and without giving any prior notice as the bank may deem reasonable. As regards the unutilised limit, if any, under the overdraft facility, the bank reserves the right at any point of time, to suspend or revoke or cancel or withdraw and/or vary, alter or modify such unutilised limit at the bank's sole discretion without assigning any reason and without giving any prior notice.*

**Note 4:**

**Major Negative Covenants:**

1. Our Company shall not permit any change in the ownership or control of our Company, whereby the effective beneficial ownership or control of our Company shall change in any manner whatsoever, without the prior consent of the Bank.
2. In case the Borrower being a Company, enter into or decides to enter into any scheme of merger, amalgamation, compromise or reconstruction without the prior written consent of the Bank ;
3. In case the Borrower being a Company, declare any dividend if any installment towards principal or interest remains unpaid on its due date.
4. Utilise the Overdraft Facility or the Security for any speculative or anti-social or illegal purpose.
5. Let out, lease or give on leave and license or otherwise howsoever part with the possession/ use of the Security or any part thereof.
6. Sell, charge, lease, surrender or otherwise howsoever alienate or transfer or create interest in favour of other person in the Security or any part thereof or permit any charge, encumbrance or lien of any kind whatsoever over the such Security.
7. Enter into any agreement or arrangement with any person institution or local or government body for the use, occupation or disposal of the Security or any part thereof.

*Note: - Our company has obtained the requisite consent letter and No objection certificate dated December 27, 2012 from Kotak Mahindra Bank, for the proposed IPO.*



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations together with our restated financial statements, including the notes thereto, and other financial data in Chapter titled "Financial Statements" beginning on page 126 of the Draft Prospectus. You should also read the sections titled "Risk Factors" and "Forward-Looking Statements" beginning on pages 12 and 11, respectively, of the Draft Prospectus which discuss a number of factors and contingencies that could impact our financial condition and results of operations.*

*The following discussion is based on our restated financial statements as of and for the five months period ended August 31, 2012 and fiscal years ended March 31, 2012, 2011, 2010, 2009 and 2008. Our audited financial statements are prepared in accordance with Indian GAAP, the accounting standards prescribed by the ICAI and the relevant provisions of the Companies Act and restated in accordance with the relevant provisions of the SEBI Regulations and the Companies Act. Our fiscal year ends on March 31 of each year. Unless otherwise stated, "fiscal year" or "fiscal" refers to the twelve month period ending March 31 of that year.*

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **1. Basis of preparation of Financial Statements:**

- (a) These financial statements have been prepared to comply in all material respect with all the applicable Accounting Standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.
- (b) The financial statements are prepared under the historical cost convention and on the accounting principles of going concern. The Company follows the accrual system of accounting where income & expenditure are recognized on accrual basis.
- (c) Accounting policies not specifically referred to are consistent and in consonance with generally accepted accounting policies.

#### **2. Use of Estimates:**

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized

#### **3. Revenue Recognition :**

Sale of goods is recognized on dispatches to customers, which coincide with the transfer of significant risks and rewards associated with ownership, net of Discount.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### **4. Fixed Assets:**

Fixed assets are stated at cost, less accumulated depreciation and impairment loss, if any. All cost including any cost attributable in bringing the assets to their working condition for their intended use is capitalized. Expenditure on additions, improvement and renewable is capitalized.

#### **5. Depreciation:**

Depreciation on fixed assets is provided on written down value (WDV) at the rate and manner prescribed in schedule XIV of the Companies Act, 1956 over their useful life.



## **6. Impairment of Assets:**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

## **7. Valuation of Investments:**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Current Investments are carried at the lower of cost or quoted / fair value computed scrip wise, Long Term Investments are stated at cost. Provision for diminution in the value of long term investments is made only if such decline is other than temporary.

## **8. Valuation of Inventories:**

Cost of inventory includes all cost of purchases and other cost incurred in bringing the inventories to their present location and condition.

Closing Stock is valued as under:-

Raw Material	– At cost or net realizable value whichever is less.
Work in Progress	– At cost or net realizable value whichever is less.
Finished Goods	– At cost or net realizable value whichever is less.

## **9. Employee Benefits:**

Short-term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss account of the year in which the related service is rendered.

Post employment and other long term employee benefits are recognized as an expense in the Profit and Loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Profit and Loss account.

## **10. Provision for Current Tax and Deferred Tax:**

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income-tax Act, 1961.

Deferred tax resulting from the timing differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a virtual certainty that the assets will be realized in the future.

## **11. Contingent Liabilities / Provisions:**

Contingent liabilities are not provided in the accounts and are disclosed separately in notes on accounts.

Provision is made in the accounts in respect of contingent liabilities which is likely to materialize into liabilities after the year end, till the finalization of accounts and which have material effect on the position stated in the Balance Sheet.

## **12. Earnings Per Share:**

Basic earnings per share is computed by dividing the net profit for the year after prior period adjustments attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.



### **13. Miscellaneous Expenditure / Share Issue Expenses**

The company has a policy of writing off Miscellaneous Expenditure / Share Issue Expenses against securities premium in the same year in which the expense is incurred.

#### ***Business Overview***

Incorporated in 2005, our Company established its manufacturing unit at Surat (Gujarat) in 2008, mainly with the object of manufacturing synthetic fabrics from man-made yarns by using weaving technology. Our Company has its registered office and manufacturing units in Surat, India. Our Company started commercial production in 2008. Our Company, under the guidance of experienced promoters, initially installed 12 jacquard power looms to manufacture synthetic fabrics from man-made yarns in 2008. Thereafter, in the year 2012, our Company increased its production capacity by purchasing additional 24 jacquard power looms. Currently, our Company owns 36 jacquard power looms to undertake the weaving of the synthetic fabrics from man-made yarns.

Currently, our Company manufactures synthetic fabrics in the form of semi-finished sarees and dress materials. These products are offered in various designs as per customer requirements. Semi-finished sarees and dress materials manufactured by our Company are further processed by our customers before selling to the end-users. The main raw material for our product is man-made yarn, which is sourced from local markets.

Our on-going manufacturing units are equipped with all equipment and facilities for manufacturing synthetic fabrics, including jacquard power looms along with all the other allied equipments. For more details on the Equipments owned by the Company, please refer the para titled "Equipments" later in this chapter.

#### ***Significant developments subsequent to the last financial year***

In the opinion of the Board of Directors of our Company, there have not arisen, since the date of the last financial statements disclosed in the Draft Prospectus, any circumstance that materially or adversely affect or are likely to affect the profitability of our Company or the value of its assets or its ability to pay its material liabilities within the next twelve months, except as below:

- Our Company has purchased additional 24 nos. jacquard power looms and allied machineries for undertaking the weaving function of our manufacturing process.

#### ***Significant Factors Affecting Our Results of Operations***

Our business is subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors" beginning on page 12 of the Draft Prospectus.

Among various other factors that affect our financial results and operations for a given financial year, some key factors are as follows:

- Changes in laws and regulations that apply to the industry;
- Increasing competition in the industry;
- Company's inability to successfully implement its growth and expansion plans;
- General economic and business conditions.

#### ***Overview of our Results of Operations***

As a result of the various factors discussed above that affect our income and expenditure, our results of operations may vary from period to period. The following table sets forth certain information with respect to our results of operations for the five months period ended August 31, 2012 and Fiscals 2012, 2011, 2010, 2009 and 2008 as derived from our restated financial statements:



(In Rs.)

No.	Particulars	For the year ended March 31st,								For the five month ended	
		2009	% of Total Income	2010	% of Total Income	2011	% of Total Income	2012	% of Total Income	31-Aug-12	% of Total Income
<b>A</b>	<b>INCOME</b>										
	Revenue from Operations	54,41,845	93.98	1,33,59,463	99.26	2,25,42,676	99.64	3,12,82,902	100.00	2,26,93,395	99.57
	Other Income	3,48,405	6.02	99,062	0.74	80,697	0.36	-	0.00	97,618	0.43
	<b>Total Income</b>	<b>57,90,250</b>	<b>100.00</b>	<b>1,34,58,525</b>	<b>100.00</b>	<b>2,26,23,373</b>	<b>100.00</b>	<b>3,12,82,902</b>	<b>100.00</b>	<b>2,27,91,013</b>	<b>100.00</b>
<b>B</b>	<b>EXPENDITURE</b>										
	Cost of materials consumed	41,38,607	71.48	62,13,997	46.17	1,42,31,388	62.91	2,01,06,030	64.27	1,44,34,280	63.33
	Changes in inventories of finished goods, traded goods and work-in-progress	-21,06,414	-36.38	7,21,694	5.36	-2,62,737	-1.16	-14,22,434	-4.55	-6,49,186	-2.85
	Employee benefit expenses	5,89,379	10.18	10,70,845	7.96	14,17,086	6.26	14,73,668	4.71	11,60,056	5.09
	Finance costs	824	0.01	-	0.00	1,65,224	0.73	3,77,273	1.21	2,81,833	1.24
	Depreciation and amortisation expense	1,08,738	1.88	1,42,545	1.06	1,18,440	0.52	75,188	0.24	1,48,030	0.65
	Other Expenses	30,28,658	52.31	51,51,085	38.27	66,02,537	29.18	96,57,153	30.87	60,83,346	26.69
	<b>Total Expenses</b>	<b>57,59,792</b>	<b>99.47</b>	<b>1,33,00,166</b>	<b>98.82</b>	<b>2,22,71,938</b>	<b>98.45</b>	<b>3,02,66,878</b>	<b>96.75</b>	<b>2,14,58,359</b>	<b>94.15</b>
	Profit before tax	30,458	0.53	1,58,359	1.18	3,51,435	1.55	10,16,024	3.25	13,32,654	5.85
	Tax Expenses	-6,243	-0.11	-19,538	-0.15	-1,43,165	-0.63	-3,44,750	-1.10	-3,63,850	-1.60
	<b>Net profit for the year</b>	<b>24,215</b>	<b>0.42</b>	<b>1,38,821</b>	<b>1.03</b>	<b>2,08,270</b>	<b>0.92</b>	<b>6,71,275</b>	<b>2.15</b>	<b>9,68,804</b>	<b>4.25</b>





### ***Description of Income Items***

#### **Income from operations**

Our income from operations consists of revenue from sale of synthetic fabrics.

#### **Other Income**

Our Other income includes discounts, profit on sale of asset, bank interest, etc.

### ***Description of Expenditure Items***

#### **Employee Benefits Expenses**

Our employee benefits cost primarily consists of salaries and bonuses paid to our employees, staff welfare expenses, director's remuneration and director's sitting fees.

#### **Cost of materials consumed**

Our cost of materials consumed expenses include purchase of raw material, products, job work charges and VAT expenses etc.

#### **Financial Cost**

Our financial cost includes bank interest and charges.

#### **Depreciation**

Depreciation includes depreciation on plant & machinery, office equipments, etc.

#### **Other Expenses**

Other expenses include administration expenses, office expenses, designing charges, job work charges, rent, electricity, miscellaneous expenses, etc.

### ***Review of five months period ended August 31, 2012***

#### **Incomes**

##### **Income from operations**

Our income from operations was Rs. 2,26,93,395 which was 99.57% of our total income for the five months period ended August 31, 2012.

##### **Other Income**

Our other income was Rs. 97,618 which was 0.43% of our total income for the five months period ended August 31, 2012.

#### **Expenditure**

##### **Cost of materials consumed**

Our cost of materials consumed was Rs. 1,44,34,280 which was 63.33% of our total income for the five months period ended August 31, 2012.

##### **Employee Benefits Expenses**

Our employee benefits expenses were Rs.11,60,056 which was 5.09% of our total income for the five months period ended August 31, 2012.



#### **Financial Cost**

Our financial cost was Rs. 2,81,833 which was 1.24% of our total income for the five months period ended August 31, 2012.

#### **Depreciation**

Our depreciation expenses were Rs. 1,48,030 which was 0.65% of our total income for the five months period ended August 31, 2012.

#### **Other Expenses**

Our other expenses were Rs. 60,83,346 which was 26.69% of our total income for the five months period ended August 31, 2012.

#### **Profit before tax**

Our profit before tax was Rs. 13,32,654 for the five months period ended August 31, 2012.

#### **Net Profit after tax as Restated**

Our restated net profit was Rs. 9,68,804 for the five months period ended August 31, 2012.

#### **Comparison of Fiscal 2012 with Fiscal 2011**

##### **Incomes**

##### **Income from operations**

Our income from operations increased by 38.77% from Rs. 2,25,42,676 in Fiscal 2011 to Rs. 3,12,82,902 in Fiscal 2012. The increase in operating revenue was mainly due to higher sales of synthetic fabrics.

##### **Other Income**

Our other income constituted 0.36% of our total income for Fiscal 2011. It decreased to Nil in Fiscal 2012 as there was no other income like discount, interest etc. for Fiscal 2012.

##### **Expenditure**

##### **Cost of materials consumed**

Our cost of materials consumed was 62.91% of our total income in Fiscal 2011. It increased by 41.28% to Rs. 2,01,06,030 in Fiscal 2012 from Rs. 1,42,31,388 in Fiscal 2011. Such increase was in line with growth in amount of sales in same fiscal.

##### **Employee Benefits Expenses**

Our employee benefits expenses were 6.26% of our total income in Fiscal 2011. It increased slightly by 3.99% to Rs. 14,73,668 in Fiscal 2012 from Rs. 14,17,086 in Fiscal 2011.

##### **Financial Cost**

Our financial cost was 0.73% of our total income in Fiscal 2011. Such expense increased by 128.34% to Rs. 3,77,273 in Fiscal 2012 from Rs. 1,65,224 in Fiscal 2011 due to rise in interest on banking facilities.

##### **Depreciation**

Our depreciation expenses decreased by 36.52% from Rs. 1,18,440 in Fiscal 2011 to Rs. 75,188 in Fiscal 2012.



### ***Other Expenses***

Our other expenses were slightly increased by 46.26% to Rs. 96,57,153 in Fiscal 2012 from Rs. 66,02,537 in Fiscal 2011.

### **Profit before tax**

Principally due to reasons described above, our profit before tax increased by 189.11% from Rs. 3,51,435 in Fiscal year 2011 to Rs. 10,16,024 in Fiscal 2012.

### **Net Profit after tax as Restated**

Principally due to reasons described above, our net profit after tax increased by 222.31% from Rs. 2,08,270 in Fiscal 2011 to Rs. 6,71,275 in Fiscal 2012.

### ***Comparison of Fiscal 2011 with Fiscal 2010***

#### **Incomes**

##### **Income from operations**

Our income from operations increased by 68.74% from Rs. 1,33,59,463 in Fiscal 2010 to Rs. 2,25,42,676 in Fiscal 2011. The increase in operating revenue was mainly due to higher sales synthetic fabric.

##### **Other Income**

Our other income constituted 0.74% of our total income for Fiscal 2010. It decreased by 18.54% to Rs. 80,697 in Fiscal 2011 from Rs. 99,062 in Fiscal 2010. This was mainly on account of no interest received in Fiscal 2011.

#### ***Expenditure***

##### **Cost of materials consumed**

Our cost of materials consumed was 46.17% of our total income in Fiscal 2010. It increased by 129.02% to Rs. 1,42,31,388 in Fiscal 2011 from Rs. 62,13,997 in Fiscal 2010. Such increase was in line with growth in amount of sales in same fiscal.

##### **Employee Benefits Expenses**

Our employee benefits expenses were 5.36% of our total income in Fiscal 2010. It increased by 32.33% to Rs. 14,17,086 in Fiscal 2011 from Rs. 10,70,845 in Fiscal 2010.

##### **Financial Cost**

Our financial cost was nil in Fiscal 2010. However finance cost in Fiscal 2011 was Rs. 1,65,224 due to interest on banking facilities.

##### ***Depreciation***

Our depreciation expenses decreased by 16.91% from Rs. 1,42,545 in Fiscal 2010 to Rs. 1,18,440 in Fiscal 2011 .

##### ***Other Expenses***

Our other expenses increased by 28.18% to Rs. 66,02,537 in Fiscal 2011 from Rs. 51,51,085 in Fiscal 2010.

##### **Profit before tax**

Principally due to reasons described above, our profit before tax increased from Rs. 1,58,359 in Fiscal year 2010 to Rs. 3,51,435 in Fiscal 2011.



### **Net Profit after tax as Restated**

Principally due to reasons described above, our net profit after tax increased from Rs. 1,38,821 in Fiscal 2010 to Rs. 2,08,270 in Fiscal 2011.

### ***Comparison of Fiscal 2010 with Fiscal 2009***

#### **Incomes**

##### **Income from operations**

Our income from operations increased by 145.50% from Rs. 54,41,845 in Fiscal 2009 to Rs. 1,33,59,463 in Fiscal 2010. The increase in operating revenue was mainly due to growth in volume of sales.

##### **Other Income**

Our other income constituted 6.02% of our total income for Fiscal 2009. It decreased by 71.57% to Rs. 99,062 in Fiscal 2010 from Rs. 3,48,405 in Fiscal 2009. This was mainly on account of lower interest income received in Fiscal 2011.

#### ***Expenditure***

##### **Cost of materials consumed**

Our cost of materials consumed was 71.48% of our total income in Fiscal 2009. It increased by 50.15% to Rs. 62,13,997 in Fiscal 2010 from Rs. 41,38,607 in Fiscal 2009. Such increase was in line with growth in amount of sales in same fiscal.

##### **Employee Benefits Expenses**

Our employee benefits expenses were 10.18% of our total income in Fiscal 2009. It increased by 81.69% to Rs. 10,70,845 in Fiscal 2010 from Rs. 5,89,379 in Fiscal 2009.

##### **Financial Cost**

Our financial cost was 0.01% of our total income in Fiscal 2009. Such expenses were nil in Fiscal 2010.

##### ***Depreciation***

Our depreciation expenses increased by 31.09% from Rs. 1,08,738 in Fiscal 2009 to Rs. 1,42,545 in Fiscal 2010.

##### ***Other Expenses***

Our other expenses increased by 70.08% to Rs. 51,51,085 in Fiscal 2010 from Rs. 30,28,658 in Fiscal 2009.

##### **Profit before tax**

Principally due to reasons described above, our profit before tax increased from Rs. 30,458 in Fiscal 2009 to Rs. 1,58,359 in Fiscal 2010.

### **Net Profit after tax as Restated**

Principally due to reasons described above, our net profit after tax increased from Rs. 24,215 in Fiscal 2009 to Rs. 1,38,821 in Fiscal 2010.

### ***OTHER MATTERS***

#### **1. Unusual or infrequent events or transactions**



Except as described in the Draft Prospectus, during the periods under review there have been no transactions or events, which in our best judgment, would be considered unusual or infrequent.

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

Other than as described in the chapters titled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*”, beginning on pages 12 and 148 respectively of the Draft Prospectus respectively, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

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

Other than as described in the chapter titled “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Conditions and Result of Operations*”, beginning on pages 12 and 148 respectively of the Draft Prospectus respectively to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our company from continuing operations.

**4. Future relationship between Costs and Income**

Other than as described in the chapter titled “*Risk Factors*” on page 12 of the Draft Prospectus, to our knowledge there are no factors, which will affect the future relationship between costs and income or which are expected to have a material adverse impact on our operations and finances.

**5. The extent to which material increases in revenue or income from operations are due to increased volume, introduction of new products or services or increased prices**

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

**6. Total turnover of each major industry segment in which the issuer company operates.**

The Company is operating in textile industry. Relevant industry data, as available, has been included in the chapter titled “*Industry Overview*” beginning on page 70 of the Draft Prospectus.

**7. Status of any publicly announced new products or business segments**

Please refer to the chapter titled “*Business Overview*” beginning on page 78 of the Draft Prospectus.

**8. The extent to which the business is seasonal.**

Our business is not seasonal in nature.

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

There is no dependence on a single or few suppliers or customers.

**10. Competitive Conditions**

Despite the fact that we are not affected by competition in the short-term, our results of operations could be affected by competition in the textile sector in India in the future. We expect competition to intensify due to possible new entrants in the market, existing competitors further expanding their operations and our entry into new markets where we may compete with well-established textile companies. This we believe may impact our financial condition and operations.



## SECTION VI – LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

Our Company certifies that except as stated herein, there is no outstanding or pending litigation, suit, economic offence, criminal or civil prosecution, proceeding, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part I of Schedule XIII of the Companies Act) or litigation for tax liabilities against our Company, our Directors or our Promoter or Promoters Group companies and there are no defaults to banks/financial institutions, nonpayment of or overdue statutory dues, or dues towards holders of any debentures, bonds and fixed deposits and arrears of preference shares, other unclaimed liabilities of our Company and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoters, the Directors and Promoter Group Companies.

Further, except as stated herein, there are no past cases in which penalties have been imposed on our Company, the Promoters, the Directors or the Promoters Group Companies, and there is no outstanding litigation against any other Company whose outcome could have a material adverse effect on the position of our Company. Further, there are no cases of litigations, defaults etc. in respect of Companies/firms/Ventures with which the Promoters were associated in the past but are no longer associated, in respect of which the name(s) of the Promoters continues to be associated.

Further, apart from those as stated below, there are no show-cause notices / claims served on our Company, our Promoters, our Directors or Group Companies from any statutory authority / revenue authority that would have a material adverse effect on our business.

#### PART I - LITIGATIONS RELATING TO THE COMPANY

##### A) Cases filed against our Company

NIL

##### B) Cases filed by our Company

- Our Company received an intimation dated January 20, 2012 under Section 143(1) of the IT Act, 1961 issued by the Income Tax Department in respect of Income Tax return filed by our Company for assessment year 2011-2012 in which a demand of Rs. 1,970/- was raised. In response to the said demand, our Company filed a rectification of Income Tax return on May 19, 2012 with the Income Tax Department thereby requesting correction in mistake apparent from records. However, the effect of the said rectification was not reflected in the Rectification order dated June 11, 2012 issued by the Income Tax Department. Therefore, our Company filed a revised return on August 14, 2012 thereby giving effect of the earlier rectification dated May 19, 2012 and also revising short term capital gain amounting to Rs. 41,470/- which was erroneously taken into account at the time of filing original return which should have been adjusted in a particular class of block of asset. Correspondingly, a refund of Rs. 12,100/- is due from the Income Tax Department.

##### C) Show Cause Notices/Legal Notices Issued By/Against the Company

NIL

##### D) Contingent Liabilities of our Company

NIL

#### PART II - LITIGATIONS RELATING TO THE PROMOTERS OF THE COMPANY

##### A) Cases filed against our Promoters

NIL

##### B) Cases filed by our Promoters



- Our Promoter, Mrs. Sudha Chandak received an intimation dated September 03, 2010 under Section 143(1) of the IT Act, 1961 issued by the Income Tax Department w.r.t Income Tax return filed by her for assessment year 2009-2010 in which a demand of Rs. 1,809/- was raised. In response to the said intimation, she has filed an application under Section 154 of the IT Act on October 10, 2012 for rectification of mistake apparent from records and also sought refund of Rs.12,110/-. The said application is still pending for disposal.

### **PART III - LITIGATIONS RELATING TO THE DIRECTORS OTHER THAN PROMOTERS OF THE COMPANY**

#### **A) Cases filed against the Directors**

NIL

#### **B) Cases filed by the Directors**

NIL

### **PART IV - LITIGATIONS RELATING TO THE PROMOTOR GROUP / GROUP COMPANIES / VENTURES OF PROMOTERS OF THE COMPANY**

#### **A) Cases filed against the Promoter group**

NIL

#### **B) Cases filed by the Promoter group**

NIL

#### **C) Show Cause Notices/Legal Notices Issued By/Against the Promoter Group / Group Entities**

NIL

### **PART V - PAST CASES IN WHICH PENALTIES HAVE BEEN IMPOSED ON THE COMPANY**

There are no cases in the last five years in which penalties have been imposed on the Company.

#### **Material Developments**

Except as stated below and also in the chapter titled "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*" beginning on page 148 of the Draft Prospectus and our Financial Statements included herein, no material developments have taken place after August 31, 2012, the date of the latest balance sheet, that would materially adversely affect the performance of prospectus of our Company:

- Our Company has purchased additional 24 nos. jacquard power looms and allied machineries for undertaking the weaving function of our manufacturing process.

In accordance with SEBI requirements, our Company and the Lead Manager shall ensure that investors are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.



## GOVERNMENT AND OTHER APPROVALS

*In view of the approvals listed below, we can undertake this Issue and our present business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake this Issue and our present business activities.*

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 our Company or for the correctness of any of the statements or any commitments made or opinions expressed.

### *Approvals for the Issue*

- (a) The Board of Directors has, pursuant to a resolution passed at its meeting held on August 8, 2012 authorized the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.
- (b) The shareholders have, pursuant to a special resolution at the Extraordinary General Meeting held on August 31, 2012 under section 81(1A) of the Companies Act, authorised the Issue.
- (c) In principal approval for using its name in the Prospectus dated [●] from the BSE.

### *Corporate related approvals*

Sr. No.	Nature of License/Approvals	Authority	Particulars of License/Approvals	Granted on	Validity Period
1.	Certificate of Incorporation	Asst. Registrar of Companies, Gujarat, Dadra and Nagar Havelli	Corporate Identity Number: U17110GJ2005PTC46929	October 18, 2005	Perpetual
2.	Fresh Certificate of Incorporation consequent upon change of name on conversion to Public Limited Company	Registrar of Companies, Gujarat, Dadra and Nagar Havelli	Corporate Identity Number: U17110GJ2005PLC046929	September 26, 2012	Perpetual

### *Business related approvals / General approvals*

Sr. No.	Nature of License/Approvals	Authority	Particulars of License/Approvals	Validity Period
1.	Registration Certificate of Establishment under Bombay Shops and Establishment Act	Surat Municipal Corporation	SWZ/C/Majura/605018 granted on September 7, 2012	Valid till 31.12.2014
2.	Entrepreneurs Memorandum dated September 10, 2012	District Industries Center, Surat	No.: DIC/SRT/EM/Part-2/35879 Form No.: 76420	Perpetual
2.	Permanent Account Number under the Income Tax Act, 1961	Income Tax Department, Government of India	AACCK6825C	Perpetual
3.	Tax Deduction Account Number (TAN) under the Income Tax Act, 1961	Income Tax Department, Government of India	SRTK02559E	Perpetual
4.	Professional Tax Registration Number (Company)	Surat Municipal Corporation	PEC03SW11206	Perpetual
5.	Professional Tax	Surat Municipal Corporation	PRC03SW02257	Perpetual






Sr. No.	Nature of License/Approvals	Authority	Particulars of License/Approvals	Validity Period
	Registration Number (Employees)			
6.	Registration under ESI Act, 1948	Assistant Director, E.S.I. Corporation, Sub-Regional Office, Surat	Code: 39000516020000103	Perpetual
7.	Registration under Employees Provident Funds & Miscellaneous Provisions Act, 1952	Assistant Provident Fund Commissioner, Regional Office, Surat	Code: GJ/SRT/39982	Perpetual

### ***Pending Approvals***

*We have applied for following Approvals and yet to be received by our company:*

Sr. No.	Nature of License/Approvals	Authority	Application Details	Status
1.	Registration under Factories Act, 1948	Office of Joint Director, Industrial Safety and Health	Application dated December 3, 2012	Pending
2.	Trademark Registration of its trademark  under class 24	Trade Marks Registry	Application dated October 22, 2012 bearing Application No. 2415559	Pending



## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The Issue has been authorised by a resolution of the Board dated August 8, 2012. The shareholders have authorised the Issue by a special resolution passed pursuant to section 81(1A) of the Companies Act at the EGM of our Company held on August 31, 2012.

Our Company has obtained in-principle approval from the SME Platform of BSE for using its name in the Prospectus pursuant to letter dated [●]. BSE is the Designated Stock Exchange.

### Prohibition by SEBI

Our Company, our Directors, our Promoters, the Promoter Group or the person(s) in control of our Company have not been debarred from accessing the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or the RBI or any other regulatory or governmental authority. The listing of any securities of our Company has never been refused at any time by any of the stock exchanges in India.

The companies, with which any of the Promoters, Directors or persons in control of our Company are or were associated as promoters, directors or persons in control, have not been debarred from accessing the capital markets under any order or direction passed by SEBI or the RBI or any other regulatory or governmental authority.

Further, none of our Directors are or were directors of any company whose shares were (a) suspended from trading by stock exchange(s) for more than 3 months during the five years prior to the date of filing the Draft Prospectus or (b) delisted from the stock exchanges.

None of the Directors, except Mr. Shailesh Chandak and Mrs. Sarika Chandak are associated in any manner with the securities market. Mr. Shailesh Chandak is associated with securities market as sub-broker through its proprietorship Shree Balaji Investments having SEBI registration No. INS235460115 and Mrs. Sarika Chandak is associated with the securities market as a sub-broker having registration number INS01A538114/01-09799. Further, Mrs. Sarika Chandak is also an authorised Person for the NSE (F&O segment) bearing registration code AP192700501 and for MCX bearing authorized person code as MCX/AP/34036. We confirm that no action has been initiated against these entities.

### Prohibition by RBI

Our Company, our Directors, our Promoters, the relatives (as defined under the Companies Act) of our Promoter, the Promoter Group and companies in which our Directors, Promoter are associated as directors or promoter have not been declared as willful defaulters by RBI or any other governmental authorities, except as details provided in the chapter “*Outstanding Litigations, Material Developments and Other Disclosures*” beginning on page 157 of the Draft Prospectus.

### Eligibility for the Issue

Our company is an “Unlisted Issuer” in terms of the SEBI (ICDR) Regulations; and this Issue is an “Initial Public Offer” in terms of the SEBI (ICDR) Regulations.

Our company is eligible for the Issue in accordance with Regulation 106(M)(1) and other provisions of Chapter XB of the SEBI (ICDR) Regulations, as we are an issuer whose post issue paid up capital is less than Rs. 10 Crores and we may hence issue shares to the public and propose to list the same on the Small and Medium Enterprise Exchange ( in this case being the “SME Platform of BSE”).

We confirm that:

- a) In accordance with Regulation 106(P) of the SEBI (ICDR) Regulations, this issue is hundred percent underwritten and that the Lead Manager to the Issue has underwrite more than 15% of the Total Issue Size. *For further details pertaining to said underwriting please refer to “General Information – Underwriting” on page 39 of this Draft Prospectus.*
- b) In accordance with Regulation 106(R) of the SEBI (ICDR) Regulations, we shall ensure that the total number



of proposed allottees in the issue is greater than or equal to fifty, otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days from the date our Company becomes liable to repay it, then our Company and every officer in default shall, on and from expiry of eight days, be liable to repay such application money, with interest as prescribed under Section 73 of the Companies Act.

- c) In accordance with Regulation 106(O) of the SEBI (ICDR) Regulations, we have not filed any Draft Offer Document with SEBI nor has SEBI issued any observations on our Offer Document. Also, we shall ensure that our Lead Manager submits the copy of Prospectus along with a Due Diligence Certificate including additional confirmations as required to SEBI at the time of filing the Prospectus with Stock Exchange and the Registrar of Companies.
- d) In accordance with Regulation 106(V) of the SEBI (ICDR) Regulations, we hereby confirm that we have entered into an agreement with the Lead Manager and a Market Maker to ensure compulsory Market Making for a minimum period of three years from the date of listing of equity shares on the SME Platform of BSE. For further details of the arrangement of market making please refer to “*General Information – Details of the Market Making Arrangements for this Issue*” on page 40 of this Draft Prospectus.

We further confirm that we shall be complying with all the other requirements as laid down for such an issue under Chapter XB of SEBI (ICDR) Regulations, as amended from time to time and subsequent circulars and guidelines issued by SEBI and the Stock Exchange.

As per Regulation 106(M)(3) of SEBI (ICDR) Regulations, 2009, the provisions of Regulations 6(1), 6(2), 6(3), Regulation 7, Regulation 8, Regulation 9, Regulation 10, Regulation 25, Regulation 26, Regulation 27 and Sub-regulation (1) of Regulation 49 of SEBI (ICDR) Regulations, 2009 shall not apply to us in this Issue.

Our Company is also eligible for the Issue in accordance with eligibility norms for Listing on SME Exchange / Platform BSE circular dated April 19, 2012, which states as follows:

1. Net Tangible assets of at least Rs. 1 crore as per the latest audited financial results
2. Net worth (excluding revaluation reserves) of at least Rs. 1 crore as per the latest audited financial results
3. Track record of distributable profits in terms of sec. 205 of Companies Act, 1956 for at least two years out of immediately preceding three financial years and each financial year has to be a period of at least 12 months. *Extraordinary income will not be considered for the purpose of calculating distributable profits. Otherwise, the networth shall be at least Rs. 3 crores.*
4. The post-issue paid up capital of the company shall be at least Rs. 1 crores
5. The company shall mandatorily facilitate trading in demat securities and enter into an agreement with both the depositories.
6. Companies shall mandatorily have a website
7. The Company has not been referred to the Board for Industrial and Financial Reconstruction (BIFR).
8. There is no winding up petition against the Company that has been accepted by a Court.

We confirm that we comply with all the above requirements / conditions so as to be eligible to be listed on the SME Platform of the BSE.

#### **Disclaimer Clause of SEBI**

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MERCHANT BANKER, INTENSIVE FISCAL SERVICES PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY**



RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MERCHANT BANKER, INTENSIVE FISCAL SERVICES PRIVATE LIMITED IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER WILL FURNISH TO SEBI A DUE DILIGENCE CERTIFICATE DATED [●], WHICH SHALL READ AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:
  - A. THE PROSPECTUS FILED WITH THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - B. ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE BOARD, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - C. THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.
3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.
4. WE SHALL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.
5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.
6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE PROSPECTUS.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY



**BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. – NOT APPLICABLE**

- 8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**
- 9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION – NOTED FOR COMPLIANCE**
- 10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE.**
- 11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**
- 12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE PROSPECTUS:**
  - A. AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND**
  - B. AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.**
- 13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**
- 14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**
- 15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**
- 16. WE ENCLOSE STATEMENT ON 'PRICE INFORMATION OF PAST ISSUES HANDLED BY MERCHANT BANKER BELOW (WHO ARE RESPONSIBLE FOR PRICING THIS ISSUE)', AS PER**



FORMAT SPECIFIED BY SEBI THROUGH CIRCULAR.

17. WE CERTIFY THAT PROFITS FROM RELATED PARTY TRANSACTIONS HAVE ARISEN FROM LEGITIMATE BUSINESS TRANSACTIONS.

**ADDITIONAL CONFIRMATIONS/ CERTIFICATION TO BE GIVEN BY MERCHANT BANKER IN DUE DILIGENCE CERTIFICATE TO BE GIVEN ALONG WITH OFFER DOCUMENT REGARDING SME EXCHANGE**

1. WE CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE PROSPECTUS HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY.
2. WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE ISSUER HAVE BEEN MADE IN PROSPECTUS AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE ISSUER OR RELATING TO THE ISSUE UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE SPECIFIED SECURITIES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PREISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN.
3. WE CONFIRM THAT THE ABRIDGED PROSPECTUS CONTAINS ALL THE DISCLOSURES AS SPECIFIED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009.
4. WE CONFIRM THAT AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SPECIFIED SECURITIES OF THE ISSUER.
5. WE CERTIFY THAT AS PER THE REQUIREMENTS OF FIRST PROVISIO TO SUB-REGULATION (4) OF REGULATION 32 OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, THE CASH FLOW STATEMENT HAS BEEN PREPARED AND DISCLOSED IN THE PROSPECTUS. – NOT APPLICABLE
6. WE CONFIRM THAT UNDERWRITING AND MARKET MAKING ARRANGEMENTS AS PER REQUIREMENTS OF REGULATION 110[106P] AND 111[106V] OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, HAVE BEEN MADE.



**INTENSIVE FISCAL SERVICES PRIVATE LIMITED**

**DISCLOSURE OF PRICE INFORMATION OF PAST ISSUES HANDLED BY BOOK RUNNING LEAD MANAGER**

**TABLE 1**

<i>Sr. No.</i>	<i>Issue Name</i>	<i>Issue size (Rs. in cr.)</i>	<i>Issue price (Rs.)</i>	<i>Listing date</i>	<i>Opening price on listing date (Rs.)</i>	<i>Closing price on listing date (Rs.)</i>	<i>% Change in Price on listing date (Closing) vs. Issue Price</i>	<i>Bench mark index on listing date (Closing)</i>	<i>Closing price as on 10th calendar day from listing day</i>	<i>Bench mark index as on 10th calendar days from listing day (Closing)</i>	<i>Closing price as on 20th calendar day from listing day</i>	<i>Bench mark index as on 20th calendar days from listing day (Closing)</i>	<i>Closing price as on 30th calendar day from listing day</i>	<i>Bench mark index as on 30th calendar days from listing day (Closing)</i>
<u>Financial Year 2011-12</u>														
1	Prakash Constrowell Limited	60.00	138.00	04-Oct-11	145.00	229.50	66.30%	15,864.86	184.35	17,082.69	187.95	16,939.28	248.50	17,562.61
2	Inventure Growth & Securities Limited	81.90	117.00	04-Aug-11	119.00	207.95	77.74%	17,693.18	231.45	16,730.94	144.50	16,284.98	137.55	16,713.33

*Intensive Fiscal Services Private Limited was responsible for finalisation of Issue Price for above Issues.*



**TABLE 2: SUMMARY STATEMENT OF DISCLOSURE**

<i>Financial Year</i>	<i>Total no. of IPOs</i>	<i>Total Funds Raised (Rs. Cr.)</i>	<i>Nos. of IPOs trading at discount on listing date</i>			<i>Nos. of IPOs trading at premium on listing date</i>			<i>Nos. of IPOs trading at discount as on 30<sup>th</sup> calendar day from listing day</i>			<i>Nos. of IPOs trading at premium as on 30<sup>th</sup> calendar day from listing day</i>		
			<i>Over 50%</i>	<i>Between 25-50%</i>	<i>Less than 25%</i>	<i>Over 50%</i>	<i>Between 25-50%</i>	<i>Less than 25%</i>	<i>Over 50%</i>	<i>Between 25-50%</i>	<i>Less than 25%</i>	<i>Over 50%</i>	<i>Between 25-50%</i>	<i>Less than 25%</i>
2011-12	2	141.90	-	-	-	2	-	-	-	-	-	1	-	1

Note:

- (a) In case the 10th, 20th and 30th calendar day from the date of listing is a holiday, the share price and benchmark index is taken for the immediately following working day.  
 (b) BSE SENSEX has been considered as the benchmark index.



**Note:**

The filing of this Offer Document does not, however, absolve our Company from any liabilities under section 63 and section 68 of the Companies Act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the Lead Merchant Banker any irregularities or lapses in the Offer Document.

**Caution - Disclaimer from our Company and the Lead Manager**

Our Company, our Directors, and the Lead Manager accept no responsibility for statements made otherwise than in the Draft Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site [www.kavitafabrics.com](http://www.kavitafabrics.com) would be doing so at his or her own risk.

The Lead Manager accepts no responsibility, save to the limited extent as provided in the MOU entered into between the Lead Manager Intensive Fiscal Services Private Limited and our Company dated October 10, 2012, and the Underwriting Agreement dated December 10, 2012 entered into between the Underwriters (Intensive Fiscal Services Private Limited, Intensive Softshare Private Limited and K.M. Jain Stock Brokers Pvt. Ltd.) and our Company and the Market Making Agreement dated December 10, 2012 entered into among the Market Makers, Lead Manager Intensive Fiscal Services Private Limited and our Company.

*For details regarding the track record of the Lead Manager to the Issue, please refer to the website of the Lead Manager: [www.intensivefiscal.com](http://www.intensivefiscal.com)*

All information shall be made available by us and the Lead Manager to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at collection centers or elsewhere.

The Lead Manager and their respective associates and affiliates may engage in transactions with, and perform services for, our Company and our Promoter Group, affiliates or Associates in the ordinary course of business and have engaged, or may in future engage, in investment banking transactions with our Company and our Promoter Group, affiliates or Associates for which they have received, and may in future receive, compensation.

Investors that apply in the Issue will be required to confirm and will be deemed to have represented to our Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

**Disclaimer in respect of Jurisdiction**

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, public financial institutions as specified in section 4A of the Companies Act, state industrial development corporations, Venture Capital Funds (VCFs) registered with SEBI, Insurance Companies registered with Insurance and Regulatory Development Authority, Provident Funds (subject to applicable law) with minimum corpus of Rs. 2,500 lakhs and pension funds with minimum corpus of Rs. 2,500 lakhs, and to permitted non residents including FIIs, eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI and eligible foreign investors provided they are eligible under all applicable laws and regulations to hold Equity Shares of our Company. The Draft Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or



purchase 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 Draft Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Surat, Gujarat, India only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and the Draft Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Draft Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

*The Equity Shares have not been, and will not be, registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold outside the United States in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.*

*The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and applications may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.*

Further, each applicant where required agrees that such applicant will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

#### **Disclaimer Clause of the SME Platform of BSE**

As required, a copy of the Draft Prospectus shall be submitted to the SME Platform of BSE. The Disclaimer Clause as intimated by the SME Platform of BSE to us, post scrutiny of the Draft Prospectus, shall be included in the Prospectus prior to filing with ROC.

#### **Filing**

- A copy of this Draft Prospectus shall not be filed with SEBI, nor will SEBI issue any observation on the offer document in term of Regulation 106(M)(3). However, a copy of the Prospectus shall be filed with SEBI at:

##### **Securities and Exchange Board of India**

Corporate Finance Department,  
Plot No. C-4A, "G" Block,  
Bandra Kurla Complex,  
Bandra (East), Mumbai – 400051,  
Maharashtra, India.

- A copy of the Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered to the RoC situated at:

##### **Registrar of Companies, Gujarat, Dadra and Nagar Haveli**

Roc Bhavan , Opp Rupal Park Society,  
Behind Ankur Bus Stop,  
Naranpura, Ahmedabad – 380 013,  
Gujarat, India.



## **Listing**

In terms of Chapter XB of the SEBI (ICDR) Regulations, 2009, there is no requirement of obtaining In-principle approval from SME Platform of BSE. However applications will be made to the SME Platform of BSE for obtaining permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange, with which the Basis of Allotment will be finalised.

The SME Platform of BSE has given its in-principal approval for using its name in our Prospectus vide its letter dated [●].

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by the SME Platform of BSE, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of the Prospectus. If such money is not repaid within 8 days after our Company becomes liable to repay it (i.e. from the date of refusal or within 15 days from the Issue Closing Date), then our Company and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the SME Platform of the BSE mentioned above are taken within twelve Working Days from the Issue Closing Date.

## **Impersonation**

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

## **Consents**

Consents in writing of: (a) the Directors, the Promoters, the Company Secretary, the Compliance Officer, the Auditors, the Banker(s) to the Issue; and (b) Lead Manager, Registrar to the Issue, Banker(s) to the Issue, Legal Advisor to the Issue, Underwriters and Market Maker(s) to the Issue to act in their respective capacities have been obtained and shall be filed along with a copy of the Prospectus with the ROC, as required under sections 60 and 60B of the Companies Act and such consents shall not be withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI (ICDR) Regulations, M/s. R. T. Jain & Co., Chartered Accountants, the Peer Review Auditors of the Company have agreed to provide their written consent to the inclusion of their report dated December 24, 2012 on restated financial statements and M/s. Sanjay Maheshwari & Associates, Chartered Accountants, the Statutory Auditors of the Company have provided the Statement of Possible Tax Benefits dated November 30, 2012 relating to the possible tax benefits, as applicable, which may be available to the Company and its shareholders, included in this Prospectus in the form and context in which they appear therein and such consent and reports will not be withdrawn up to the time of delivery of the Draft Prospectus.

## **Experts to the Issue**

Except for the below stated reports and certificate included in the Draft Prospectus, our Company has not obtained any expert opinions:

1. Statutory Auditor – Statement of Possible Tax Benefits – dated November 30, 2012



## 2. Peer Reviewed Auditor – Restated Financial Statements – dated December 24, 2012

### Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. 40 lakhs. The expenses of this Issue include, among others, market making fees, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar's fees, depository fees and listing fees. All expenses with respect to the Issue would be paid by our Company.

The estimated Issue expenses are as under:

Activity	Expenses (Rs. in lakhs)	Percentage of Issue Expenses	Percentage of the Issue Size
Payment to Merchant Bankers, market making fees, selling commissions, underwriting commissions, brokerages, payment to other intermediaries such as Legal Advisors, Registrars, Bankers etc and other out of pocket expenses	23.00	57.50%	4.51%
Printing and Stationery and postage expenses	5.00	12.50%	0.98%
Advertising and Marketing expenses	4.00	10.00%	0.78%
Regulatory fees and expenses	7.00	17.50%	1.37%
Other Expenses	1.00	2.50%	0.20%
<b>Total estimated issue expenses</b>	<b>40.00</b>	<b>100.00%</b>	<b>7.84%</b>

### Fees Payable to the Lead Manager

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding dated October 10, 2012 with the Lead Manager Intensive Fiscal Services Private Limited, the Underwriting Agreement dated December 10, 2012 and the Market Making Agreement dated December 10, 2012 among the Company and the Lead Manager and other parties, a copy of which is available for inspection at our Registered Office.

### Fees Payable to the Registrar to the Issue

The fees payable by our Company to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the MoU between our Company and the Registrar to the Issue dated October 5, 2012.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

### Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offer of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our incorporation.

### Previous Rights and Public Issues

We have not made any previous rights and public issues in India or abroad in the five years preceding the date of the Draft Prospectus.

### Previous issues of shares otherwise than for cash

Except as stated in the chapter titled "*Capital Structure*" beginning on page 42 of the Draft Prospectus, we have not made any previous issues of shares for consideration otherwise than for cash.



### **Companies under the same management**

Except as stated in the section titled “Our Promoters” and “Our Promoter Group and Group Entities” beginning on page 111 and 116 respectively of this Draft Prospectus, there are no companies under the same management within the meaning of former section 370 (1B) of the Companies Act. No company under the same management as the Company within the meaning of Section 370(1B) of the Companies Act has made any public issue (including any rights issues to the public) during the last three years.

### **Promise v. Performance – Associates**

Our Company and Promoter Group have not made any previous rights and public issues.

### **Outstanding Debentures, Bond Issues, or Preference Shares**

Our Company does not have any outstanding debentures, bonds or preference shares as of the date of the Draft Prospectus.

### **Stock Market Data for our Equity Shares**

This being an initial public offering of our Company, the Equity Shares of our Company are not listed on any stock exchanges.

### **Mechanism for Redressal of Investor Grievances**

The agreement between the Registrar to the Issue and our Company provides for retention of records with the Registrar to the Issue for a period of at least three years from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the Application Form was submitted by the ASBA Applicants.

Our Board, by a resolution on November 24, 2012 constituted a Shareholders/Investors Grievance Committee. The composition of the Shareholders/Investors Grievance Committee is as follows:

<b>Name of Director</b>	<b>Designation in Committee</b>	<b>Nature of Directorship</b>
Mr. Kishan Kumar Sarda	Chairman	Non-Executive and Independent
Mr. Nitin Maheshwari	Member	Non-Executive and Independent
Mr. Shailesh Chandak	Member	Executive Director

For further details, see section titled “Our Management” beginning on page 97 of this Draft Prospectus.

We have also appointed Mr. Amit Merai as the Compliance Officer for this Issue and he may be contacted at the registered office of the Company. His contact details are as follows:

**Mr. Amit Merai**  
105, Balaji Industrial Society-1,  
Udhna Magdalla Road,  
Surat – 395 007  
Gujarat, India.  
**Tel:** +91 – 261 – 3018 759  
**Fax:** +91 – 261 – 3018 759



**Email:** info@kavitafabrics.com

Investors can contact the Compliance Officer or the Registrar to the Issue or the Lead Manager in case of any pre-Issue or post-Issue related problems, such as non-receipt of letters of Allotment, credit of Allotted Equity Shares in the respective beneficiary accounts and refund orders.

#### **Status of Investor Complaints**

We confirm that we have not received any investor complaint during the three years preceding the date of this Draft Prospectus and hence there are no pending investor complaints as on the date of this Draft Prospectus.

#### **Change in Auditors**

There has been no change in the statutory auditors of our Company for the last three years.

#### **Capitalisation of Reserves or Profits**

Our Company has not capitalised our reserves or profits during the last five years, except as stated in the chapter titled "*Capital Structure*" beginning on page 42 of the Draft Prospectus.

#### **Revaluation of Assets**

Our Company has not revalued its assets in the last five years.

#### **Purchase of Property**

Other than as disclosed in the Draft Prospectus, there is no property which has been purchased or acquired or is proposed to be purchased or acquired which is to be paid for wholly or partly from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of the Draft Prospectus, other than property, in respect of which:

The contract for the purchase or acquisition was entered into in the ordinary course of business, or the contract was entered into in contemplation of the Issue, or that the Issue was contemplated in consequence of the contract; or the amount of the purchase money is not material.

Except as stated elsewhere in the Draft Prospectus, our Company has not purchased any property in which the Promoter and/or Directors have any direct or indirect interest in any payment made thereunder.

#### **Servicing Behavior**

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings.

#### **Payment or benefit to officers of Our Company**

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

Except as disclosed in chapter titled "*Related Party Transactions*" beginning on page 124 of the Draft Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of our Company.



## SECTION VII – ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

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

#### **Authority for the Issue**

The present Initial Public Issue of Equity Shares has been authorized by the Board of Directors of our Company at their meeting held on August 8, 2012 and was approved by the Shareholders of the Company by passing Special Resolution at the Extraordinary General Meetings held on August 31, 2012 in accordance with the provisions of Section 81(1A) of the Companies Act, 1956.

#### **Ranking of Equity Shares**

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank pari-passu in all respects with the existing Equity Shares including in respect of the rights to receive dividends and other corporate benefits, if any, declared by us after the date of Allotment. For further details, please refer to "*Main Provisions of the Articles of Association of the Company*" on page 197 of this Draft Prospectus.

#### **Mode of Payment of Dividend**

The declaration and payment of dividend will be as per the provisions of Companies Act and recommended by the Board of Directors and the Shareholders at their discretion and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company. We shall pay dividends in cash and as per provisions of the Companies Act, 1956. For further details, please refer to "*Dividend Policy*" on page 125 of this Draft Prospectus.

#### **Face Value and Issue Price**

The Equity Shares having a Face Value of Rs. 10 each are being offered in terms of this Draft Prospectus at the price of Rs. 40/- per Equity Share. The Issue Price is determined by our Company in consultation with the Lead Manager and is justified under the section titled "*Basis for Issue Price*" on page 61 of this Draft Prospectus. At any given point of time there shall be only one denomination of the Equity Shares of our Company, subject to applicable laws.

#### **Rights of the Equity Shareholders**

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- such other rights, as may be available to a shareholder of a listed Public Limited Company under the Companies Act, terms of the listing agreements with the Stock Exchange and the Memorandum and Articles of Association of our Company.

For a detailed description of the main provision of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien and / or consolidation / splitting, etc., please refer to Section titled "*Main Provisions of Articles of Association of the company*" beginning on page 197 of this Draft Prospectus.





### **Minimum Application Value; Market Lot and Trading Lot**

As per the provisions of the Depositories Act, 1996, the shares of a Body Corporate can be in Dematerialised form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode.

The investors have an option either to receive the security certificate or to hold the securities with depository. However, as per SEBI's circular RMB (compendium) series circular no. 2 (1999-2000) dated February 16, 2000, it has been decided by the SEBI that trading in securities of companies making an initial public offer shall be in Dematerialised form only.

The trading of the equity shares will happen in the minimum contract size of 3,000 equity shares and the same may be modified by the SME Platform of BSE from time to time by giving prior notice to investors at large.

Allocation and allotment of Equity Shares through this Offer will be done in multiples of 3,000 Equity Shares subject to a minimum allotment of 3,000 Equity Shares to the successful applicants.

### **Minimum Number of Allottees**

The minimum number of allottees in this Issue shall be 50 shareholders. In case the minimum number of prospective allottees is less than 50, no allotment will be made pursuant to this Issue and the monies collected shall be refunded within 12 Working days of closure of issue.

### **Joint Holders**

Where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-holders with benefits of survivorship.

### **Nomination Facility to Investor**

In accordance with Section 109A of the Companies Act, the sole or first applicant, along with other joint applicant, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint applicant, death of all the applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

In case the allotment of Equity Shares is in dematerialized form, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

### **Minimum Subscription**





This Issue is not restricted to any minimum subscription level. This Issue is 100% underwritten and the details of the same have been disclosed on page [●] of this Draft Prospectus.

If the issuer does not receive the subscription of 100% of the Issue through this offer document including devolvement of Underwriters within sixty days from the date of closure of the issue, the issuer shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the issuer becomes liable to pay the amount, the issuer shall pay interest prescribed under section 73 of the Companies Act, 1956.

#### **Arrangements for disposal of odd lots**

The trading of the equity shares will happen in the minimum contract size of 3,000 shares. However, the market maker shall buy the entire shareholding of a shareholder in one lot, where value of such shareholding is less than the minimum contract size allowed for trading on the SME Exchange.

#### **Restrictions, if any, on transfer and transmission of shares or debentures and on their consolidation or splitting**

For a detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation / splitting, please refer sub-heading "*Main Provisions of the Articles of Association of the company*" on page 197 of this Draft Prospectus.

#### **Option to receive Equity Shares in Dematerialized Form**

The investors have an option either to receive the security certificate or to hold the securities with depository. However, as per SEBI's circular RMB (compendium) series circular no. 2 (1999-2000) dated February 16, 2000, it has been decided by the SEBI that trading in securities of companies making an initial public offer shall be in dematerialised form only. The Equity Shares on Allotment will be traded only on the dematerialized segment of the SME Exchange.

#### **Migration to Main Board**

In accordance with the BSE Circular dated November 26, 2012, our Company will have to be mandatorily listed and traded on the SME Platform of the BSE for a minimum period of two years from the date of listing and only after that it can migrate to the Main Board of the BSE as per the guidelines specified by SEBI and as per the procedures laid down under Chapter XB of the SEBI (ICDR) Regulations.

As per the provisions of the Chapter XB of the SEBI (ICDR) Regulation, 2009, our Company may migrate to the main board of BSE from the SME Exchange on a later date subject to the following:

- If the Paid up Capital of the company is likely to increase above Rs. 25 crores by virtue of any further issue of capital by way of rights, preferential issue, bonus issue etc. (which has been approved by a special resolution through postal ballot wherein the votes cast by the shareholders other than the promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal and for which the company has obtained in-principal approval from the main board), we shall have to apply to BSE for listing our shares on its Main Board subject to the fulfillment of the eligibility criteria for listing of specified securities laid down by the Main Board.
- If the Paid up Capital of the company is more than Rs. 10 crores but below Rs. 25 crores, we may still apply for migration to the main board if the same has been approved by a special resolution through postal ballot wherein the votes cast by the shareholders other than the promoters in favour of the proposal amount to at least two times the number of votes cast by shareholders other than promoter shareholders against the proposal.

#### **Market Making**

The shares offered through this Issue are proposed to be listed on the SME Platform of BSE (SME Exchange), wherein the Lead Manager to this Issue shall ensure compulsory Market Making through the registered Market Makers of the SME Exchange for a minimum period of three years from the date of listing on the SME Platform of BSE. For further details of the agreement entered into between the Company, the Lead Manager and the Market Maker please refer to "*General Information - Details of the Market Making Arrangements for this Issue*" on page [●] of this Draft Prospectus.



In accordance with the SEBI Circular No. CIR/MRD/DSA/31/2012 dated November 27, 2012, it has decided to make applicable limits on the upper side for the market makers during market making process taking into consideration the Issue size in the following manner:

<b>Issue size</b>	<b>Buy quote exemption threshold (including mandatory initial inventory of 5% of issue size)</b>	<b>Re-entry threshold for buy quotes (including mandatory initial inventory of 5% of issue size)</b>
Upto Rs. 20 Crore, as applicable in our case	25%	24%

Further, the market makers shall give two way quotes till they reaches the upper limit threshold, thereafter they has the option to give only sell quotes. Two way quotes shall be resumed the moment inventory reaches the prescribed re-entry threshold.

In view of the market makers obligation, there shall be no exemption/threshold on downside. However, in the event the market makers exhausts their inventory through market making process on the platform of the exchange, the concerned stock exchange may intimate the same to SEBI after due verification.

#### **New Financial Instruments**

The Issuer Company is not issuing any new financial instruments through this Issue.

#### **Withdrawal of the issue**

The Company, in consultation with the LM, reserves the right not to proceed with the Issue at any time before the Issue Opening Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining the following:

- (i) The final listing and trading approvals of the SME Platform of BSE, which the Company shall apply for after Allotment and
- (ii) The final RoC approval of the Prospectus after it is filed with the RoC. In case, the Company wishes to withdraw the Issue after Issue Opening but before allotment, the Company will give public notice giving reasons for withdrawal of Issue. The public notice will appear in two widely circulated national newspapers (One each in English and Hindi) and one in regional newspaper.

#### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts / authorities in Surat, Gujarat.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States, and may not be offered or sold within the United States, except pursuant to an exemption from or in a transaction not subject to, registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered or sold outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and applications may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.



## ISSUE STRUCTURE

This Issue is being made in terms of Regulation 106(M)(1) of Chapter XB of SEBI (ICDR) Regulations, 2009, as amended from time to time, whereby, an issuer whose post issue paid up capital does not exceed Rs. 10 crores, shall issue shares to the public and propose to list the same on the Small and Medium Enterprise Exchange ("SME Exchange", in this case being the SME Platform of BSE). For further details regarding the salient features and terms of such an issue please refer chapter titled "*Terms of the Issue*" and "*Issue Procedure*" on page 174 and 180 of this Draft Prospectus.

Following is the issue structure:

*Public issue of 12,75,000 equity shares of Rs. 10/- each (the "equity shares") for cash at a price of Rs. 40/- per equity share (including a share premium of Rs. 30/- per equity share) aggregating to Rs. 510 lakhs ("the issue") by Kavita Fabrics Limited ("KFL" or the "Company" or the "Issuer").*

*The issue comprises a Net Issue to Public of 10,68,000 equity shares ("the Net issue") and a reservation of 2,07,000 equity shares for subscription by the designated market makers ("the Market Makers' Reservation Portion").*

Particulars of the Issue	Net Issue to Public*	Market Maker Reservation Portion
Number of Equity Shares available for allocation	10,68,000 Equity Shares	2,07,000 Equity Shares
Percentage of Issue Size available for allocation	83.76% of the Issue Size	16.24% of the Issue Size
Basis of Allotment	Proportionate subject to minimum allotment of 3,000 equity shares and further allotment in multiples of 3,000 equity shares each.  For further details please refer to " <i>Issue Procedure - Basis of Allotment</i> " on page 185 of this Draft Prospectus.	Firm Allotment
Mode of Application	For QIB and NII Applicants the application must be made compulsorily through the ASBA Process. The Retail Individual Applicant may apply through the ASBA or non-ASBA process.	Through ASBA Process Only
Minimum Application Size	<i>For QIB and NII:</i>  Such number of equity shares in multiples of 3,000 equity shares such that the Application Value exceeds Rs. 2,00,000/-  <i>For Retail Individuals:</i>  3,000 equity shares	2,07,000 Equity Shares
Maximum Application Size	<i>For QIB and NII:</i>  Such number of equity shares in multiples of 3,000 equity shares such that the Application Size does not exceed 10,68,000 equity shares.  <i>For Retail Individuals:</i>  Such number of equity shares in multiples of 3,000 equity shares such that the Application Value does not exceed Rs. 2,00,000/-.	2,07,000 Equity Shares



<b>Particulars of the Issue</b>	<b>Net Issue to Public*</b>	<b>Market Maker Reservation Portion</b>
Mode of Allotment	Dematerialized Form or Physical Form, at the option of the applicant	Dematerialized Form or Physical Form, at the option of the applicant
Trading Lot	3,000 Equity Shares	3,000 Equity Shares, However the Market Makers may accept odd lots if any in the market as required under the SEBI (ICDR) Regulations, 2009.
Terms of Payment	The entire Application Amount will be payable at the time of submission of the Application Form.	

#### **Withdrawal of the Issue**

Our Company, in consultation with the LM, reserves the right not to proceed with the Issue at any time after the Issue Opening Date but before Allotment. If our Company withdraws the Issue, our Company will issue a public notice within two days, providing reasons for not proceeding with the Issue. The LM, through the Registrar to the Issue, will instruct the SCSBs to unblock the ASBA Accounts within one Working Day from the day of receipt of such instruction. The notice of withdrawal will be issued in the same newspapers where the pre-Issue advertisements have appeared and the Stock Exchange will also be informed promptly.

If our Company withdraws the Issue after the Issue Closing Date and subsequently decides to undertake a public offering of Equity Shares, our Company will file a fresh draft offer document the stock exchange where the Equity Shares may be proposed to be listed.

Notwithstanding the foregoing, the Issue is subject to obtaining (i) the final listing and trading approvals of the Stock Exchange with respect to the Equity Shares offered through the Draft Prospectus, which our Company will apply for only after Allotment; and (ii) the final RoC approval of the Prospectus.

<b>ISSUE OPENING DATE</b>	[●]
<b>ISSUE CLOSING DATE</b>	[●]

Applications and any revisions to the same will be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Issue Period at the Application centres mentioned in the Application Form, or in the case of ASBA Applicants, at the Designated Bank Branches except that on the Issue Closing Date applications will be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time).

Applications will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday).



## ISSUE PROCEDURE

### Fixed Price Issue Procedure

The Issue is being made under Regulation 106(M)(1) of Chapter XB of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 via Fixed Price Process.

Applicants are required to submit their Applications to the Selected Branches / Offices of the Escrow Bankers to the Issue who shall duly submit to them the Registrar of the Issue. In case of QIB Applicants, the Company in consultation with the Lead Manager may reject Applications at the time of acceptance of Application Form provided that the reasons for such rejection shall be provided to such Applicant in writing.

In case of Non-Institutional Applicants and Retail Individual Applicants, our Company would have a right to reject the Applications only on technical grounds.

Applicants will have the option of being Allotted Equity Shares in dematerialized or physical form. However, the Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchange.

### Application Form

Applicants shall only use the specified Application Form for the purpose of making an Application in terms of this Draft Prospectus. The application form shall contain space for indicating number of specified securities subscribed for in demat and physical form. Upon completing and submitting the Application Form to the Bankers, the Applicant is deemed to have authorized our Company to make the necessary changes in the Draft Prospectus and the 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 Applicant.

ASBA Applicants shall submit an Application Form either in physical or electronic form to the SCSB's authorizing blocking funds that are available in the bank account specified in the Application Form used by ASBA applicants. Upon completing and submitting the Application Form for ASBA Applicants to the SCSB, the ASBA Applicant is deemed to have authorized our Company to make the necessary changes in the Draft Prospectus and the ASBA 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 ASBA Applicant.

The prescribed color of the Application Form for various categories is as follows:

Category	Color
Indian Public / NRI's applying on a non-repatriation basis (ASBA and Non-ASBA)	White
Non-Residents including eligible NRI's, FIIs, FVCIs, etc. applying on a repatriation basis (ASBA and Non-ASBA)	Blue

In accordance with the SEBI (ICDR) Regulations, 2009 in public issues w.e.f. May 1, 2010 all the investors can apply through ASBA process and w.e.f. May 02, 2011, the Non-Institutional applicants and the QIB Applicants have to compulsorily apply through the ASBA Process.

### Who can apply?

1. Indian nationals resident in India who are not minors, in single or joint names (not more than three). Furthermore, based on the information provided by the Depositories, our Company shall have the right to accept Applications belonging to an account for the benefit of a minor (under guardianship);
2. Hindu Undivided Families or HUFs, in the individual name of the Karta. The Applicant should specify that the Application is being made in the name of the HUF in the Application Form as follows: "Name of Sole or First Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Applications 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 authorized to invest in equity shares;
4. Mutual Funds registered with SEBI;



5. Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this issue;
6. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to RBI regulations and the SEBI Regulations, as applicable);
7. FIIs and sub-accounts registered with SEBI other than a sub-account which is a foreign corporate or foreign individual, applying in the QIB Portion;
8. Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals, applying in the Non-Institutional Portion
9. Venture Capital Funds registered with SEBI;
10. State Industrial Development Corporations;
11. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
12. Scientific and/or industrial research organizations authorized to invest in equity shares;
13. Insurance Companies registered with Insurance Regulatory and Development Authority;
14. Provident Funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in equity shares;
15. Pension Funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in equity shares;
16. Limited liability partnerships;
17. Foreign Venture Capital Investors registered with SEBI;
18. Multilateral and bilateral development financial institutions;
19. National Investment Fund; and
20. Insurance funds set up and managed by the army, navy or air force of the Union of India;
21. Nominated Investor and Market Makers;
22. Any other person eligible to applying in this Issue, under the laws, rules, regulations, guidelines and polices applicable to them.

**Applications not to be made by:**

- a. Minors
- b. Partnership firms or their nominations
- c. Foreign Nationals (except NRIs)
- d. Overseas Corporate Bodies

**Participation by associates / affiliates of LM**

Except for the Underwriting arrangement, the Lead Manager shall not be allowed to subscribe to this Issue in any manner. However, associates and affiliates of the LM may subscribe to Equity Shares in the reserved category as Market Makers, where allocation is on firm basis and/or in Net issue to the public category, where the allocation is on a proportionate basis.

**Availability of Prospectus and Application Forms**



The Memorandum Form 2A containing the salient features of the Prospectus together with the Application Forms and copies of the Prospectus may be obtained from the Registered Office of our Company, Lead Manager to the Issue, Registrar to the Issue and the collection Centres of the Bankers to the Issue, as mentioned in the Application Form. The application forms may also be downloaded from the website of BSE Limited i.e. [www.bseindia.com](http://www.bseindia.com).

#### **Option to Subscribe in the Issue**

- a. Investors will have the option of getting the allotment of specified securities either in physical form or in dematerialization form.
- b. The equity shares, on allotment, shall be traded on stock exchange in demat segment only.
- c. A single application from any investor shall not exceed the investment limit/minimum number of specified securities that can be held by him/her/it under the relevant regulations/statutory guidelines.

#### **Application by Indian Public including eligible NRIs applying on Non-Repatriation**

Application must be made only in the names of individuals, Limited Companies or Statutory Corporations/institutions and NOT in the names of Minors, Foreign Nationals, Non Residents (except for those applying on non-repatriation), trusts, (unless the Trust is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its constitution to hold shares and debentures in a Company), Hindu Undivided Families, partnership firms or their nominees. In case of HUF's application shall be made by the Karta of the HUF. An applicant in the Net Public Category cannot make an application for that number of securities exceeding the number of securities offered to the public.

#### **Application by Mutual Funds**

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 all its schemes should own more than 10% of any Company's paid up share capital carrying voting rights.

In case of a Mutual Fund, a separate Application can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Applications in respect of more than one scheme of the Mutual Fund will not be treated as multiple Applications provided that the Applications clearly indicate the scheme concerned for which the Application has been made.

#### **Applications by Eligible NRIs/FII's on Repatriation Basis**

Application Forms have been made available for Eligible NRIs at our registered Office.

Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Under the Foreign Exchange Management Act, 1999 (FEMA) general permission is granted to the companies vide notification no. FEMA/20/2000 RB dated 03/05/2000 to issue securities to NRI's subject to the terms and conditions stipulated therein. The Companies are required to file the declaration in the prescribed form to the concerned Regional Office of RBI within 30 days from the date of issue of shares for allotment to NRI's on repatriation basis.

Allotment of Equity Shares to Non-Resident Indians shall be subject to the prevailing Reserve Bank of India Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to permission of the RBI and subject to the Indian Tax Laws and regulations and any other applicable laws.

The Company does not require approvals from FIPB or RBI for the Transfer of Equity Shares in the issue to eligible NRI's, FII's, Foreign Venture Capital Investors registered with SEBI and multilateral and bilateral development financial institutions.

**As per the current regulations, the following restrictions are applicable for investments by FIIs:**





The issue of Equity Shares to a single FII should not exceed 10% of our post Issue issued capital. In respect of an FII investing in our equity shares on behalf of its sub accounts, the investment on behalf of each sub account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub account is a foreign corporate or an individual.

In accordance with the foreign investment limits, the aggregate FII holding in our Company cannot exceed 24% of our total issued capital. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII may issue, deal or hold, off shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "Know Your Client" requirements. An FII shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

In case of FII's in NRI/FII Portion, number of Equity Shares applied shall not exceed issue size.

#### **Applications by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors**

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) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one Company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one Company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

#### **Applications by limited liability partnerships**

In case of Applications made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, as amended ("LLP Act") a certified copy of certificate of registration issued under the LLP Act must be attached to the Application Form. Failing this, our Company reserves the right to reject any Application without assigning any reason thereof.

#### **Applications under Power of Attorney**

In case of Applications made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/ or bye laws must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason thereof.

In case of Applications 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 Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason thereof.

In case of Applications made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with the certified copy of their SEBI registration certificate must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason thereof.





In case of Applications 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 Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason thereof.

In case of Applications made by provident funds with minimum corpus of Rs. 25 crore (subject to applicable law) and pension funds with minimum corpus of Rs. 25 crore, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason thereof.

***The Company in its absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Application Form, subject to such terms and conditions that the Company and the LM may deem fit.***

***The above information is given for the benefit of the Applicants. The Company and the LM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Prospectus. Applicants are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations.***

#### **MAXIMUM AND MINIMUM APPLICATION SIZE**

##### ***a) For Retail Individual Applicants***

The Application must be for a minimum of 3,000 Equity Shares and in multiples of 3,000 Equity Shares thereafter, so as to ensure that the Application Price payable by the Applicant does not exceed Rs. 2,00,000. In case of revision of Applications, the Retail Individual Applicants have to ensure that the Application Price does not exceed Rs. 2,00,000.

##### ***b) For Other Applicants (Non-Institutional Applicants and QIBs):***

The Application must be for a minimum of such number of Equity Shares such that the Application Amount exceeds Rs. 2,00,000 and in multiples of 3,000 Equity Shares thereafter. An Application cannot be submitted for more than the Issue Size. However, the maximum Application by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **A QIB and a Non-Institutional Applicant cannot withdraw or lower the size of their Applications (both in terms of number of Equity Shares applied for and Application Amount) at any stage and are required to pay the entire Application Amount upon submission of the Application.** The identity of QIBs applying in the Net Issue under the QIB Portion shall not be made public during the subscription Period.

In case of revision in Applications, the Non-Institutional Applicants, who are individuals, have to ensure that the Application Amount is greater than Rs. 2,00,000 for being considered for allocation in the Non-Institutional Portion. **Non-Institutional Applicants and QIBs are not allowed to withdraw the Application at any stage and revise the Application to lower the size of the Application (both in terms of number of Equity Shares applied for and Application Amount) at any stage.**

***Applicants are advised to ensure that any single Application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Prospectus.***

#### **Information for the Applicants:**

- a) Our Company will file the Prospectus with the RoC at least 3 (three) days before the Issue Opening Date.
- b) The LM will circulate copies of the Prospectus along with the Application Form to potential investors.
- c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Prospectus and/or the Application Form can obtain the same from our registered office or from the corporate office of the LM.
- d) Applicants who are interested in subscribing for the Equity Shares should approach the LM or their authorized agent(s) to register their Applications.



- e) Applications made in the Name of Minors and/or their nominees shall not be accepted.
- f) Applicants are requested to mention the application form number on the reverse of the instrument to avoid misuse of instrument submitted along with the application for shares. Applicants are advised in their own interest, to indicate the name of the bank and the savings or current a/c no in the application form. In case of refund, the refund order will indicate these details after the name of the payee. The refund order will be sent directly to the payee's address.

### **Instructions for Completing the Application Form**

The Applications should be submitted on the prescribed Application Form and in BLOCK LETTERS in ENGLISH only in accordance with the instructions contained herein and in the Application Form. Applications not so made are liable to be rejected. ASBA Application Forms should bear the stamp of the SCSB's. ASBA Application Forms, which do not bear the stamp of the SCSB, will be rejected.

Applicants residing at places where the designated branches of the Banker to the Issue are not located may submit/mail their applications at their sole risk along with Demand Draft payable at Mumbai.

### **Applicant's Depository Account and Bank Details**

Applicants should note that on the basis of name of the Applicants, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Applicants bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Applicants. Hence, Applicants 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 dispatch/ credit of refunds to Applicants at the Applicants sole risk and neither the LM or the Registrar or the Escrow Collection Banks or the SCSB nor the Company shall have any responsibility and undertake any liability for the same. Hence, Applicants should carefully fill in their Depository Account details in the Application Form.

These Demographic Details would be used for all correspondence with the Applicants including mailing of the CANs / Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Applicants in the Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Application Form, the Applicant would be deemed to have authorized the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

### **BASIS OF ALLOTMENT**

Allotment will be made in consultation with SME Platform of BSE (The Designated Stock Exchange). In the event of oversubscription, the allotment will be made on a proportionate basis in marketable lots as set forth here:

1. The total number of Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of Shares applied for in that category multiplied by the inverse of the over subscription ratio (number of applicants in the category x number of Shares applied for).
2. The number of Shares to be allocated to the successful applicants will be arrived at on a proportionate basis in marketable lots (i.e. Total number of Shares applied for into the inverse of the over subscription ratio).
3. For applications where the proportionate allotment works out to less than 3,000 equity shares the allotment will be made as follows:
  - a) Each successful applicant shall be allotted 3,000 equity shares; and
  - b) The successful applicants out of the total applicants for that category shall be determined by the drawal of lots in such a manner that the total number of Shares allotted in that category is equal to the number of Shares worked out as per (2) above.
4. If the proportionate allotment to an applicant works out to a number that is not a multiple of 3,000 equity shares, the applicant would be allotted Shares by rounding off to the lower nearest multiple of 3,000 equity shares



subject to a minimum allotment of 3,000 equity shares.

5. If the Shares allotted on a proportionate basis to any category is more than the Shares allotted to the applicants in that category, the balance available Shares for allocation shall be first adjusted against any category, where the allotted Shares are not sufficient for proportionate allotment to the successful applicants in that category, the balance Shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for the minimum number of Shares. If as a result of the process of rounding off to the lower nearest multiple of 3,000 equity shares, results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board of Directors, up to 110% of the size of the offer specified under the Capital Structure mentioned in this Draft Prospectus.
6. The above proportionate allotment of shares in an Issue that is oversubscribed shall be subject to the reservation for small individual applicants as described below
  - a) A minimum of 50% of the net offer of shares to the Public shall initially be made available for allotment to retail individual investors as the case may be.
  - b) The balance net offer of shares to the public shall be made available for allotment to a) individual applicants other than retails individual investors and b) other investors, including Corporate Bodies/ Institutions irrespective of number of shares applied for.
  - c) The unsubscribed portion of the net offer to any one of the categories specified in (a) or (b) shall/may be made available for allocation to applicants in the other category, if so required.

Please note that the Allotment to each Retail Individual Investor shall not be less than the minimum application lot, subject to availability of Equity Shares in the Retail portion. The remaining available Equity Shares, if any in Retail portion shall be allotted on a proportionate basis to Retail individual Investor in the manner in this para titled 'Basis of Allotment' beginning on page 185 of the Draft Prospectus.

'Retail Individual Investor' means an investor who applies for shares of value of not more than Rs. 2,00,000/-. Investors may note that in case of over subscription allotment shall be on proportionate basis and will be finalized in consultation with SME Platform of BSE.

The Executive Director / Managing Director of the SME Platform of BSE, Designated Stock Exchange in addition to Lead Merchant Banker and Registrar to the Public Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI (ICDR) Regulations, 2009.

#### **REFUNDS:**

*In case of Applicants receiving refunds through electronic transfer of funds, 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 Applicant in the Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Applicants sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the LM shall be liable to compensate the Applicant for any losses caused to the Applicant due to any such delay or liable to pay any interest for such delay.*

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Applications are liable to be rejected.

The Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/ allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Application Form should be used (and not those obtained from the Depository of the Applicant). In such cases, the Registrar shall use Demographic Details as given in the Application Form instead of those obtained from the depositories.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/ or commission. In case of Applicants who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Applicants so desire, will be credited to their NRE accounts, details**



of which should be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the Applicant on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non-Residents, NRIs, FIIs and foreign venture capital funds and all Non-Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

#### TERMS OF PAYMENT / PAYMENT INSTRUCTIONS

The entire issue price of Rs. 40/- per share is payable on application. In case of allotment of lesser number of Equity shares than the number applied, The Company shall refund the excess amount paid on Application to the Applicants.

Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub member of the bankers' clearing house located at the centre where the 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.

A separate Cheque or Bank Draft should accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /Draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders / Postal Notes will not be accepted.

Each Applicant shall draw a cheque or demand draft for the amount payable on the Application and/ or on allocation/ Allotment as per the following terms:

1. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - Indian Public including eligible NRIs applying on non-repatriation basis: "Escrow Account - Kavita Fabrics Limited - R".
  - In case of Non-Resident Retail Applicants applying on repatriation basis: "Escrow Account - Kavita Fabrics Limited - NR"
2. In case of Application by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Applicant applying on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
3. Where an Applicant has been allocated a lesser number of Equity Shares than the Applicant has applied for, the excess amount, if any, paid on Application, after adjustment towards the balance amount payable by the Pay In Date on the Equity Shares allocated will be refunded to the Applicant from the Refund Account.
4. On the Designated Date and no later than 12 Working days from the Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Applicants and also the excess amount paid on Application, if any, after adjusting for allocation / Allotment to the Applicants.

#### Payment by Stock invest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/ 24.47.00/ 2003 04 dated November 5, 2003; the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of Application money has been withdrawn. Hence, payment through stock invest would not be accepted in this Issue.



## GENERAL INSTRUCTIONS

### *Do's:*

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the applicable Application Form;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialized form only;
- Each of the Applicants should mention their Permanent Account Number (PAN) allotted under the Income Tax Act, 1961;
- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;
- Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant.

### *Don'ts:*

- Do not apply for lower than the minimum Application size;
- Do not apply at a Price Different from the Price Mentioned herein or in the Application Form
- Do not apply on another Application Form after you have submitted an Application to the Bankers of the Issue.
- Do not pay the Application Price in cash, by money order or by postal order or by stock invest;
- Do not send Application Forms by post; instead submit the same to the Selected Branches / Offices of the Banker to the Issue.
- Do not fill up the Application Form such that the Equity Shares applied for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground.

## OTHER INSTRUCTIONS

### *Joint Applications in the case of Individuals*

Applications may be made in single or joint names (not more than three). In the case of joint Applications, all payments will be made out in favour of the Applicant whose name appears first in the Application Form or Revision Form. All communications will be addressed to the First Applicant and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### *Multiple Applications*

An Applicant should submit only one Application (and not more than one) for the total number of Equity Shares required. Two or more Applications will be deemed to be multiple Applications if the sole or First Applicant is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

- i. All applications are electronically strung on first name, address (1st line) and applicant's status. Further, these applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/ husband's name to determine if they are multiple applications
- ii. Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/ beneficiary ID. In case of applications with common DP ID/ beneficiary ID, are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.
- iii. Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked to eliminate possibility of data capture error to determine if they are multiple applications.

No separate applications for demat and physical is to be made. If such applications are made, the applications for physical shares will be treated as multiple applications and rejected accordingly.

In case of a mutual fund, a separate Application can be made in respect of each scheme of the mutual fund registered with SEBI and such Applications in respect of more than one scheme of the mutual fund will not be treated as



multiple Applications provided that the Applications clearly indicate the scheme concerned for which the Application has been made.

In cases where there are more than 20 valid applications having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of "know your client" norms by the depositories. The Company reserves the right to reject, in our absolute discretion, all or any multiple Applications in any or all categories.

#### **Permanent Account Number or PAN**

Pursuant to the circular MRD/DoP/Circ 05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number ("**PAN**") to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction w.e.f. July 2, 2007. Each of the Applicants should mention his/her PAN allotted under the IT Act. **Applications without this information will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Applicants should not submit the GIR number instead of the PAN, as the Application is liable to be rejected on this ground.

#### **RIGHT TO REJECT APPLICATIONS**

In case of QIB Applicants, the Company in consultation with the LM may reject Applications provided that the reasons for rejecting the same shall be provided to such Applicant in writing. In case of Non-Institutional Applicants, Retail Individual Applicants who applied, the Company has a right to reject Applications based on technical grounds.

#### **Grounds for Rejections**

Applicants are advised to note that Applications are liable to be rejected inter alia on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares applied for;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Application by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not mentioned in the Application Form;
- GIR number furnished instead of PAN;
- Applications for lower number of Equity Shares than specified for that category of investors;
- Applications at a price other than the Fixed Price of The Issue;
- Applications for number of Equity Shares which are not in multiples of 3,000;
- Category not ticked;
- Multiple Applications as defined in this Draft Prospectus;
- In case of Application under power of attorney or by limited companies, corporate, trust etc., where relevant documents are not submitted;
- Applications accompanied by Stock invest/ money order/ postal order/ cash;
- Signature of sole Applicant is missing;
- Application Forms are not delivered by the Applicant within the time prescribed as per the Application Forms, Issue Opening Date advertisement and the Prospectus and as per the instructions in the Prospectus and the Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
- Applications for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Applications where clear funds are not available in the Escrow Account as per the final certificate from the Escrow Collection Bank(s);
- Applications by OCBs;
- Applications by US persons other than in reliance on Regulation S or "qualified institutional buyers" as defined in Rule 144A under the Securities Act;
- Applications not duly signed by the sole;
- Applications by any persons outside India if not in compliance with applicable foreign and Indian laws;





- Applications that do not comply with the securities laws of their respective jurisdictions are liable to be rejected;
- Applications by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- Applications by persons who are not eligible to acquire Equity Shares of the Company in terms of all applicable laws, rules, regulations, guidelines, and approvals;
- Applications or revisions thereof by QIB Applicants, Non-Institutional Applicants where the Application Amount is in excess of Rs. 2,00,000, received after 5.00 pm on the Issue Closing Date;

#### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub section (1) of Section 68A of the Companies Act, which is reproduced below:

**"Any person who:**

- (a) Makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or**
- (b) Otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."**

#### **Signing of Underwriting Agreement**

Vide an Underwriting agreement dated December 10, 2012 this issue is 100% Underwritten.

#### **Filing of the Prospectus with the RoC**

The Company will file a copy of the Prospectus with the RoC in terms of Section 56 and Section 60 of the Companies Act.

#### **Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, the Company shall, after registering the Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in one widely circulated English language national daily newspaper; one widely circulated Hindi language national daily newspaper and one Marathi newspaper with wide circulation.

#### **Designated Date and Allotment of Equity Shares**

The Company will issue and dispatch letters of allotment/ securities certificates and/ or letters of regret along with refund order or credit the allotted securities to the respective beneficiary accounts, if any within a period of 12 days of the Issue Closing Date.

In case the Company issues Letters of allotment, the corresponding Security Certificates will be kept ready within three months from the date of allotment thereof or such extended time as may be approved by the Company Law Board under Section 113 of the Companies Act, 1956 or other applicable provisions, if any. Allottees are requested to preserve such Letters of Allotment, which would be exchanged later for the Security Certificates.

After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Applicants depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of Allotment.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ Allotted to them pursuant to this Issue.

Applicants to whom refunds are made through electronic transfer of funds will be sent a letter intimating them about the mode of credit of refund within 12 Working days days of closure of Issue.



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 Refund Banker and payable at par at places where applications are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Applicants.

#### **PAYMENT OF REFUND**

Applicants must note that on the basis of name of the Applicants, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Application Form, the Registrar will obtain, from the Depositories, the Applicants' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Applicants 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 dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Applicants' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the LM shall be liable to compensate the Applicants for any losses caused to the Applicant due to any such delay or liable to pay any interest for such delay.

#### **Mode of making refunds**

The payment of refund, if any, would be done through various modes as given hereunder:

- 1) **NECS** (*National Electronic Clearing System*) -. Payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available specified by the RBI. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code from the Depositories.
- 2) **Direct Credit** - Applicants having bank accounts with the Refund Banker(s), as mentioned in the Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
- 3) **RTGS** (*Real Time Gross Settlement*) - Applicants having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds Rs. 2.00 lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the application Form. In the event the same is not provided, refund shall be made through NECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- 4) **NEFT** (*National Electronic Fund Transfer*) - Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.
- 5) For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be through Speed Post/ Registered Post. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Applications are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Applicants.

#### *Mode of making refunds for ASBA Applicants*

In case of ASBA Applicants, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Application Amount specified in the Application Forms for withdrawn, rejected





or unsuccessful or partially successful ASBA Applications within 12 Working Days of the Issue Closing Date.

#### **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY**

The Company shall ensure the dispatch of Allotment advice, refund orders (except for Applicants who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchange within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working days from the Issue Closing Date. A suitable communication shall be sent to the Applicants receiving refunds through this mode within 12 Working days of Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at SME Platform of BSE where the Equity Shares are proposed to be listed are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI Regulations, the Company further undertakes that:

- 1) Allotment of Equity Shares shall be made within 12 (twelve) Working days of the Issue Closing Date;
- 2) Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 (fifteen) Working days of the Issue Closing Date would be ensured; and
- 3) The Company shall pay interest at 15% p.a. for any delay beyond the 12 (twelve) Working days time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/ or demat credits are not made to investors within the 15 (fifteen) Working days time.

#### **UNDERTAKINGS BY OUR COMPANY**

The Company undertakes the following:

- 1) That the complaints received in respect of this Issue shall be attended to by us expeditiously;
- 2) That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange where the Equity Shares are proposed to be listed within three working days of finalization of the basis of Allotment;
- 3) That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;
- 4) That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- 5) That the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time; and
- 6) That no further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Prospectus are listed or until the Application monies are refunded on account of non-listing, under subscription etc.
- 7) The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from the Stock Exchange where listing is sought has been received.



- 8) Adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the basis of allotment.

#### **UTILIZATION OF ISSUE PROCEEDS**

Our Board certifies that:

- 1) All monies received out of the Issue shall be credited/ transferred to a separate bank account other than the bank account referred to in sub section (3) of Section 73 of the Companies Act;
- 2) Details of all monies utilized out of the Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilized;
- 3) Details of all unutilized monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilized monies have been invested and
- 4) Our Company shall comply with the requirements of Clause 52 of the SME Listing Agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.

Our Company shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from the Stock Exchange where listing is sought has been received.

#### **WITHDRAWAL OF THE ISSUE**

Our Company, in consultation with the LM reserves the right not to proceed with the Issue at anytime, including after the Issue Closing Date but before the Board meeting for Allotment, without assigning any reason. Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchange, which the Company shall apply for after Allotment. In terms of the SEBI Regulations, QIB and Non-Institutional Applicants shall not be allowed to withdraw or lower the size of their Application at any stage.

#### **EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL**

To enable all shareholders of the Company to have their shareholding in electronic form, the Company had signed the following tripartite agreements with the Depositories and the Registrar and Share Transfer Agent:

- (a) Agreement dated December 4, 2012 between NSDL, the Company and the Registrar to the Issue;
- (b) Agreement dated November 20, 2012 between CDSL, the Company and the Registrar to the Issue;

The Company's shares bear an ISIN No. INE149O01018

- An Applicant 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 Application.
- The Applicant must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Application Form or Revision Form.
- Allotment to a successful Applicant will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Applicant.
- Names in the 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.
- If incomplete or incorrect details are given under the heading 'Applicants Depository Account Details' in the Application Form or Revision Form, it is liable to be rejected.
- The Applicant is responsible for the correctness of his or her Demographic Details given in the Application Form vis a vis those with his or her Depository Participant.
- Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchange where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.



## COMMUNICATIONS

All future communications in connection with Applications made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Applicant, Application Form number, Applicants Depository Account Details, number of Equity Shares applied for, date of Application form, name and address of the Banker to the Issue where the Application was submitted and cheque or draft number and issuing bank thereof and a copy of the acknowledgement slip.

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

## ISSUE PROCEDURE FOR ASBA (APPLICATION SUPPORTED BY BLOCKED ACCOUNT) APPLICANTS

**This section is for the information of investors proposing to subscribe to the Issue through the ASBA process. Our Company and the LM are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of this Draft Prospectus. ASBA Applicants are advised to make their independent investigations and to ensure that the ASBA Application Form is correctly filled up, as described in this section.**

The lists of banks that have been notified by SEBI to act as SCSB (Self Certified Syndicate Banks) for the ASBA Process are provided on <http://www.sebi.gov.in>. For details on designated branches of SCSB collecting the Application Form, please refer the above mentioned SEBI link.

### ASBA Process

A Resident Retail Individual Investor shall submit his Application through an Application Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Applicant or bank account utilized by the ASBA Applicant ("**ASBA Account**") is maintained. The SCSB shall block an amount equal to the Application Amount in the bank account specified in the ASBA

Application Form, physical or electronic, on the basis of an authorization to this effect given by the account holder at the time of submitting the Application.

The Application Amount shall remain blocked in the aforesaid ASBA Account until finalization of the Basis of Allotment in the Issue and consequent transfer of the Application Amount against the allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Application, as the case may be.

The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchange. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant bank accounts and for transferring the amount allocable to the successful ASBA Applicants to the ASBA Public Issue Account.

In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the LM.

ASBA Applicants are required to submit their Applications, either in physical or electronic mode. In case of application in physical mode, the ASBA Applicant shall submit the ASBA Application Form at the Designated Branch of the SCSB. In case of application in electronic form, the ASBA Applicant shall submit the Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for applying and blocking funds in the ASBA account held with SCSB, and accordingly registering such Applications.

### Who can apply?

In accordance with the SEBI (ICDR) Regulations, 2009 in public issues w.e.f. May 1, 2010 all the investors can apply through ASBA process and w.e.f. May 02, 2011, the Non-Institutional applicants and the QIB Applicants have to compulsorily apply through the ASBA Process.



### **Mode of Payment**

Upon submission of an Application Form with the SCSB, whether in physical or electronic mode, each ASBA Applicant shall be deemed to have agreed to block the entire Application Amount and authorized the Designated Branch of the SCSB to block the Application Amount, in the bank account maintained with the SCSB.

Application Amount paid in cash, by money order or by postal order or by stockinvest, or ASBA Application Form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.

After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Application Amount mentioned in the ASBA Application Form till the Designated Date.

On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Applicants from the respective ASBA Account, in terms of the SEBI Regulations, into the ASBA Public Issue Account. The balance amount, if any against the said Application in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Application Amount, as per the Application Form submitted by the respective ASBA Applicants, would be required to be blocked in the respective ASBA Accounts until finalization of the Basis of Allotment in the Issue and consequent transfer of the Application Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Application, as the case may be.

### **Unblocking of ASBA Account**

On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Applicant to the ASBA Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Application Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch of the SCSB regarding finalization of the Basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or rejection of the ASBA Application, as the case may be.



## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Foreign investment is allowed up to 100% under automatic route in our Company.

India's current Foreign Direct Investment ("FDI") Policy issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, GoI ("DIPP") by circular 1 of 2012, with effect from April 10, 2012 ("Circular 1 of 2012"), consolidates and supersedes all previous press notes, press releases and clarifications on FDI issued by the DIPP. The Government proposes to update the consolidated circular on FDI Policy once every Year and therefore, Circular 1 of 2012 will be valid until the DIPP issues an updated circular. (It is expected on April, 10, 2013 and effective from April 10, 2013).

FII's are permitted to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

The transfer of shares by an Indian resident to a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the Consolidated FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (ii) the non-resident shareholding is within the sectoral limits under the Consolidated FDI Policy; and (iii) the pricing is in accordance with the guidelines prescribed by SEBI/RBI. Further, in terms of the Consolidated FDI Policy, prior approval of the RBI shall not be required for transfer of shares between an Indian resident and person not resident in India if conditions specified in the Consolidated FDI Policy have been met. The transfer of shares of an Indian company by a person resident outside India to an Indian resident, where pricing guidelines specified by RBI under the foreign exchange regulations in India are not met, will not require approval of the RBI, provided that (i) the original and resultant investment is in line with Consolidated FDI policy and applicable foreign exchange regulations pertaining to inter alia sectoral caps and reporting requirements; (ii) the pricing is in compliance with applicable regulations or guidelines issued by SEBI; and (iii) a compliance certificate in this regard is obtained from chartered accountant and attached to the filings made before the authorised dealer bank.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Applications may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**The above information is given for the benefit of the Applicants. Our Company and the LM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Prospectus. Applicants are advised to make their independent investigations and ensure that the Applications are not in violation of laws or regulations applicable to them.**



## SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to the provisions of Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and other main provisions are as detailed below. Each provision herein below is numbered as per the corresponding article number in the Articles of Association and capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

### CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Title of Article	Article Number and contents
Share Capital	3. The authorized share capital of the Company is Rs. 4,00,00,000 (Rupees Four Crores Only) divided into 40,00,000 Equity Shares of Rs. 10/- each. The Company may from time to time by Ordinary Resolution increase its authorised share capital by such sum and to be divided into Shares of such amount as may be specified in the resolution.
Increase of capital by the Company how carried into effect	4. The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act
New Capital same as existing capital	5. Except so far as otherwise provided by the conditions of issue or by These Presents, any capital raised by the creation of new Shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.
Non Voting Shares	6. The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.
Redeemable Preference Shares	7. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption.
Voting rights of preference shares	8. The holder of Preference Shares shall have a right to vote only on Resolutions, which directly affect the rights attached to his Preference Shares.
Provisions to apply on issue of Redeemable Preference Shares	9. On the issue of redeemable preference shares under the provisions of Article 7 hereof, the following provisions shall take effect: (a) No such Shares shall be redeemed except out of profits of which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purpose of the redemption. (b) No such Shares shall be redeemed unless they are fully paid. (c) The premium, if any payable on redemption shall have been provided for out of the profits of the Company or out of the Company's security premium account, before the Shares are redeemed. (d) Where any such Shares are redeemed otherwise then out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account", a sum



<b>Title of Article</b>	<b>Article Number and contents</b>
	<p>equal to the nominal amount of the Shares redeemed, and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.</p> <p>(e) Subject to the provisions of Section 80 of the Act. The redemption of preference shares hereunder may be effected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.</p>
Reduction of capital	<p>10.</p> <p>The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce</p> <p>(a) the share capital;</p> <p>(b) any capital redemption reserve account; or</p> <p>(c) any security premium account.</p> <p>in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.</p>
Purchase of own Shares	<p>11.</p> <p>The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.</p>
Sub-division consolidation and cancellation of Shares	<p>12.</p> <p>Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.</p>

#### **MODIFICATION OF RIGHTS**

<b>Title of Article</b>	<b>Article Number and contents</b>
Modification of rights	<p>13.</p> <p>Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall mutatis mutandis apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted.</p> <p>The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking <i>pari passu</i> therewith.</p>

#### **SHARES, CERTIFICATES AND DEMATERIALISATION**

<b>Title of Article</b>	<b>Article Number and contents</b>
Restriction on allotment and return of allotment	<p>14.</p> <p>The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.</p>





Title of Article	Article Number and contents
Further issue of shares	<p>15.</p> <p>(1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares then:</p> <p>(a) Such further Shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid-up on those Shares at that date;</p> <p>(b) The offer aforesaid shall be made by a notice specifying the number of Shares offered and limiting a time not being less than fifteen days from the date of the offer and the offer, if not accepted, will be deemed to have been declined;</p> <p>(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;</p> <p>(d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.</p> <p>(2) Notwithstanding anything contained in sub-clause (1), the further Shares aforesaid may be offered to any person(s) (whether or not those persons include the persons referred to in clause (a) sub-clause (1) hereof) in any manner whatsoever.</p> <p>(a) If a Special Resolution to that effect is passed by the Company in General Meeting; or</p> <p>(b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that General Meeting (including the casting vote, if any, of the Chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.</p> <p>(3) Nothing in sub-clause (c) of (1) hereof shall be deemed;</p> <p>(a) To extend the time within which the offer should be accepted; or</p> <p>(b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.</p> <p>(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued by the Company:</p> <p>(i) To convert such debentures or loans into Shares in the Company; or</p> <p>(ii) To subscribe for Shares in the Company</p> <p>PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:</p> <p>(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the Rules, if any, made by that government in this behalf; and</p> <p>(b) In the case of debentures or loans or other than debentures issued to, or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in the General Meeting before the issue of the loans.</p>
Shares at the disposal of the Directors	<p>16.</p> <p>Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of</p>





Title of Article	Article Number and contents
	its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.
Power to offer Shares/options to acquire Shares	<p>16A</p> <p>(i) Without prejudice to the generality of the powers of the Board under Article 16 or in any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.</p> <p>(ii) In addition to the powers of the Board under Article 16A(i), the Board may also allot the Shares referred to in Article 16A(i) to any trust, whose principal objects would inter alia include further transferring such Shares to the Company's employees [including by way of options, as referred to in Article 16A(i)] in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit.</p> <p>(iii) The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 16A(i) and (ii) above.</p>
Application of premium received on Shares	<p>17.</p> <p>(1) where the Company issues Shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these Shares shall be transferred to an account, to be called "the security premium account" and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided in this Article, apply as if the security premium account were paid up share capital of the Company.</p> <p>(2) The security premium account may, notwithstanding anything in clause (1) thereof be applied by the Company:</p> <p>(a) In paying up unissued Shares of the Company, to be issued to the Members of the Company as fully paid bonus;</p> <p>(b) In writing off the preliminary expenses of the Company;</p> <p>(c) In writing off the expenses of or the commission paid or discount allowed or any issue of Shares or debentures of the Company ; or</p> <p>(d) In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.</p>
Power also to Company in General Meeting to issue Shares	<p>18.</p> <p>In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a Member or not) the option or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.</p>



Title of Article	Article Number and contents
Power of General Meeting to authorize Board to offer Shares/Options to employees	<p>18A</p> <p>(i) Without prejudice to the generality of the powers of the General Meeting under Article 18 or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified thereunder and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted/granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/ other writing, as may be set out before it, for the aforesaid purpose</p> <p>(ii) In addition to the powers contained in Article 18A(i), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.</p>
Shares at a discount	<p>19.</p> <p>The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely:</p> <p>(a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board;</p> <p>(b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and</p> <p>(c) The Shares to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.</p>
Installments of Shares to be duly paid	<p>20.</p> <p>If by the conditions of any allotment of any Shares the whole or any part of the amount or issued price thereof shall, be payable by installments, every such installment shall when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the Shares or his legal representatives, and shall for the purposes of these Articles be deemed to be payable on the date fixed for payment and in case of non-payment the provisions of these Articles as to payment of interest and expenses forfeiture and like and all the other relevant provisions of the Articles shall apply as if such installments were a call duly made notified as hereby provided.</p>
The Board may issue Shares as fully paid-up	<p>21.</p> <p>Subject to the provisions of the Act and these Articles, the Board may allot and issue Shares in the Capital of the Company as payment for any property purchased or acquired or for services rendered to the Company in the conduct of its business or in satisfaction of any other lawful consideration. Shares which may be so issued may be issued as fully paid-up or partly paid up Shares.</p>
Acceptance of Shares	<p>22.</p> <p>Any application signed by or on behalf of an applicant for Share(s) in the Company, followed by an allotment of any Share therein, shall be an acceptance of Share(s) within the meaning of these Articles, and every person who thus or otherwise accepts any Shares and whose name is therefore placed on the Register of Members shall for the purpose of this Article, be a Member.</p>
Deposit and call etc., to be debt payable	<p>23.</p> <p>The money, if any which the Board of Directors shall on the allotment of any Shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the inscription of the name of the allottee in the Register of Members as the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.</p>
Liability of Members	<p>24.</p> <p>Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital</p>



Title of Article	Article Number and contents
	represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.
Dematerialisation of securities	<p>25.(A)</p> <p>Definitions</p> <p><b>Beneficial Owner</b> “Beneficial Owner” means a person whose name is recorded as such with a Depository.</p> <p><b>SEBI</b> “SEBI” means the Securities and Exchange Board of India.</p> <p><b>Bye-Laws</b> “Bye-Laws” mean bye-laws made by a depository under Section 26 of the Depositories Act, 1996;</p> <p><b>Depositories Act</b> “Depositories Act” means the Depositories Act, 1996 including any statutory modifications or re-enactment thereof for the time being in force;</p> <p><b>Depository</b> “Depository” means 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;</p> <p><b>Record</b> “Record” includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the regulations made by SEBI;</p> <p><b>Regulations</b> “Regulations” mean the regulations made by SEBI;</p> <p><b>Security</b> “Security” means such security as may be specified by SEBI.</p>
Dematerialisation of securities	<p>25.(B)</p> <p>Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialised form, the Company shall enter into an agreement with the depository to enable the investor to dematerialise the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.</p>
Options to receive security certificates or hold securities with depository	<p>25.(C)</p> <p>Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository.</p> <p>Where a person opts to hold a Security with a depository, the Company shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.</p>
Securities in depositories to be in fungible form	<p>25.(D)</p> <p>All Securities held by a Depository shall be dematerialised and shall be in a fungible form; nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.</p>
Rights of depositories and beneficial owners	<p>25.(E)</p> <p>(1) Notwithstanding anything to the contrary contained in the Articles, a Depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner;</p> <p>(2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it;</p> <p>(3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.</p>
Depository To Furnish Information	<p>25.(F)</p> <p>Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.</p>



Title of Article	Article Number and contents
Service of documents	25.(G) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronics mode or by delivery of floppies or discs.
Option to opt out in respect of any security	25.(H) If a Beneficial Owner seeks to opt out of a Depository in respect of any Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.
Sections 83 and 108 of the Act not to apply	25.(I) Notwithstanding anything to the contrary contained in the Articles, (1) Section 83 of the Act shall not apply to the Shares held with a Depository; (2) Section 108 of the Act shall not apply to transfer of Security effected by the transferor and the transferee both of whom are entered as Beneficial Owners in the Records of a Depository.
Share certificate	26. (a) Every Member or allottee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name. (b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of any Share which may be the subject of joint ownership may be delivered to any one of such joint owners, on behalf of all of them.
Limitation of time for issue of certificates	26A. Every Member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be. Every certificate of Shares shall be under the seal of the company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one or several joint holders shall be a sufficient delivery to all such holder.
Renewal of share certificates	27. No certificate of any Share or Shares shall be issued either in exchange for those, which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the pages on the reverse for recording transfer have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company. PROVIDED THAT no fee shall be charged for issue of new certificate in replacement of those which are old, decrepit or worn out or where the pages on the reverse for recording transfer have been fully utilized.
Issue of new certificate in place of one defaced, lost or destroyed	28. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new Certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back



Title of Article	Article Number and contents
	<p>thereof for endorsement of transfer.            Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulations or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.            The provision of this Article shall mutatis mutandis apply to Debentures of the Company.</p>
The first name joint holder deemed sole holder	<p>29.            If any Share(s) stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with Company except voting at Meetings and the transfer of the Shares be deemed the sole holder thereof but the joint holders of a Share shall severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles.</p>
Issue of Shares without Voting Rights	<p>30.            In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such share upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.</p>
Buy-Back of Shares and Securities	<p>31.            Notwithstanding anything contained in these articles, in the event it is permitted by law for a company to purchase its own shares or securities, the Board of Directors may, when and if thought fit, buy back, such of the Company's own shares or securities as it may think necessary, subject to such limits, upon such terms and conditions, and subject to such approvals, provision of section 77 and SEBI (Buy back of Shares) Regulations as may be permitted by law.</p>
Employees Stock Options Scheme/ Plan	<p>32.            The Directors shall have the power to offer , issue and allot Equity Shares in or Debentures (Whether fully/ partly convertible or not into Equity Shares) of the Company with or without Equity Warrants to such of the Officers, Employees, Workers of the Company or of its Subsidiary and / or Associate Companies or Managing and Whole Time Directors of the Company (hereinafter in this Article collectively referred to as "the Employees") as may be selected by them or by the trustees of such trust as may be set up for the benefit of the Employees in accordance with the terms and conditions of the Scheme, trust, plan or proposal that may be formulated , created, instituted or set up by the Board of Directors or the Committee thereof in that behalf on such terms and conditions as the Board may in its discretion deem fit.</p>
Sweat Equity	<p>33.            Subject to the provisions of the Act (including any statutory modification or re-enactment thereof, for the time being in force), shares of the Company may be issued at a discount or for consideration other than cash to Directors or employees who provide know-how to the Company or create an intellectual property right or other value addition.</p>
Postal Ballot	<p>34.            The Company may pass such resolution by postal ballot in the manner prescribed by Section 192A of the Act and such other applicable provisions of the Act and any future amendments or re-enactment thereof. Notwithstanding anything contained in the provisions of the Act, the Company shall in the case of a resolution relating to such business, as the Central Government may, by notification, declare to be conducted only by postal ballot, get such resolution passed by means of postal ballot instead of transacting such business in a general meeting of the Company.</p>
Company not bound to recognize any interest in Shares other than of registered holder	<p>35.            Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise, even when having notice thereof any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.</p>
Trust recognised	<p>36.            (a) Except as ordered, by a Court of competent jurisdiction or as by law required, the</p>





Title of Article	Article Number and contents
	<p>Company shall not be bound to recognise, even when having notice thereof, any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.</p> <p>(b) Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.</p>
<p>Declaration by person not holding beneficial interest in any Shares</p>	<p>37.</p> <p>(1) Notwithstanding anything herein contained a person whose name is at any time entered in Register of Member of the Company as the holder of a Share in the Company, but who does not hold the beneficial interest in such Shares, shall, if so required by the Act within such time and in such forms as may be prescribed, make declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such Share in the manner provided in the Act</p> <p>2) A person who holds a beneficial interest in a Share or a class of Shares of the Company, shall if so required by the Act, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person in whose name the Shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in the Act</p> <p>(3) Whenever there is a change in the beneficial interest in a Share referred to above, the beneficial owner shall, of so required by the Act, within the time prescribed, from the date of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed in the Act</p> <p>(4) Not withstanding anything contained in the Act and Articles 35 and 36 hereof, where any declaration referred to above is made to the Company, the Company shall, if so required by the Act, make a note of such declaration in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Registrar with regard to such declaration.</p>
<p>Funds of Company not to be applied in purchase of Shares of the Company</p>	<p>38.</p> <p>No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own Shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.</p>

#### UNDERWRITING AND BROKERAGE

Title of Article	Article Number and contents
<p>Commission may be paid</p>	<p>39.</p> <p>Subject to the provisions of Section 76 of the Act, the Company may at anytime pay commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares in or debentures of the Company but so that the commission shall not exceed in the case of the Shares five percent of the price at which the Shares are issued and in the case of debentures two and half percent of the price at which the debenture are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid Shares or debentures as the case may be or partly in one way and partly in the other.</p>
<p>Brokerage</p>	<p>40.</p> <p>The Company may on any issue of Shares or Debentures or on deposits pay such brokerage as may be reasonable and lawful.</p>
<p>Commission to be included in the annual return</p>	<p>41.</p> <p>Where the Company has paid any sum by way of commission in respect of any Shares or Debentures or allowed any sums by way of discount in respect to any Shares or Debentures, such statement thereof shall be made in the annual return as required by Part I of Schedule V</p>



Title of Article	Article Number and contents
	to the Act.

#### INTEREST OUT OF CAPITAL

Title of Article	Article Number and contents
Interest out of capital	42. Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.

#### DEBENTURES

Title of Article	Article Number and contents
Debentures with voting rights not to be issued	43. (a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business. (b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act. (c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act. (d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act. (e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance. (f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debentures-stock have completed and ready for delivery the certificate of all debenture-stock allotted or transferred. (g) The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of debenture Trust Deed and inspection thereof. (h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.

#### CALLS

Title of Article	Article Number and contents
Directors may make calls	44. (a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call. (b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
Notice of call when to be given	45. Not less than fourteen days notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.



<b>Title of Article</b>	<b>Article Number and contents</b>
Call deemed to have been made	46. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board of Directors and may be made payable by the Members of such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.
Directors may extend time	47. The Board of Directors may, from time to time at its discretion, extend the time fixed for the payment of any call and may extend such time to call or any of the Members, the Board of Directors may deem fairly entitled to such extension but no Member shall be entitled to such extension as of right except as a matter of grace and favour.
Amount payable at fixed time or by installments to be treated as calls	48. If by the terms of issue of any Share or otherwise any amount is made payable at any fixed time or by installments at fixed time (whether on account of the amount of the Share or by way of premium) every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or installment accordingly.
When interest on call or installment payable	49. If the sum payable in respect of any call or installment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.
Evidence in action by Company against share holder	50. On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.
Payment in anticipation of calls may carry interest	51. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.  The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.  The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures of the Company.

#### LIEN

<b>Title of Article</b>	<b>Article Number and contents</b>
Partial payment not to preclude forfeiture	52. Neither the receipt by the Company of a portion of any money which shall, from time to





<b>Title of Article</b>	<b>Article Number and contents</b>
	time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.
Company's lien on Shares/ Debentures	53. The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares/ Debentures and no equitable interest in any Share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures; Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares/ Debentures. The Directors may at any time declare any Shares/ Debentures wholly or in part exempt from the provisions of this Article.
As to enforcing lien by sale	54. The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made:- (a) Unless a sum in respect of which the lien exists is presently payable; or (b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is /presently payable has been given to the registered holder for the time being of the Share or the person entitled thereto by reason of his death or insolvency. For the purpose of such sale the Board may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their members to execute a transfer there from behalf of and in the name of such Members (c) The purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity, or invalidity in the proceedings in reference to the sale.
Application of proceeds of sale	55. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and (b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

#### **FORFEITURE OF SHARES**

<b>Title of Article</b>	<b>Article Number and contents</b>
If money payable on Shares not paid notice to be given	56. If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
Sum payable on allotment to be deemed a call	57. For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.
Form of notice	58. The notice shall name a day, (not being less than fourteen days from the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call



Title of Article	Article Number and contents
	was made or installment is payable will be liable to be forfeited.
In default of payment Shares to be forfeited	59. If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.
Notice of forfeiture to a Member	60. When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.
Forfeited Shares to be the property of the Company and may be sold etc.	61. Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.
Member still liable for money owing at the time of forfeiture and interest	62. Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.
Effects of forfeiture	63. The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the Share and all other rights incidental to the Share, except only such of those rights as by these Articles are expressly saved.
Power to annul forfeiture	64. The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.
Declaration of forfeiture	65 (a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company, and that Share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.  (b) The Company may receive the consideration, if any, given for the Share on any sale, re-allotment or other disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off.  (c) The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share.  (d) Any such purchaser or allottee shall not (unless by express agreement) be liable to pay calls, amounts, installments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment.  (e) Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale re-allotment or other disposal of the Shares.



<b>Title of Article</b>	<b>Article Number and contents</b>
Provisions of these articles as to forfeiture to apply in case of nonpayment of any sum.	66. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
Cancellation of shares certificates in respect of forfeited Shares	67. Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto.
Evidence of forfeiture	68. The declaration as mentioned in Article 65(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.
Validity of sale	69. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
Surrender of Shares	70. The Directors may subject to the provisions of the Act, accept a surrender or any share from any Member desirous of surrendering on such terms and conditions as they think fit.

#### **TRANSFER AND TRANSMISSION OF SHARES**

<b>Title of Article</b>	<b>Article Number and contents</b>
No transfers to minors etc.	71. No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.
Instrument of transfer	72. The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.
Application for transfer	73. (a) An application for registration of a transfer of the Shares in the Company may be either by the transferor or the transferee. (b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice (c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.
Execution of transfer	74. The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.
Transfer by legal representatives	75. A transfer of Share in the Company of a deceased Member thereof made by his legal



Title of Article	Article Number and contents
	representative shall although the legal representative is not himself a Member be as valid as if he had been a Member at the time of the execution of the instrument of transfer.
Register of Members etc when closed	76. The Board of Directors shall have power on giving not less than seven days pervious notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.
Directors may refuse to register transfer	77. Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in or Debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused person or persons indebted to the Company on any account whatsoever except where the Company has a lien on Shares.
Death of one or more joint holders of Shares	78. In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title or interest in such Share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on Shares held by him with any other person.
Titles of Shares of deceased Member	79. The Executors or Administrators of a deceased Member or holders of a Succession Certificate or the Legal Representatives in respect of the Shares of a deceased Member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the Shares registered in the name of such Members, and the Company shall not be bound to recognize such Executors or Administrators or holders of Succession Certificate or the Legal Representative unless such Executors or Administrators or Legal Representative shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks it, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register Shares standing in the name of a deceased Member, as a Member. However, provisions of this Article are subject to Sections 109A and 109B of the Companies Act.
Notice of application when to be given	80. Where, in case of partly paid Shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.
Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)	81. Subject to the provisions of the Act and Article 78 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the



<b>Title of Article</b>	<b>Article Number and contents</b>
	“Transmission Clause”.
Refusal to register nominee	82. Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.
Person entitled may receive dividend without being registered as a Member	83. A person entitled to a Share by transmission shall subject to the right of the Directors to retain dividends or money as is herein provided, be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the Share.
No fee on transfer or transmissions	84. No fee shall be charged for registration of transfer, transmission, Probate, Succession Certificate & Letters of Administration, Certificate of Death or Marriage, Power of Attorney or other similar document.
Transfer to be presented with evidence of title	85. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and generally under and subject to such conditions and regulations as the Board may, from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.
Company not liable for disregard of a notice prohibiting registration of transfer	86. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

#### SHARE WARRANTS

<b>Title of Article</b>	<b>Article Number and contents</b>
Power to issue share warrants	87. The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.
Deposit of share warrants	88. (a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant (b) Not more than one person shall be recognized as depositor of the Share warrant (c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor
Privileges and disabilities of the holders of share	89. (a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall sign a requisition for calling a meeting of the Company or attend or vote or



<b>Title of Article</b>	<b>Article Number and contents</b>
warrant	exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company. (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.
Issue of new share warrant coupons	90. The Board may, from time to time, make bye-laws as to terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

#### CONVERSION OF SHARES INTO STOCK AND RECONVERSION

<b>Title of Article</b>	<b>Article Number and contents</b>
Share may be converted into stock	91. The Company may, by Ordinary Resolution: (a) Convert any fully paid up Share into stock, and reconvert any stock into fully paid-up Shares.
Transfer of stock	92. The several holders of such stock may transfer there respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might before the conversion, have been transferred, or as near thereto as circumstances admit. PROVIDED THAT the Board may, form time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which stock arose.
Right of stock holders	93. The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held them Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred those privileges or advantages.
Regulation applicable to stock and share warrant	94. Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.

#### BORROWING POWERS

<b>Title of Article</b>	<b>Article Number and contents</b>
Power to borrow	95. Subject to the provisions of Sections 58A, 292 and 370 of the Act and these Articles, the Board of Directors may, from time to time at its discretion by a resolution passed at a meeting of the Board, borrow, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow or secure the payment of any such sum or sums of money for the purposes of the Company from any source. PROVIDED THAT, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board of Directors shall not borrow such money without the sanction of the Company in General Meeting. No debts incurred by the Company in excess of the limit imposed by this Article shall be valid or effectual unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by this Article had been exceeded.
The payment or repayment of moneys borrowed	96. The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon : such terms and conditions in all respects as the Board of Directors may think fit, and in particular in pursuance of a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of bonds, debentures or debentures stock of the Company,





<b>Title of Article</b>	<b>Article Number and contents</b>
	charged upon all or any part of the property of the Company, (both present and future), including its un-called capital for the time being and the debentures and the debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
Bonds, Debentures, etc. to be subject to control of Directors	97. Any bonds, debentures, debenture-stock or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and condition and in such manner and for such consideration as they shall consider to be for the benefit of the Company.
Terms of issue of Debentures	98. Any Debentures, Debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise; However, Debentures with the right to conversion into or allotment of Shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
Mortgage of uncalled capital	99. If any uncalled capital of the Company is included in or charged by mortgage or other security, the Directors may, subject to the provisions of the Act and these Articles, make calls on the Members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security has been executed.

#### MEETING OF MEMBERS

<b>Title of Article</b>	<b>Article Number and contents</b>
Statutory meeting	100. The statutory meeting shall be held in accordance with the provisions of Section 165 of the Act within a period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business.
Annual General Meeting	101. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other Meeting in that year. All General Meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Register under the provisions of Section 166 (1) of the Act to extend the time with which any Annual General Meeting may be held. Every Annual General Meeting shall be called at a time during business hours, on a day that is not a public holiday, and shall be held at the office of the Company or at some other place within the city in which the Registered Office of the Company is situated as the Board may determine and the notices calling the Meeting shall specify as the Annual General Meeting. Then company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting. Every Member of the Company shall be entitled to attend, either in person or by proxy and the Auditors of the Company, shall have the right to attend and be heard at any General Meeting which he attends on any part of the business which concerns him as an Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Director's Report and audited statement of accounts, the Proxy Register with proxies and the Register of Director's Shareholding, which Registers shall remain open and accessible during the continuance of the Meeting. The Board shall cause to be prepared the annual list of Members, summary of share capital, balance sheet and profit and loss account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.
Report statement and registers to be laid before the Annual General Meeting	102. The Company shall in every Annual General Meeting in addition to any other Report or Statement lay on the table the Director's Report and audited statement of accounts, Auditor's Report (if not already incorporated in the audited statement of accounts), the Proxy Register with proxies and the Register of Director's Shareholdings, which Registers shall



Title of Article	Article Number and contents
	remain open and accessible during the continuance of the Meeting.
Extra-Ordinary General Meeting	103. All General Meeting other than Annual General Meeting shall be called Extra-Ordinary General Meeting.
Requisitionists' meeting	104. (1) Subject to the provisions of Section 188 of the Act, the Directors shall on the requisition in writing of such number of Members as is hereinafter specified and (unless the General Meeting otherwise resolves) at the expense of the requisitionists:- (a) Give to the Members of the Company entitled to receive notice of the next Annual General Meeting, notice of any resolution which may properly be moved and is intended to be moved at that meeting. (b) Circulate to the Members entitled to have notice of any General Meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or any business to be dealt with at that Meeting. (2) The number of Members necessary for a requisition under clause (1) hereof shall be (a) Such number of Members as represent not less than one-twentieth of the total voting power of all the Members having at the date of the resolution a right to vote on the resolution or business to which the requisition relates; or (b) not less than one hundred Members having the rights aforesaid and holding Shares in the Company on which there has been paid up an aggregate sum of not less than Rupees one lac in all. (3) Notice of any such resolution shall be given and any such statement shall be circulated, to Members of the Company entitled to have notice of the Meeting sent to them by serving a copy of the resolution or statement to each Member in any manner permitted by the Act for service of notice of the Meeting and notice of any such resolution shall be given to any other Member of the Company by giving notice of the general effect of the resolution in any manner permitted by the Act for giving him notice of meeting of the Company. The copy of the resolution shall be served, or notice of the effect of the resolution shall be given, as the case may be in the same manner, and so far as practicable, at the same time as notice of the Meeting and where it is not practicable for it to be served or given at the time it shall be served or given as soon as practicable thereafter. (4) The Company shall not be bound under this Article to give notice of any resolution or to circulate any statement unless: (a) A copy of the requisition signed by, the requisitionists (or two or more copies which between them contain the signature of all the requisitionists) is deposited at the Registered Office of the Company. (i) In the case of a requisition, requiring notice of resolution, not less than six weeks before the Meeting. (ii) the case of any other requisition, not less than two weeks before the Meeting, and (b) There is deposited or tendered with the requisition sum reasonably sufficient to meet the Company expenses in giving effect thereto. PROVIDED THAT if after a copy of the requisition requiring notice of a resolution has been deposited at the Registered Office of the Company, and an Annual General Meeting is called for a date six weeks or less after such copy has been deposited, the copy although not deposited within the time required by this clause, shall be deemed to have been properly deposited for the purposes also thereof. (5) The Company shall also not be bound under this Article to circulate any statement, if on the application either of the Company or of any other person who claims to be aggrieved, the Court is satisfied that the rights conferred by this Article are being abused to secure needless publicity for defamatory matter. (6) Notwithstanding anything in these Articles, the business which may be dealt with at Annual General Meeting shall include any resolution for which notice is given in accordance with this Article, and for the purposes of this clause, notice shall be deemed to have been so given, notwithstanding the accidental omission in giving it to one or more Members.
Extra-Ordinary General Meeting by Board and by requisition	105. (a) The Directors may, whenever they think fit, convene an Extra-Ordinary General Meeting and they shall on requisition of the Members as herein provided, forthwith proceed to convene Extra-Ordinary General Meeting of the Company.





Title of Article	Article Number and contents
When a Director or any two Members may call an Extra-Ordinary General Meeting	<p>(b) If at any time there are not within India sufficient Directors capable of acting to form a quorum, or if the number of Directors be reduced in number to less than the minimum number of Directors prescribed by these Articles and the continuing Directors fail or neglect to increase the number of Directors to that number or to convene a General Meeting, any Director or any two or more Members of the Company holding not less than one-tenth of the total paid up share capital of the Company may call for an Extra-Ordinary General Meeting in the same manner as nearly as possible as that in which meeting may be called by the Directors.</p>
Contents of requisition, and number of requisitionists required and the conduct of Meeting	<p>106.</p> <p>(1) In case of requisition the following provisions shall have effect:</p> <p>(a) The requisition shall set out the matter for the purpose of which the Meeting is to be called and shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company.</p> <p>(b) The requisition may consist of several documents in like form each signed by one or more requisitionists.</p> <p>(c) The number of Members entitled to requisition a Meeting in regard to any matter shall be such number as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up share capital of the Company as that date carried the right of voting in regard to that matter.</p> <p>(d) Where two or more distinct matters are specified in the requisition, the provisions of sub-clause (3) shall apply separately in regard to such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the conditions specified in that clause are fulfilled.</p> <p>(e) If the Board does not within twenty-one days from the date of the deposit of a valid requisition in regard to any matters, proceed, duly to call a Meeting for the consideration of those matters on a day not later than forty-five days from the date of the deposit of the requisition, the Meeting may be called:</p> <p>(i) By the requisitionists themselves ; or</p> <p>(ii) by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one tenth of the paid-up share capital of the Company as is referred to in sub clauses (c) of clause (1) which ever is less. PROVIDED THAT for the purpose of this sub-clause, the Board shall, in the case of a Meeting at which a resolution is to be proposed as a Special Resolution, be deemed not to have duly convened the Meeting if they do not give such notice thereof as is required by sub-section (2) of Section 189 of the Act.</p> <p>(2) A meeting called under sub-clause (c) of clause (1) by requisitionists or any of them:</p> <p>(a) shall be called in the same manner as, nearly as possible, as that in which meeting is to be called by the Board; but</p> <p>(b) shall not be held after the expiration of three months from the date of deposit of the requisition. PROVIDED THAT nothing in sub-clause (b) shall be deemed to prevent a Meeting duly commenced before the expiry of the period of three months aforesaid, from adjourning to some days after the expiry of that period.</p> <p>(3) Where two or more Persons hold any Shares in the Company jointly; a requisition or a notice calling a Meeting signed by one or some only of them shall, for the purpose of this Article, have the same force and effect as if it has been signed by all of them.</p> <p>(4) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to duly to call a Meeting shall be repaid to the requisitionists by the Company; and any sum repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.</p>
Length of notice of Meeting	<p>107.</p> <p>(1) A General Meeting of the Company may be called by giving not less than twenty-one days notice in writing.</p> <p>(2) A General Meeting may be called after giving shorter notice than that specified in clause (1) hereof, if consent is accorded thereto:</p> <p>(i) In the case of Annual General Meeting by all the Members entitled to vote thereat; and</p> <p>(ii) In the case of any other Meeting, by Members of the Company holding not less than ninety-five percent of such part of the paid up share capital of the Company as gives a right</p>



Title of Article	Article Number and contents
	<p>to vote at the Meeting.            PROVIDED THAT where any Members of the Company are entitled to vote only on some resolution, or resolutions to be moved at a Meeting and not on the others, those Members shall be taken into account for the purposes of this clause in respect of the former resolutions and not in respect of the later.</p>
Contents and manner of service of notice	<p>108            (1) Every notice of a Meeting of the Company shall specify the place and the day and hour of the Meeting and shall contain a statement of the business to be transacted thereat.            (2) Subject to the provisions of the Act notice of every General Meeting shall be given;            (a) to every Member of the Company, in any manner authorised by sub-sections (1) to (4) Section 53 of the Act;            (b) to the persons entitled to a Share in consequence of the death, or insolvency of a Member, by sending it through post in a prepaid letter addressed to them by name or by the title of representative of the deceased, or assignees of the insolvent, or by like description, at the address, if any in India supplied for the purpose by the persons claiming to be so entitled or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and            (c) to the Auditor or Auditors for the time being of the Company in any manner authorised by Section 53 of the Act in the case of Members of the Company.            PROVIDED THAT, where the notice of a Meeting is given by advertising the same in a newspaper circulating in the neighborhood of Registered Office of the Company under sub-section (3) of Section 53 of the Act, the statement of material facts referred to in Section 173 of the Act need not be annexed to the notice as required by that Section, but it shall be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.            (3) Every notice convening a Meeting of the Company shall state with reasonable prominence that a Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself and that a proxy need not be a Member of the Company.</p>
Special and ordinary business and explanatory statement	<p>109.            (1)(a) In the case of an Annual General Meeting all business to be transacted at the Meeting shall be deemed special, with the exception of business relating to            (i) the consideration of the accounts, balance sheet the reports of the Board of Directors and Auditors;            (ii) the declaration of dividend;            (iii) the appointment of Directors in the place, of those retiring; and            (iv) the appointment of, and the fixing of the remuneration of the Auditors, and            (b) In the case of any other meeting, all business shall be deemed special            (2) Where any items of business to be transacted at the Meeting of the Company are deemed to be special as aforesaid, there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item, of business, including in particular the nature of the concern or interest, if any, therein of every Director.            PROVIDED THAT, where any such item of special business at the Meeting of the Company relates to or affects, any other company, the extent of shareholding interest in that other company of every Director of the Company shall also be set out in the statement, if the extent of such shareholding interest is not less than twenty percent of the paid up-share capital of the other company.            (3) Where any item of business consists of the according of approval to any document by the Meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.</p>
Omission to give notice not to invalidate proceedings	<p>110.            The accidental omission to give such notice as aforesaid to or non-receipt thereof by, any Member or other person to whom it should be given, shall not invalidate the proceedings of any such Meeting.</p>

#### MEETING OF MEMBERS

Title of Article	Article Number and contents
Notice of business to	111.



Title of Article	Article Number and contents
be given	No General Meeting, Annual or Extra-Ordinary shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices convening the Meeting.
Quorum	112. Five Members entitled to vote and present in person shall be quorum for General Meeting and no business shall be transacted at the General Meeting unless the quorum requisite is present at the commencement of the Meeting. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a Member of the Company shall be deemed to be personally present if it is presented in accordance with Section 187 of the Act.
If quorum not present when Meeting to be dissolved and when to be adjourned	113. If within half an hour from the time appointed for holding a Meeting of the Company, a quorum is not present, the Meeting, if called by or upon the requisition of the Members shall stand dissolved and in any other case the Meeting shall stand, adjourned to the same day in the next week or if that day is a public holiday until the next succeeding day which is not a public holiday, at the same time and place or to such other day and at such other time and place as the Board may determine. If at the adjournment meeting also, a quorum is not present within half an hour from the time appointed for holding the Meeting, the Members present shall be a quorum and may transact the business for which the Meeting was called.
Resolution passed at adjourned Meeting	114. Where a resolution is passed at an adjourned Meeting of the Company, the resolution for all purposes is treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.
Chairman of General Meeting.	115. At every General Meeting the Chair shall be taken by the Chairman of the Board of Directors. If at any Meeting, the Chairman of the Board of Directors is not present within ten minutes after the time appointed for holding the Meeting or though present, is unwilling to act as Chairman, the Vice Chairman of the Board of Directors would act as Chairman of the Meeting and if Vice Chairman of the Board of Directors is not present or, though present, is unwilling to act as Chairman, the Directors present may choose one of themselves to be a Chairman, and in default or their doing so or if no Directors shall be present and willing to take the Chair, then the Members present shall choose one of themselves, being a Member entitled to vote, to be Chairman.
Act for resolution sufficiently done or passed by Ordinary Resolution unless otherwise required.	115(A) Any act or resolution which, under the provisions of these Articles or of the Act, is permitted or required to be done or passed by the Company in General Meeting shall be sufficiently done so or passed if effected by an Ordinary Resolution unless either the Act or the Articles specifically require such act to be done or resolution be passed by a Special Resolution.
Business confined to election of Chairman whilst the Chair is vacant	116. No business shall be discussed at any General Meeting except the election of a Chairman whilst the Chair is vacant.
Chairman may adjourn Meeting	117. (a) The Chairman may with the consent of Meeting at which a quorum is present and shall if so directed by the Meeting adjourn the Meeting from time to time and from place to place. (b) No business shall be transacted at any adjourned Meeting other than the business left unfinished at the Meeting from which the adjournment took place. (c) When a Meeting is adjourned for thirty days or more notice of the adjourned Meeting shall be given as in the case of an original Meeting. (d) Save as aforesaid, it shall not be necessary to give any notice of an adjournment of or of the business to be transacted at any adjourned Meeting.
How questions are decided at Meetings	118. Every question submitted to a General Meeting shall be decided in the first instance by a show of hands unless the poll is demanded as provided in these Articles.
Chairman's declaration of result of voting on show of	119. A declaration by the Chairman of the Meeting that on a show of hands, a resolution has or has not been carried either unanimously or by a particular majority, and an entry to that



<b>Title of Article</b>	<b>Article Number and contents</b>
hands	effect in the book containing the minutes of the proceeding of the Company's General Meeting shall be conclusive evidence of the fact, without proof of the number or proportion of votes cast in favour of or against such resolution.
Demand of poll	120. Before or on the declaration of the result of the voting on any resolution on a show of hands a poll may be ordered to be taken by the Chairman of the Meeting on his own motion and shall be ordered to be taken by him on a demand made in that behalf by any Member or Members present in person or by proxy and holding Shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up. The demand for a poll may be withdrawn at any time by the Person or Persons who made the demand.
Time of taking poll	121. A poll demanded on a question of adjournment or election of a Chairman shall be taken forthwith. A poll demanded on any other question shall be taken at such time not being later than forty-eight hours from the time when the demand was made and in such manner and place as the Chairman of the Meeting may direct and the result of the poll shall be deemed to be the decision of the Meeting on the resolution on which the poll was taken.
Chairman's casting vote	122. In the case of equality of votes the Chairman shall both on a show of hands and on a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.
Appointment of scrutineers	123. Where a poll is to be taken, the Chairman of the Meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting, provided such a Member is available and willing to be appointed. The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and fill vacancies in the office of the scrutineer arising from such removal or from any other cause.
Demand for poll not to prevent transaction of other business	124. The demand for a poll shall not prevent transaction of other business (except on the question of the election of the Chairman and of an adjournment) other than the question on which the poll has been demanded.
Special notice	125. Where by any provision contained in the Act or in these Articles, special notice is required for any resolution notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the Meeting at which it is to be moved, exclusive of the day which the notice is served or deemed to be served on the day of the Meeting. The Company shall immediately after the notice of the intention to move any such resolution has been received by it, give its Members notice of the resolution in the same manner as it gives notice of the Meeting, or if that is not practicable shall give them notice thereof, either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents not less than seven days before the Meeting.

#### VOTES OF MEMBERS

<b>Title of Article</b>	<b>Article Number and contents</b>
Member paying money in advance not to be entitled to vote in respect thereof	126. A Member paying the whole or a part of the amount remaining unpaid on any Share held by him although no part of that amount has been called up, shall not be entitled to any voting rights in respect of moneys so paid by him until the same would but for such payment become presently payable.
Restriction on exercise of voting rights of Members who have not paid calls	127. No Member shall exercise any voting rights in respect of any Shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.
Number of votes to	128.



Title of Article	Article Number and contents
which Member entitled	Subject to the provisions of Article 126, every Member of the Company holding any equity share capital and otherwise entitled to vote shall, on a show of hands when present in person (or being a body corporate present by a representative duly authorised) have one vote and on a poll, when present in person (including a body corporate by a duly authorised representative), or by an agent duly authorised under a Power of Attorney or by proxy, his voting right shall be in proportion to his share of the paid-up equity share capital of the Company. Provided however, if any preference shareholder is present at any meeting of the Company, (save as provided in clause (b) of sub-section (2) of Section 87) he shall have a right to vote only on resolutions before the Meeting which directly affect the rights attached to his preference shares. A Member is not prohibited from exercising his voting rights on the ground that he has not held his Shares or interest in the Company for any specified period preceding the date on which the vote is taken.
Votes of Members of unsound mind	129. A Member of unsound mind, or in respect of whom order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian may, on a poll, vote by proxy.
Votes of joint Members	130. If there be joint registered holders of any Shares, one of such persons may vote at any Meeting personally or by an agent duly authorised under a Power of Attorney or by proxy in respect of such Shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such joint holders be present at any Meeting either personally or by agent or by proxy, that one of the said persons so present whose name appears higher on the Register of Members shall alone be entitled to speak and to vote in respect of such Shares, but the other holder(s) shall be entitled to vote in preference to a person present by an agent duly authorised under a Power of Attorney or by proxy although the name of such person present by agent or proxy stands first or higher in the Register of Members in respect of such Shares. Several executors or administrators of a deceased Member in whose name Shares stand shall for the purpose of these Articles be deemed joint holders thereof.
Representation of body corporate	131. (a) A body corporate (whether a company within the meaning of the Act or not) may, if it is a Member or creditor of the Company (including a holder of Debentures) authorise such person as it thinks fit by a resolution of its Board of Directors or other governing body, to act as its representative at any Meeting of the Company or any class of shareholders of the Company or at any meeting of the creditors of the Company or Debenture-holders of the Company. A person authorised by resolutions aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member, shareholder, creditor or holder of Debentures of the Company. The production of a copy of the resolution referred to above certified by a Director or the Secretary of such body corporate before the commencement of the Meeting shall be accepted by the Company as sufficient evidence of the validity of the said representatives' appointment and his right to vote thereat. (b) Where the President of India or the Governor of a State is a Member of the Company, the President or as the case may be the Governor may appoint such person as he thinks fit to act as his representative at any Meeting of the Company or at any meeting of any class of shareholders of the Company and such a person shall be entitled to exercise the same rights and powers, including the right to vote by proxy, as the President, or as the case may be, the Governor could exercise as a Member of the Company.
Votes in respects of deceased or insolvent Members	132. Any person entitled under the Transmission Article to transfer any Shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such Shares; provided that at least forty-eight hours before the time of holding the Meeting or adjourned Meeting, as the case may be, at which he proposes to vote, he shall satisfy the Directors of the right to transfer such Shares and give such indemnity (if any) as the Directors may require unless the Directors shall have previously admitted his right to vote





Title of Article	Article Number and contents
	at such Meeting in respect thereof.
Voting in person or by proxy	133. Subject to the provisions of these Articles, votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act.
Rights of Members to use votes differently	134. On a poll taken at a Meeting of the Company a Member entitled to more than one vote or his proxy, or other persons entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses
Proxies	135. Any Member of the Company entitled to attend and vote at a Meeting of the Company, shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself PROVIDED ALWAYS that a proxy so appointed shall not have any right what so ever to speak at the Meeting. Every notice convening a Meeting of the Company shall state that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself, and that a proxy need not be a Member of the Company.
Proxy either for specified meeting or for a period	136. An instrument of proxy may appoint a proxy either for the purposes of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint a proxy for the purpose of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.
No proxy to vote on a show of hands	137. No proxy shall be entitled to vote by a show of hands.
Instrument of proxy when to be deposited	138. The instrument appointing a proxy and the Power of Attorney or authority (if any) under which it is signed or a notarially certified copy of that Power of Attorney or authority, shall be deposited at the Registered Office of the Company at least forty-eight hours before the time for holding the Meeting at which the person named in the instrument purposes to vote and in default the instrument of proxy shall not be treated as valid.
Form of Proxy	139. Every instrument of proxy whether for a specified Meeting or otherwise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX to the Act, and signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by any officer or attorney duly authorised by it.
Validity of votes given by proxy notwithstanding revocation of authority	140. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of any Power of Attorney under which such proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, insanity, revocation or transfer shall have been received by the Company at the Registered Office before the commencement of the Meeting or adjourned Meeting at which the proxy is used provided nevertheless that the Chairman of any Meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of an instrument of proxy and of the same not having been revoked.
Time for objection to vote	141. No objection shall be made to the qualification of any voter or to the validity of a vote except at the Meeting or adjourned Meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such Meeting, shall be valid for all proposes and such objection made in due time shall be referred to the Chairman of the Meeting.
Chairman of any Meeting to be the judge of Validity of any value	142. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll. The decision of the Chairman shall be final and conclusive.
Custody of Instrument	143. If any such instrument of appointment is confined to the object of appointing an attorney or



Title of Article	Article Number and contents
	proxy for voting at Meetings of the Company, it shall remain permanently or for such time as the Directors may determine, in the custody of the Company. If such instrument embraces other objects, a copy thereof examined with the original shall be delivered to the Company to remain in the custody of the Company.

#### DIRECTORS

Title of Article	Article Number and contents
Number of Directors	144. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not more than twelve.
Directors	145. The persons hereinafter named shall be the first Directors of the Company:- (1) Shailesh Harish Chandak (2) Harish Bhagirath Chandak (3) Sarika Shailesh Chandak
Debenture Directors	146. Any Trust Deed for securing Debentures may if so arranged, provide for the appointment, from time to time by the Trustees thereof or by the holders of Debentures, of some person to be a Director of the Company and may empower such Trustees or holder of Debentures, from time to time, to remove and re-appoint any Director so appointed. The Director appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be agreed between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions contained herein.
Nominee Director or Corporation Director	147. a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to any Finance Corporation or Credit Corporation or to any Financing company or body, (which corporation or body is hereinafter in this Article referred to as "the corporation") out of any loans granted or to be granted by them to the Company or so long as the corporation continue to hold Debentures in the Company by direct subscription or private placement, or so long as the Corporation holds Shares in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time any person or persons as a Director, whole time or non-whole time (which Director or Directors is/are hereinafter referred to as "Nominee Director(s)") on the Board of the Company and to remove from such office any persons so appointed and to appoint any person or persons in his/ their places. b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director(s). Such Nominee Director(s) shall not be required to hold any Share qualification in the Company. Further Nominee Director shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director(s) shall be entitled to the same rights and privileges and be subject to the obligations as any other Director of the Company. c) The Nominee Director(s) so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and the Nominee Director/s so appointed in exercise of the said power, shall ipso facto vacate such office immediately on the moneys owing by the Company to the Corporation being paid off d) The Nominee Director(s) appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and all the Meetings of the Committee of which the Nominee Director(s) is/are Member(s) as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.



Title of Article	Article Number and contents
	<p>e) The sitting fees in relation to such Nominee Director(s) shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any other fees, commission, moneys or remuneration in any form is payable to the Nominee Director of the Company, such fees, commission, moneys and remuneration in relation to such Nominee Director(s) shall accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation. Any expenses that may be incurred by the Corporation or such Nominee Director(s), in connection with their appointment or Directorship, shall also be paid or reimbursed by the Company to the Corporation or as the case may be to such Nominee Director/s provided that if any such Nominee Director/s is/are an officer(s) of the Corporation..</p> <p>Provided also that in the event of the Nominee Director(s) being appointed as Whole-time Director(s); such Nominee Director/s shall exercise such power and duties as may be approved by the lenders and have such rights as are usually exercised or available to a whole-time Director in the management of the affairs of Company. Such Nominee Director shall be entitled to receive such remuneration, fees, commission and moneys as may be approved by the Corporation(s) nominated by him.</p>
Special Director	<p>148.</p> <p>In connection with any collaboration arrangement with any company or corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the directors may authorize such company , corporation ,firm or person herein-after in this clause referred to as “collaboration” to appoint from time to time any person as director of the company (hereinafter referred to as “special director”) and may agree that such special director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for office of such director, so however that such special director shall hold office so long as such collaboration arrangement remains in force unless otherwise agreed upon between the Company and such collaborator under the collaboration arrangements or at any time thereafter.</p> <p>The collaborators may at any time and from time to time remove any such special director appointed by it and may at the time of such removal and also in the case of death or resignation of the person so appointed, at any time appoint any other person as special director in his place and such appointment or removal shall be made in writing signed by such company or corporation or any partner or such person and shall be delivered to the Company at its registered office.</p> <p>It is clarified that every collaborator entitled to appoint a director under this article may appoint one such person as a director and so that if more then one collaborator is so entitled there may be at any time as may special directors as the collaborators eligible to make the appointment.</p>
Limit on number of retaining Directors	<p>149.</p> <p>The provisions of Articles 146, 147,148 and 149 are subject to the provisions of Section 256 of the Act and number of such Directors appointed under Article 147 shall not exceed in the aggregate one third of the total number of Directors for the time being in office.</p>
Alternate Director	<p>150.</p> <p>The Board may appoint, an Alternate Director recommended for such appointment by the Director (hereinafter in this Article called "the Original Director") to act for him during his absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. Every such Alternate Director shall, subject to his giving to the Company an address in India at which notice may be served on him, be entitled to notice of meetings of Directors and to attend and vote as a Director and be counted for the purposes of a quorum and generally at such Meetings to have and exercise all the powers and duties and authorities of the Original Director. The Alternate Director appointed under this Article shall vacate office as and when the Original Director returns to the State in which the meetings of the Board are ordinarily held and if the term of office of the Original Director is determined before he returns to as aforesaid, any provisions in the Act or in these Articles for automatic reappointment of retiring Director in default of another appointment shall apply to the Original Director and not the Alternate Director.</p>





Title of Article	Article Number and contents
Directors may fill in vacancies	151. The Directors shall have power at any time and from time to time to appoint any person to be a Director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only upto the date to which the Director in whose place he is appointed would have held office, if it had not been vacated as aforesaid. However, he shall then be eligible for re-election.
Additional Directors	152. The Directors shall have the power at any time and from time to time to appoint any other person to be a Director as an addition to the Board (“Additional Director”) so that the total number of Directors shall not at any time exceed the maximum fixed by these Articles. Any person so appointed as an Additional Director to the Board shall hold his office only upto the date of the next Annual General Meeting and shall be eligible for election at such Meeting.
Qualification shares	153. A Director need not hold any qualification shares.
Directors’ sitting fees	154. The fees payable to a Director for attending each Board meeting shall be such sum as may be fixed by the Board of Directors not exceeding such sum as may be prescribed by the Central Government for each of the meetings of the Board or a Committee thereof and adjournments thereto attended by him. The Directors, subject to the sanction of the Central Government (if any required) may be paid such higher fees as the Company in General Meeting shall from time to time determine.
Extra remuneration to Directors for special work	155. Subject to the provisions of Sections 198, 309, 310, 311 and 314 of the Act, if any Director, being willing shall be called upon to perform extra services (which expression shall include work done by a Director as a Member of any Committee formed by the Directors or in relation to signing share certificate) or to make special exertions in going or residing or residing out of his usual place of residence or otherwise for any of the purposes of the Company, the Company may remunerate the Director so doing either by a fixed sum or otherwise as may be determined by the Director, and such remuneration may be either in addition to or in substitution for his share in the remuneration herein provided.  Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either: i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or ii) by way of commission if the Company by a Special Resolution authorized such payment.
Traveling expenses incurred by Directors on Company’s business	156. The Board of Directors may subject to the limitations provided by the Act allow and pay to any Director who attends a meeting of the Board of Directors or any Committee thereof or General Meeting of the Company or in connection with the business of the Company at a place other than his usual place of residence, for the purpose of attending a Meeting such sum as the Board may consider fair compensation for traveling, hotel, and other incidental expenses properly incurred by him in addition to his fees for attending such Meeting as above specified.
Director may act notwithstanding vacancy	157. The continuing Director or Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the quorum fixed by these Articles for a meeting of the Board, the Director or Directors may act for the purpose of increasing the number, of Directors or that fixed for the quorum or for summoning a General Meeting of the Company but for no other purposes.
Board resolution necessary for certain contracts	158. (1) Subject to the provisions of Section 297 of the Act, except with the consent of the Board of Directors of the Company, a Director of the Company or his relative, a firm in which such a Director or relative is partner, any other partner in such a firm or a private company of which the Director is a member or director, shall not enter into any contract with the Company. (a) For the sale, purchase or supply of goods, materials or services; or b) for underwriting the subscription of any Share in or debentures of the Company;



Title of Article	Article Number and contents
	<p>(c) nothing contained in clause (a) of sub-clause (1) shall affect:-</p> <p>(i) the purchase of goods and materials from the Company, or the sale of goods and materials to the Company by any Director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices; or</p> <p>(ii) any contract or contracts between the Company on one side and any such Director, relative, firm, partner or private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company, or the Director, relative, firm, partner or private company, as the case may be regularly trades or does business, PROVIDED THAT such contract or contracts do not relate to goods and materials the value of which, or services the cost of which, exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract or contracts;</p> <p>(2) Notwithstanding any contained in sub-clause(1) hereof, a Director, relative, firm partner or private company as aforesaid may, in circumstances of urgent necessity, enter without obtaining the consent of the Board, into any contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or cost of such services exceeds rupees five thousand in the aggregate in any year comprised in the period of the contract; but in such a case the consent of the Board shall be obtained at a Meeting within three months of the date on which the contract was entered into.</p> <p>(3) Every consent of the Board required under this Article shall be accorded by a resolution passed at a meeting of the Board required under clause (1) and the same shall not be deemed to have been given within the meaning of that clause unless the consent is accorded before the contract is entered into or within three months of the date on which was entered into.</p> <p>(4) If consent is not accorded to any contract under this Article, anything done in pursuance of the contract will be voidable at the option of the Board.</p> <p>(5) The Directors, so contracting or being so interested shall not be liable to the Company for any profit realised by any such contract or the fiduciary relation thereby established.</p>
<p>Disclosure to the Members of Directors' interest in contract appointing Managers, Managing Director or Wholetime Director</p>	<p>159.</p> <p>When the Company:-</p> <p>(a) enters into a contract for the appointment of a Managing Director or Wholetime Director in which contract any Director of the Company is whether directly or indirectly, concerned or interested; or</p> <p>(b) varies any such contract already in existence and in which a Director is concerned or interested as aforesaid, the provisions of Section 302 of the Act shall be complied with.</p>
<p>Directors of interest</p> <p>General notice of disclosure</p>	<p>160.</p> <p>(a) A Director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299 (2) of the Act.</p> <p>(b) A general notice, given to the Board by the Director to the effect that he is a director or is a member of a specified body corporate or is a member of a specified firm under Sections 299(3)(a) shall expire at the end of the financial year in which it shall be given but may be renewed for a further period of one financial year at a time by fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice and no renewal thereof shall be of effect unless, either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that is brought up and read at the first meeting of the Board after it is given.</p>
<p>Directors and Managing Director may contract with Company</p>	<p>161.</p> <p>Subject to the provisions of the Act the Directors (including a Managing Director and Whole time Director) shall not be disqualified by reason of his or their office as such from holding office under the Company or from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or lessee or otherwise, nor shall any such contract or any contracts or arrangement entered into by or on behalf of the Company with any Director or with any company or partnership of or in which any Director shall be a member or otherwise interested be avoided nor shall any Director so contracting be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established, but it is declared that the nature of his interest shall be disclosed as provided by Section 299 of the Act and in this respect all the provisions of Section 300 and 301 of the Act shall be duly observed and</p>



Title of Article	Article Number and contents
	<p>complied with.</p>
<p>Disqualification of the Director</p>	<p>162. A person shall not be capable of being appointed Director of the Company if:- (a) he has been found to be of unsound mind by a Court of competent jurisdiction and the finding is in force; (b) he is an undischarged insolvent; (c) he has applied to be adjudged an insolvent and his application is pending; (d) he has been convicted by a Court of any offence involving moral turpitude sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence; (e) he has not paid any call in respect of Shares of the Company held by him whether alone or jointly with others and six months have lapsed from the last day fixed for the payment of the call; or (f) an order disqualifying him for appointment as Director has been passed by a Court in pursuance of Section 203 of the Act and is in force; unless the leave of the Court has been obtained for his appointment in pursuance of that Section.</p>
<p>Vacation of office by Directors</p>	<p>163. The office of Director shall become vacant if:- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or (b) he applies to be adjudged an insolvent; or (c) he is adjudged an insolvent; or (d) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for less than six months; or (e) he fails to pay any call in respect of Shares of the Company held by him, whether alone or jointly with others within six months from the last date fixed for the payment of the call unless the Central Government, by a notification in the Official Gazette removes the disqualification incurred by such failure; or (f) absents himself from three consecutive meetings of the Board of Directors, or from all meetings of the Board for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or (g) he (whether by himself or by any person for his benefit or on his account or any firm in which he is a partner or any private company of which he is a director), accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or (h) he being in any way whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of the Company fails to disclose the nature of his concern or interest at a meeting of the Board of Directors as required by Section 299 of the Act; or (i) he becomes disqualified by an order of the Court under Section 203 of the Act; or (j) he is removed by an Ordinary Resolution of the Company before the expiry of his period of notice; or (k) if by notice in writing to the Company, he resigns his office, or (l) having been appointed as a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company.</p>
<p>Vacation of office by Directors (contd.)</p>	<p>164. Notwithstanding anything contained in sub-clauses (c), (d) and (i) of Article 162 hereof, the disqualification referred to in these clauses shall not take effect: (a) for thirty days from the date of the adjudication, sentence or order; (b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or (c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of.</p>



Title of Article	Article Number and contents
Removal of Directors	<p>165.</p> <p>(a) The Company may subject to the provisions of Section 284 and other applicable provisions of the Act and these Articles by Ordinary Resolution remove any Director not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of his period of office.</p> <p>(b) Special Notice as provided by these Articles or Section 190 of the Act; shall be required of any resolution to remove a Director under the Article or to appoint some other person in place of a Director so removed at the Meeting at which he is removed.</p> <p>(c) On receipt of notice of a resolution to remove a Director under this Article; the Company shall forthwith send a copy; thereof to the Director concerned and the Director (whether or not he is a Member of a Company) shall be entitled to be heard on the resolution at the Meeting.</p> <p>(d) where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representations in writing to the Company (not exceeding reasonable length) and requests their notification to Members of the Company, the Company shall, unless the representations are, received by it too late for it to do so:</p> <p>(i) in the notice of the resolution given to the Members of the Company state the fact of the representations having been made, and</p> <p>(ii) send a copy of the representations to every Member of the Company to whom notice of the Meeting is sent (before or after the representations by the Company) and if a copy of the representations is not sent as aforesaid because they were received too late\ or because of the Company's default the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the Meeting; provided that copies of the representation need not be sent or read out at the Meeting if on the application, either of the Company or of any other person who claims to be aggrieved by the Court is satisfied that the rights concerned by this sub-clause are being abused to secure needless publicity for defamatory matter.</p> <p>(e) A vacancy created by the removal of the Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board, in pursuance of Article 153 or Section 262 of the Act be filled by the: appointment of another Director in his place by the Meeting at which he is removed, provided special notice of the intended appointment has been given under Article 163 hereof. A Director so appointed shall hold office until the date upto which his predecessor would have held office if he had not been removed as aforesaid.</p> <p>(f) If the vacancy is not filled under sub-clause(e), it may be filled as a casual vacancy in accordance with the provisions, in so far as they are applicable of Article 153 or Section 162 of the Act, and all the provisions of that Article and Section shall apply accordingly</p> <p>(g) A Director who was removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.</p> <p>(h) Nothing contained in this Article shall be taken:-</p> <p>(i) as depriving a person removed hereunder of any compensation or damages payable to him in respect of the termination of his appointment as Director, or</p> <p>(ii) as derogating from any power to remove a Director which may exist apart from this Article.</p>
Interested Directors not to participate or vote in Board's proceedings	<p>166.</p> <p>No Director shall as a Director take part in the discussion of or vote on any contract arrangement or proceedings entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement, not shall his presence count for the purpose of forming a quorum at the time of any such discussion or voting, and if he does vote, his vote shall be void. Provided however, that nothing herein contained shall apply to:-</p> <p>(a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;</p> <p>(b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the Director consists solely;</p> <p>(i) in his being:</p> <p>(a) a director of such company; and</p>



<b>Title of Article</b>	<b>Article Number and contents</b>
	(b)the holder of not more than shares of such number of value therein as is requisite to qualify him for appointment as a director, thereof, he having been nominated as director by the company, or (ii) in his being a member holding not more than two percent of its paid-up share capital.
Director may be director of companies promoted by the Company	167. A Director may be or become a director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise and no such Director shall be accountable for any benefit received as director or shareholder of such company except in so far Section 309(6) or Section 314 of the Act may be applicable.
Appointment of Sole Selling Agents	168. a) The appointment, re-appointment and extension of the term of a sole selling agent, shall be regulated in accordance with the provisions of Section 294 of the Act and any Rules or Notifications issued by the competent authority in accordance with that Section and the Directors and/or the Company in General Meeting may make the appointment, re-appointment or extension of the term of office in accordance with and subject to the provisions of the said Section and such rules or notifications, if any, as may be applicable. b) The payment of any compensation to a sole selling agent shall be subject to the provisions of Section 294A of the Act.

#### ROTATION AND APPOINTMENT OF DIRECTORS

<b>Title of Article</b>	<b>Article Number and contents</b>
Rotation of Directors	169. Not less than two third of the total number of Directors shall (a) be persons whose period of the office is liable to termination by retirement by rotation and (b) save as otherwise expressly provided in the Articles be appointed by the Company in General Meeting.
Retirement of Directors	170. Subject to the provisions of Articles 148 and 150, the non-retiring Directors should be appointed by the Board for such period or periods as it may in its discretion deem appropriate.
Retiring Directors	171. Subject to the provisions of Section 256 of the Act and Articles 146 to 153, at every Annual General Meeting of the Company, one-third or such of the Directors for the time being as are liable to retire by rotation; or if their number is not three or a multiple of three the number nearest to one-third shall retire from office. The Debenture Directors, Nominee Directors, Corporation Directors, Managing Directors if any, subject to Article 184, shall not be taken into account in determining the number of Directors to retire by rotation. In these Articles a "Retiring Director" means a Director retiring by rotation.
Appointment of Technical or Executive Directors	172. a) The Board of Directors shall have the right from time to time to appoint any person or persons as Technical Director or Executive Director/s and remove any such persons from time to time without assigning any reason whatsoever. A Technical Director or Executive Director shall not be required to hold any qualification shares and shall not be entitled to vote at any meeting of the Board of Directors. b) Subject to the provisions of Section 262 of the Act, if the office of any Director appointed by the Company in General Meeting vacated before his term of office will expire in the normal course, the resulting casual vacancy may in default of and subject to any regulation in the Articles of the Company be filled by the Board of Directors at the meeting of the Board and the Director so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if had not been vacated as aforesaid.
Ascertainment of Directors retiring by rotation and filling of vacancies	173. Subject to Section 288 (5) of the Act, the Directors retiring by rotation under Article 174 at every Annual General Meeting shall be those, who have been longest in office since their last appointment, but as between those who became Directors on the same day, those who are to retire shall in default of and subject to any agreement amongst themselves be determined by the lot.
Eligibility for re-election	174. A retiring Director shall be eligible for re-election and shall act as a Director throughout and till the conclusion of the Meeting at which he retires.
Company to fill	175.





Title of Article	Article Number and contents
vacancies	Subject to Sections 258, 259 and 294 of the Act, the Company at the General Meeting, at which a Director retires in manner aforesaid, may fill up the vacancy by appointing the retiring Director or some other person thereto.
Provision in of default appointment	<p>176.</p> <p>(a) If the place of retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.</p> <p>(b) If at the adjourned Meeting also, the place of the retiring Director is not filled up and the Meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been re-appointed at the adjourned Meeting, unless:</p> <p>(i) at that Meeting or the previous Meeting a resolution for the re-appointment of such Director has been put to the Meeting and lost.</p> <p>(ii) the retiring Director has by a notice in writing addressed to the Company or its Board of Directors expressed his unwillingness to be so re-appointed.</p> <p>(iii) he is not qualified or is disqualified for appointment</p> <p>(iv) a resolution, whether Special or Ordinary is required for his appointment or re-appointment by virtue of any provisions of the Act, or</p> <p>(v) the provision of the sub-section (2) of section 263 of the Act is applicable to the case.</p>
Company may increase or reduce the number of Directors or remove any Director	<p>177.</p> <p>Subject to the provisions of Section 252, 255 and 259 of the Act, the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors and may alter qualifications.</p>
Appointment of Directors to be voted individually	<p>178.</p> <p>(a) No motion, at any General Meeting of the Company shall be made for the appointment of two or more persons as Directors of the Company by a single resolution unless a resolution that it shall be so made has been first agreed to by the Meeting without any vote being given against it.</p> <p>(b) A resolution moved in contravention of clause (a) hereof shall be void, whether or not objection was taken at the time of its being so moved, provided where a resolution so moved has passed no provisions or the automatic re-appointment of retiring Directors in default of another appointment as therein before provided shall apply.</p> <p>(c) For the purposes of this Article, a motion for approving a person's appointment, or for nominating a person for appointment, shall be treated as a motion for his appointment.</p>
Notice of candidature for office of Directors except in certain cases	<p>179.</p> <p>(1) No person not being a retiring Director shall be eligible for election to the office of Director at any General Meeting unless he or some other Member intending to propose him has given at least fourteen days notice in writing under his hand signifying his candidature for the office of a Director or the intention of such person to propose him as Director for that office as the case may be, along with a deposit of five hundred rupees which shall be refunded to such person or, as the case may be, to such Member, if the person succeeds in getting elected as a Director.</p> <p>(2) The Company shall inform its Members of the candidature of the person for the office of Director or the intention, of a Member to propose such person as candidate for that office by serving individual notices on the Members not less than seven days before the Meeting provided that it shall not be necessary for the Company to serve individual notices upon the Members as aforesaid if the Company advertises such candidature or intention not less than seven days before the Meeting in at least two newspapers circulating in the place where the registered office of the Company is located of which one is published in the English language and the other in the regional language of that place.</p> <p>(3) Every person (other than Director retiring by rotation or otherwise or person who has left at the office of the Company a notice under Section 257 of the Act signifying his candidature for the office of a Director) proposed as a candidate for the office of a Director shall sign and file with the Company his consent in writing to act as a Director, if appointed.</p> <p>(4) A person other than a Director appointed after retirement by rotation or immediately on the expiry of his term of office, or an Additional or Alternate Director or a person filling a casual vacancy in the office of a Director under Section 252 of the Act, appointed as a Director re-</p>



Title of Article	Article Number and contents
	appointed as an additional or alternate Director immediately on the expiry of his term of office shall not act as a Director of the Company unless he has within thirty days of his appointment signed and filled with the Registrar his consent in writing to act as such Director.
Disclosure by Directors of their holdings of their Shares and debentures of the Company	180. Every Director and every person deemed to be Director of the Company by virtue of subsection (10) of Section 307 of the Act shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section. Any such notice shall be given in writing and if it is not given at a meeting of the Board the person giving the notice shall take all reasonable steps to secure that it is brought up and read at the next meeting of the Board after it is given.
Votes of Body Corporate	181. A body corporate, whether a company within the meaning of the Act or not, which is a member of the Company, may by resolution of its Board of Directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the company or at any meeting of any class of members of the company and the persons so authorized shall be entitled to exercise the same rights and power (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise as if it were an individual member of the company and the production of a copy of the Minutes of such resolution certified by a director or the copy of the Minutes of such resolution certified by a Director or the or the Secretary of such body corporate as being a true copy of the Minutes of such resolution shall be accepted as sufficient evidence of the validity of the said representative's appointment and of his right to vote.

#### MANAGING DIRECTOR

Title of Article	Article Number and contents
Powers to appoint Managing Director	182. Subject to the provisions of Section 267, 268, 269, 316 and 317 of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director or Managing Directors or Wholtime Directors of the Company, for a fixed term not exceeding five years as to the period for which he is or they are to hold such office, and may, from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places. (a) The Managing Director shall perform such functions and exercise such powers as are delegated to him by the Board of Directors of the Company in accordance with the provisions of the Companies Act, 1956. (b) Subject to the provisions of Sections 255 of the Act, the Managing Director shall not be while he continues to hold that office, subject to retirement by rotation.
Remuneration of Managing Director	183. Subject to the provisions of Sections 309, 310 and 311 of the Act, a Managing Director shall, in addition to any remuneration that might be payable to him as a Director of the Company under these Articles, receive such remuneration as may from time to time be approved by the Company.
Special position of Managing Director	184. Subject to any contract between him and the Company, a Managing or Wholtime Director shall not, while he continues to hold that office, be subject to retirement by rotation and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire but (subject to the provision of any contract between him and the Company), he shall be subject to the same provisions as to resignation and removal as the Directors of the Company and shall, <i>ipso facto</i> and immediately, cease to be a Managing Director if he ceases to hold the office of Director from any cause.
Powers of Managing Director	185. The Director may from time to time entrust to and confer upon a Managing Director or Wholtime Director for the time being such of the powers exercisable under these provisions by the Directors, as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient, and they may confer such powers, either collaterally with, or to the exclusion of and in substitution for, all or any of the powers of the Directors in that



Title of Article	Article Number and contents
	behalf and from time to time, revoke, withdraw, alter, or vary all or any of such powers.
	186. The Company's General Meeting may also from time to time appoint any Managing Director or Managing Directors or Wholetime Director or Wholetime Directors of the Company and may exercise all the powers referred to in these Articles.
	187. Receipts signed by the Managing Director for any moneys, goods or property received in the usual course of business of the Company or for any money, goods, or property lent to or belonging to the Company shall be an official discharge on behalf of and against the Company for the money, funds or property which in such receipts shall be acknowledged to be received and the persons paying such moneys shall not be bound to see to the application or be answerable for any misapplication thereof. The Managing Director shall also have the power to sign and accept and endorse cheques on behalf of the Company.
	188. The Managing Director shall be entitled to sub-delegate (with the sanction of the Directors where necessary) all or any of the powers, authorities and discretions for the time being vested in him in particular from time to time by the appointment of any attorney or attorneys for the management and transaction of the affairs of the Company in any specified locality in such manner as they may think fit.
	189. Notwithstanding anything contained in these Articles, the Managing Director is expressly allowed generally to work for and contract with the Company and especially to do the work of Managing Director and also to do any work for the Company upon such terms and conditions and for such remuneration (subject to the provisions of the Act) as may from time to time be agreed between him and the Directors of the Company.
Appointment and powers of Manager	189A The Board may, from time to time, appoint any Manager (under Section 2(24) of the Act) to manage the affairs of the Company. The Board may from time to time entrust to and confer upon a Manager such of the powers exercisable under these Articles by the Directors, as they may think fit, and may, confer such powers for such time and to be exercised for such objects and purposes, and upon such terms and conditions and with such restrictions as they think expedient.

#### WHOLE TIME DIRECTOR

Title of Article	Article Number and contents
Power to appoint Whole Time Director and/or Whole-time Directors	190. Subject to the provisions of the Act and of these Articles, the Board may from time to time with such sanction of the Central Government as may be required by law appoint one or more of its Director/s or other person/s as Whole-Time Director or Whole-Time Directors of the Company out of the Directors/ persons nominated under Article only either for a fixed term that the Board may determine or permanently for life time upon such terms and conditions as the Board may determine or permanently for life time upon such terms and conditions as the Board thinks fit. The Board may by ordinary resolution and / or an agreement/s vest in such Whole-Time Director or Whole Time Directors such of the powers authorities and functions hereby vested in the Board generally as it thinks fit and such powers may be made exercisable and for such period of periods and upon such conditions and subject to such restrictions as it may be determined or specified by the Board and the Board has the powers to revoke, withdraw, alter or vary all or any of such powers and / or remove or dismiss him or them and appoint another or others in his or their place or places again out of the Directors / persons nominated under Article 192 only. The Whole Time Director or Whole Time Directors will be entitled for remuneration as may be fixed and determined by the Board from time to time either by way of ordinary resolution or a Court act/s or an agreement/s under such terms not expressly prohibited by the Act.
To what provisions Whole time Directors shall subject	191. Subject to the provisions of Section 255 of the Act and these Articles, a Whole Time Director or Whole Time Director shall not, while he/they continue to hold that office, be liable to retirement by rotation but (subject to the provisions of any contract between him/they and the Company) he/ they shall be subject to the same provision as to resignation and removal as the





	other Directors, and he/they shall ipso facto and immediately ceases or otherwise under the sees to hold the office of Director/s for any reason whatsoever save that if he/they shall vacate office whether by retirement, by rotation or otherwise under the provisions of the Act any Annual General Meeting and shall be re-appointed as a Director of Directors at the same meeting he/they shall not by reason only of such vacation, cease to be a Whole Time Director or Whole Time Directors.
Seniority of Whole Time Director and Managing Director	192. If at any time the total number of Managing Directors and Whole Time Directors is more than one-third who shall retire shall be determined by and in accordance with their respective seniorities. For the purpose of this Article the seniorities of the Whole Time Directors and Managing Directors shall be determined by the date of their respective appointments as Whole Time Directors and Managing Directors of the Company

#### PROCEEDINGS OF THE BOARD OF DIRECTORS

Title of Article	Article Number and contents
Meeting of Directors	193. The Directors may meet together as a Board for the dispatch of business from time to time, and unless the Central Government by virtue of the provisions of Section 285 of the Act allow otherwise, Directors shall so meet at least once in every three months and atleast four such Meetings shall be held in every year. The Directors may adjourn and otherwise regulate their Meetings as they think fit. The provisions of this Article shall not be deemed to have been contravened merely by reason of the fact that the meeting of the Board which had been called in compliance with the terms of this Article could not be held for want of a quorum. Board meetings can be held through video conference as permitted under the provisions of the Act
Quorum	194. (a) Subject to Section 287 of the Act the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one third being rounded off as one) or two Directors whichever is higher. PROVIDED that where at any time the number of interested Directors at any meeting exceeds or is equal to two-third of the Total Strength, the number of the remaining Directors that is to say, the number of remaining who are not interested) present at the Meeting being not less than two shall be the quorum during such time. (b)for the purpose of clause(a) "Total Strength" means total strength of the Board of Directors of the Company determined in pursuance of the Act after deducting there from number of the Directors if any, whose places may be vacant at the time, and (ii) "Interested Directors" means any Directors whose presence cannot by reason of any provisions in the Act count for the purpose of forming a quorum at a meeting of the Board at the time of the discussion or vote on any matter.
Procedure when Meeting adjourned for want of quorum	195. If a meeting of the Board could not be held for want of quorum then, the Meeting shall automatically stand, adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday at the same time and place, unless otherwise adjourned to a specific date, time and place.
Chairman of Meeting	196. The Chairman of the Board of Directors shall be the Chairman of the meetings of Directors, provided that if the Chairman of the Board of Directors is not present within five minutes after the appointed time for holding the same, meeting of the Director shall choose one of their members to be Chairman of such Meeting.
Question at Board meeting how decided	197. Subject to the provisions of Section 316, 372(5) and 386 of the Act, questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of any equality of votes, the Chairman shall have a second or casting vote.
Powers of Board meeting	198. A meeting of the Board of Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act, or the Articles for the time being of the Company which are vested in or exercisable by the Board of Directors generally.
Directors may	199.



Title of Article	Article Number and contents
appoint Committee	The Board of Directors may subject to the provisions of Section 292 and other relevant provisions of the Act, and of these Articles delegate any of the powers other than the powers to make calls and to issue debentures to such Committee or Committees and may from time to time revoke and discharge any such Committee of the Board, either wholly or in part and either as to the persons or purposes, but every Committee of the Board so formed shall in exercise of the powers so delegated conform to any regulation(s) that may from time to time be imposed on it by the Board of Directors. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purpose of their appointments, but not otherwise, shall have the like force and effect, as if done by the Board.
Meeting of the Committee how to be governed	200. The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding article. Quorum for the Committee meetings shall be two.
Circular resolution	201. (a) A resolution passed by circulation without a meeting of the Board or a Committee of the Board appointed under Article 201 shall subject to the provisions of sub-clause (b) hereof and the Act, be as valid and effectual as the resolution duly passed at a meeting of Directors or of a Committee duly called and held. (b) A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation if the resolution has been circulated in draft together with necessary papers if any to all the Directors, or to all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee as the case may be) and to all other Directors or members of the Committee at their usual addresses in India or to such other addresses outside India specified by any such Directors or members of the Committee and has been approved by such of the Directors or members of the Committee, as are then in India, or by a majority of such of them as are entitled to vote on the resolution.
Acts of Board or Committee valid notwithstanding defect in appointment	202. All acts done by any meeting of the Board or by a Committee of the Board or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered; that there was some defect in the appointment of one or more of such Directors or any person acting as aforesaid; or that they or any of them were disqualified or had vacated office or that the appointment of any of them is deemed to be terminated by virtue of any provision contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director; provided nothing in the Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

#### POWERS OF THE BOARD

Title of Article	Article Number and contents
General powers of management vested in the Board of Directors	203. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid Articles, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.  Provided that the Board shall not, except with the consent of the Company in General Meeting:-  (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;



Title of Article	Article Number and contents
	<p>(b) remit, or give time for the repayment of, any debt due by a Director,</p> <p>(c) invest otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition or any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time;</p> <p>(d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose;</p> <p>(e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial years immediately preceding whichever is greater, provided that the Company in the General Meeting or the Board of Directors shall not contribute any amount to any political party or for any political purposes to any individual or body;</p> <p>(i) Provided that in respect of the matter referred to in clause (d) and clause (e) such consent shall be obtained by a resolution of the Company which shall specify the total amount upto which moneys may be borrowed by the Board under clause (d) or as the case may be total amount which may be contributed to charitable or other funds in a financial year under clause (e)</p> <p>(ii) Provided further that the expression "temporary loans" in clause (d) above shall mean loans repayable on demand or within six months from the date of the loan such as short term cash credit arrangements, the discounting of bills and the issue of other short term loans of a seasonal character, but does not include loans raised for the purpose of financing expenditure of a capital nature.</p>
<p>Certain powers to be exercised by the Board only at Meetings</p>	<p>204.</p> <p>(1) Without derogating from the powers vested in the Board of Directors under these Articles, the Board shall exercise the following powers on behalf of the Company and they shall do so only by means of resolutions passed at the meeting of the Board;</p> <p>(a) the power to make calls, on shareholders in respect of money unpaid on their Shares,  (b) the power to issue Debentures,  (c) the power to borrow moneys otherwise than on Debentures,  (d) the power to invest the funds of the Company, and  (e) the power to make loans</p> <p>Provided that the Board may, by resolution passed at a Meeting, delegate to any Committee of Directors, the Managing Director, the Manager or any other principal officer of the Company, the powers specified in sub-clause (c) (d) and (e) to the extent specified below:</p> <p>(2) Every resolution delegating the power referred to in sub-clause (1) (c) above shall specify the total amount outstanding at any one time, upto which moneys may be borrowed by the delegate.</p> <p>(3) Every resolution delegating the power referred to in sub-clause (1) (d) above shall specify the total amount upto which the funds of the Company may be invested, and the nature of the investments which may be made by the delegate.</p> <p>(4) Every resolution delegating the power referred to in sub-clause (1) (e) above shall specify the total amount upto which loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.</p>
<p>Certain powers of the Board</p>	<p>205.</p> <p>Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power:</p> <p>1. To pay the cost, charges and expenses preliminary and incidental to the promotion,</p>



Title of Article	Article Number and contents
	<p>formation, establishment and registration of the Company.</p> <ol style="list-style-type: none"> <li>2. To pay and charge to the capital account of the Company any commission or interest lawfully payable thereon under the provisions of Sections 76 and 208 of the Act.</li> <li>3. Subject to Section 292 and 297 and other provisions applicable of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.</li> <li>4. At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such Shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.</li> <li>5. To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.</li> <li>6. To accept from any Member, as far as may be permissible by law to a surrender of his Shares or any part thereof, on such terms and conditions as shall be agreed.</li> <li>7. To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.</li> <li>8. To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon either according to Indian law or according to foreign law and either in India or abroad and to observe and perform or challenge any award made thereon.</li> <li>9. To act on behalf of the Company in all matters relating to bankruptcy and insolvency, winding up and liquidation of companies.</li> <li>10. To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.</li> <li>11. Subject to the provisions of Sections 291, 292, 295, 370,372 and all other applicable provisions of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such security (not being Shares of this Company), or without security and in such manner as they may think fit and from time to time vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.</li> <li>12. To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.</li> <li>13. To open bank account and to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.</li> <li>14. To distribute by way of bonus amongst the staff of the Company a Share or Shares in the profits of the Company and to give to any, Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as a part of the working expenses of the Company.</li> <li>15. To provide for the welfare of Directors or ex-Directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by</li> </ol>



Title of Article	Article Number and contents
	<p>creating and from time to time subscribing or contributing, to provide other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit and subject to the provision of Section 293(1)(e) of the Act, to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of the public and general utility or otherwise.</p> <p>16. Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as reserve fund or any special fund to meet contingencies or to repay redeemable preference shares or debentures or debenture stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than Shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the general reserve or reserve fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of reserve fund or division of a reserve fund and with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of redeemable preference shares or debentures or debenture stock, and without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.</p> <p>17. To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisors, research workers, labourers, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub-clauses shall be without prejudice to the general conferred by this sub-clause.</p> <p>18. To appoint or authorize appointment of officers, clerks and servants for permanent or temporary or special services as the Board may from time to time think fit and to determine their powers and duties and to fix their salaries and emoluments and to require securities in such instances and of such amounts as the Board may think fit and to remove or suspend any such officers, clerks and servants. Provided further that the Board may delegate matters relating to allocation of duties, functions, reporting etc. of such persons to the Managing Director or Manager.</p> <p>19. From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration or salaries or emoluments.</p> <p>20. Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and</p>





Title of Article	Article Number and contents
	<p>subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.</p> <p>21. At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or person to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers authorities and discretions for the time being vested in them.</p> <p>22. Subject to Sections 294 and 297 and other applicable provisions of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient.</p> <p>23. From time to time to make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.</p> <p>24. To purchase or otherwise acquire any land, buildings, machinery, premises, hereditaments, property, effects, assets, rights, credits, royalties, business and goodwill of any joint stock company carrying on the business which the Company is authorized to carry on in any part of India.</p> <p>25. To purchase, take on lease, for any term or terms of years, or otherwise acquire any factories or any land or lands, with or without buildings and out-houses thereon, situated in any part of India, at such price or rent and under and subject to such terms and conditions as the Directors may think fit. And in any such purchase, lease or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory.</p> <p>26. To insure and keep insured against loss or damage by fire or otherwise for such period and to such extent as it may think proper all or any part of the buildings, machinery, goods, stores, produce and other movable property of the Company, either separately or co jointly, also to insure all or any portion of the goods, produce, machinery and other articles imported or exported-by the Company and to sell, assign, surrender or discontinue any policies of assurance effected in pursuance of this power.</p> <p>27. To purchase or otherwise acquire or obtain license for the use of and to sell, exchange or grant license for the use of any trade mark, patent, invention or technical know-how.</p> <p>28. To sell from time to time any articles, materials, machinery, plants, stores and other articles and thing belonging to the Company as the Board may think proper and to manufacture, prepare and sell waste and by-products.</p> <p>29. From time to time to extend the business and undertaking of the Company by adding, altering or enlarging all or any of the buildings, factories, workshops, premises, plant and machinery, for the time being the property of or in the possession of the Company, or by erecting new or additional buildings, and to expend such sum of money for the purpose aforesaid or any of them as they be thought necessary or expedient.</p> <p>30. To undertake on behalf of the Company any payment of rents and the performance of the covenants, conditions and agreements contained in or reserved by any lease that may be granted or assigned to or otherwise acquired by the Company and to purchase the reversion or reversions, and otherwise to acquire on free hold sample of all or any of the lands of the Company for the time being held under lease or for an estate less than freehold estate.</p> <p>31. To improve, manage, develop, exchange, lease, sell, resell and re-purchase, dispose off, deal or otherwise turn to account, any property (movable or immovable) or any rights or privileges belonging to or at the disposal of the Company or in which the Company is interested.</p>



Title of Article	Article Number and contents
	<p>32. To let, sell or otherwise dispose of subject to the provisions of Section 293 of the Act and of the other Articles any property of the Company, either absolutely or conditionally and in such manner and upon such terms and conditions in all respects as it thinks fit and to accept payment in satisfaction for the same in cash or otherwise as it thinks fit.</p> <p>33. Generally subject to the provisions of the Act and these Articles, to delegate the powers/authorities and discretions vested in the Directors to any person(s), firm, company or fluctuating body of persons as aforesaid.</p> <p>34. To comply with the requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with.</p>

#### MANAGEMENT

Title of Article	Article Number and contents
Prohibition of simultaneous appointment of different categories of managerial personnel	<p>206.</p> <p>The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel namely :-</p> <p>a) Managing Director and b) Manager.</p>

#### MINUTES

Title of Article	Article Number and contents
Minutes to be made	<p>207.</p> <p>(1) The Company shall cause minutes of all proceedings of General Meeting and of all proceedings of every meeting of the Board of Directors or every Committee thereof within thirty days of the conclusion of every such meeting concerned by making entries thereof in books kept for that purpose with their pages consecutively numbered.</p> <p>(2) Each page of every such books shall be initialed or signed and the last page of the record of proceedings of each Meeting in such books shall be dated and signed:</p> <p>(a) in the case of minutes of proceedings of a meeting of Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.</p> <p>(b) in the case of minutes of proceeding of the General Meeting, by the Chairman of the said meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period by a Director duly authorized by the Board for the purpose.</p>
Minutes to be evidence of the proceeds	<p>208.</p> <p>(a) The minutes of proceedings of every General Meeting and of the proceedings of every meeting of the Board or every Committee kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.</p> <p>(b) The books containing the aforesaid minutes shall be kept at the Registered Office of the Company and be open to the inspection of any Member without charge as provided in Section 196 of the Act and any Member shall be furnished with a copy of any minutes in accordance with the terms of that Section.</p>
Books of minutes of General Meeting to be kept	<p>209.</p> <p>Where the minutes of the proceedings of any General Meeting of the Company or of any meeting of the Board or of a Committee of Directors have been kept in accordance with the provisions of Section 193 of the Act, until the contrary is proved, the meeting shall be deemed to have been duly called and held, all proceedings thereat to have been duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid.</p>
Presumptions	<p>210.</p> <p>The Directors may from time to time appoint, and at their discretion, remove any individual,</p>

#### THE SECRETARY

Title of Article	Article Number and contents
Secretary	<p>210.</p> <p>The Directors may from time to time appoint, and at their discretion, remove any individual,</p>



Title of Article	Article Number and contents
	(hereinafter called “the Secretary”) to perform any functions, which by the Act are to be performed by the Secretary, and to execute any other ministerial or administrative duties, which may from time to time be assigned to the Secretary by the Directors. The Directors may also at any time appoint some person (who need not be the Secretary) to keep the registers required to be kept by the Company. The appointment of Secretary shall be made according to the provisions of the Companies (Appointment and Qualifications of Secretary) Rules, 1988.
The Seal, its custody and use	<p>211.</p> <p><b>(a) Seal</b></p> <p>The Board shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof.</p> <p><b>(b) Common Seal for use outside India</b></p> <p>The Board may for the purpose of use of the Common Seal outside India, cause a facsimile of the Common Seal to be made and authorize the use of it in the manner provided under Section 50 of the Companies Act, 1956</p> <p><b>(c) Safe Custody of Seal</b></p> <p>The Common Seal shall be in the safe custody of the Director or the Secretary for the time being of the Company.</p> <p><b>(d) Affixing of Seal on deeds and instruments’</b></p> <p>On every deed or instrument on which the Common Seal of the Company is required to be affixed, the Seal be affixed in the presence of a Director or a Secretary or any other person or persons Authorised in this behalf by the Board, who shall sign every such deed or instrument to which the Seal shall be affixed.</p> <p><b>(e) Affixing of Seal on Share Certificates</b></p> <p>Notwithstanding anything contained in Clause (d) above, the Seal on Share Certificates shall be affixed in the presence of such persons as are Authorised from time to time to sign the Share Certificates in accordance with the provisions of the Companies (Issue of Share Certificates) Rules in force for the time being.</p> <p><b>(f) Removal of Common Seal outside the office premises</b></p> <p>The Board may authorize any person or persons to carry the Common Seal to any place outside the Registered Office inside or outside for affixture and for return to safe custody to the Registered Office.</p>

#### DIVIDENDS AND CAPITALISATION OF RESERVES

Title of Article	Article Number and contents
Division of profits	<p>212.</p> <p>(a) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares;</p> <p>(b) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares.</p>
The Company at General Meeting may declare	<p>213.</p> <p>The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the</p>





Title of Article	Article Number and contents
dividend	Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.
Dividends out of profits only	214. No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.
Interim dividend	215. The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.
Debts may be deducted	216. (a) The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists. (b) The Board of Directors may retain the dividend payable upon Shares in respect of which any person is, under the Transmission Article, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member or shall duly transfer the same.
Capital paid-up in advance to carry interest, not the right to earn dividend	217. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.
Dividends in proportion to amounts paid-up	218. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.
No Member to receive dividend while indebted to the Company and the Company's right in respect thereof	219. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.
Effect of transfer of Shares	220. A transfer of Shares shall not pass the right to any dividend declared therein before the registration of the transfer.
Dividend to joint holders	221. Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.
Dividend how remitted	222. The dividend payable in cash may be paid by cheque or warrant sent through post directly to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.
Notice of dividend	223. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Share in the manner herein provided.
Reserves	224. The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies or for any other purposes to which the profits of the Company may be properly applied and pending such application,



Title of Article	Article Number and contents
	may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.
Dividend to be paid within time required by law.	<p>225.</p> <p>The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:-</p> <p>(a) where the dividend could not be paid by reason of the operation on any law; or</p> <p>(b) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or</p> <p>(c) where there is dispute regarding the right to receive the dividend; or</p> <p>(d) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or</p> <p>(e) where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.</p>
Unpaid or unclaimed dividend	<p>226.</p> <p>Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, to any shareholder entitled to the payment of dividend, the Company shall within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be opened by the Company in that behalf in any scheduled bank, to be called “<u>Kavita Fabrics Limited</u> _____ (year) Unpaid Dividend Account”.</p> <p>Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.</p> <p>No unclaimed or unpaid dividend shall be forfeited by the Board.</p>
Set-off of calls against dividends	<p>227.</p> <p>Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the Meeting fixes but so that the call on each Member shall not exceed the dividend payable to him, and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the Members, be set off against the calls.</p>
Dividends in cash	<p>228.</p> <p>No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.</p>
Capitalisation	<p>229.</p> <p>(1) The Company in General Meeting may, upon the recommendation of the Board, resolve:</p> <p>(a) That is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and</p> <p>(b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportion.</p> <p>(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards;</p>



<b>Title of Article</b>	<b>Article Number and contents</b>
	<p>(a) paying up any amount for the time being unpaid on any Shares held by such Members respectively, or</p> <p>(b) paying up in full unissued Shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst Members in the proportion aforesaid, or</p> <p>(c) partly in the way specified in sub clause (a) and partly in that specified in sub-clause(b)</p> <p>(3) A security premium account and capital redemption reserve account may, for the purpose of this Article, only be applied in the paying up of unissued Shares to be issued to Members of the Company as fully paid bonus shares.</p>
Board to give effect	<p>230. The Board shall give effect to the resolution passed by the Company in pursuance of above Article.</p>
Fractional certificates	<p>231. (1) Whenever such a resolution as aforesaid shall have been passed, the Board shall;</p> <p>(a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid Shares and</p> <p>(b) Generally do all acts and things required to give effect thereto.</p> <p>(2)The Board shall have full power:</p> <p>(a) to make such provision by the issue of fractional cash certificate or by payment in cash or otherwise as it thinks fit, in the case of Shares becoming distributable in fractions, also</p> <p>(b) to authorise any person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf by the application thereof of the respective proportions of the profits resolved to be capitalised of the amounts remaining unpaid on their existing Shares.</p> <p>(3) Any agreement made under such authority shall be effective and binding on all such Members.</p> <p>(4)That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any question or difficulties that may arise in regard to any issue including distribution of new Shares and fractional certificates as they think fit.</p>

## ACCOUNTS

<b>Title of Article</b>	<b>Article Number and Contents</b>
Books to be kept	<p>232. (1) The Company shall keep at its Registered Office proper books of account as would give a true and fair view of the state of affairs of the Company or its transactions with respect to:</p> <p>(a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place</p> <p>(b) all sales and purchases of goods by the Company</p> <p>(c) the assets and liabilities of the Company and</p> <p>(d) if so required by the Central Government, such particulars relating to utilisation of material or labour or to other items of cost as may be prescribed by the Government</p> <p>Provided that all or any of the books of account aforesaid may be kept at such other place in India as the Board of Directors may decide and when the Board of Directors so decides the Company shall within seven days of the decision file with the Registrar a notice in writing giving the full address of that other place.</p> <p>(2)Where the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with the provisions of clause (1) if proper books of account relating to the transaction effected at the branch are kept at that office and proper summarised returns, made upto date at intervals of not more than three months, are sent by the branch office to the Company at its Registered Office or the other place referred to in sub-clause (1). The books of accounts and other books and papers shall be open to inspection by any Director during business hours.</p>
Inspection by Members	<p>233. No Members (not being a Director) shall have any right of inspecting any account books or</p>



Title of Article	Article Number and Contents
	documents of the Company except as allowed by law or authorised by the Board.
Statements of accounts to be furnished to General Meeting	<p>234.</p> <p>The Board of Directors shall from time to time in accordance with Sections 210, 211, 212, 216 and 217 of the Act, cause to be prepared and laid before each Annual General Meeting a profit and loss account for the financial year of the Company and a balance sheet made up as at the end of the financial year which shall be a date which shall not precede the day of the Meeting by more than six months or such extended period as shall have been granted by the Registrar under the provisions of the Act.</p>
Right of Members or others to copies of balance sheet and Auditors' report and statement under Section 219	<p>235.</p> <p>(1) The Company shall comply with the requirements of Section 219 of the Act.</p> <p>(2) The copies of every balance sheet including the Profit &amp; Loss Account, the Auditors' Report and every other document required to be laid before the Company in General Meeting shall be made available for inspection at the Registered Office of the Company during working hours for a period of 21 days before the Annual General Meeting.</p> <p>A statement containing the salient features of such documents in the prescribed form or copies of the documents aforesaid, as the Company may deem fit will be sent to every Member of the Company and to every trustee of the holders of any Debentures issued by the Company not less than 21 days before the date of the Meeting.</p>
Accounts to be audited	<p>236.</p> <p>Once at least in every year the accounts of the Company shall be examined, balanced and audited and the correctness of the profit and loss Account and the balance sheet ascertained by one or more Auditor or Auditors.</p>
Appointment of Auditors	<p>237.</p> <p>(1) Auditors shall be appointed and their qualifications, rights and duties regulated in accordance with Section 224 to 229 and 231 of the Act.</p> <p>(2) The Company shall at each Annual General Meeting appoint an Auditor or Auditors to hold office from conclusion of that Meeting until the conclusion of the next Annual General Meeting and shall within seven days of the appointment give intimation thereof to the Auditor so appointed unless he is a retiring Auditor.</p> <p>(3) At any Annual General Meeting a retiring Auditor by whatsoever authority appointed shall be reappointed unless:</p> <ul style="list-style-type: none"> <li>(a) (a) he is not qualified for re-appointment;</li> <li>(b) (b) he has given to the Company notice in writing of his unwillingness to be re-appointed;</li> <li>(c) (c) a resolution has been passed at that Meeting appointing some body instead of him or providing expressly that he shall not be re-appointed; or</li> <li>(d) (d) where notice has been given of an intended resolution to appoint some person or persons in the place of retiring Auditor, and by reason of the death, incapacity or disqualification of that person or of all those persons as the case may be, the resolution cannot be proceeded with.</li> </ul> <p>(4) Where at any Annual General Meeting no Auditors are appointed or re-appointed, the Central Government may appoint a person to fill the vacancy.</p> <p>(5) The Company shall within seven days of the central government's power under sub-clause (4) becoming exercisable give notice of that fact to that Government.</p> <p>(6) The Directors may fill any casual vacancy in the office of Auditors, but while any such vacancy continues, the surviving or continuing Auditor or Auditors (if any) may act but where such vacancy is caused by the resignation of art Auditor, the vacancy shall only be filled by the Company in General Meeting.</p> <p>(7) A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless a special notice of a resolution for appointment of that person to the office of Auditor has been given by a Member to the Company not less than fourteen days before the Meeting in accordance with Section 190 of the Act and the Company shall send a copy of any such notice to retiring Auditor and shall give notice thereof, to the Members in accordance with Section 190 of the Act and all the other provisions of Section 225 of the Act shall apply in the matter. The provisions of this sub-clause shall also apply to a resolution that retiring Auditor shall not be re-appointed.</p>



Title of Article	Article Number and Contents
Accounts when audited and approved to be conclusive except as to errors discovered within 3 months	238. Every account when audited and approved by a General Meeting shall be conclusive except as regards any errors discovered therein within the next three months after the approval thereof. Whenever any such error is discovered within that period, the account shall be corrected, and amendments effected by the Directors in pursuance of this Article shall be placed before the Members in General Meeting for their consideration and approval and, on such approval, shall be conclusive.

#### DOCUMENTS AND NOTICES

Title of Article	Article Number and Contents
To whom documents must be served or given	239. Document or notice of every Meeting shall be served or given on or to (a) every Member (b) every person entitled to a Share in consequence of the death or insolvency of a Member and (c) the Auditor or Auditors for the time being of the Company, PROVIDED that when the notice of the Meeting is given by advertising the same in newspaper circulating in the neighborhood of the office of the Company under Article 109, a statement of material facts referred to in Article 100 need not be annexed to the notice, as is required by that Article, but it shall merely be mentioned in the advertisement that the statement has been forwarded to the Members of the Company.
Members bound by documents or notices served on or given to previous holders	240. Every person, who by operation of law, transfer or other means whatsoever, shall become entitled to any Share, shall be bound by every document or notice in respect of such Share, which prior to his name and address being entered in the Register of Members shall have been duly served on or given to the person from whom he derived, his title to such Share.
Service of documents on the Company	241. A document may be served on the Company or an officer thereof by sending it to the Company or officer at the Registered Office of the Company by post under a certificate of posting or by registered post or by leaving it at its Registered Office.
Authentication of documents and proceedings	242. Save as otherwise expressly provided in the Act, a document or proceedings requiring authentication by the Company may be signed by a Director, the Managing Director, or the Secretary or other authorized officer of the Company and need not be under the Seal of the Company.

#### REGISTERS AND DOCUMENTS

Title of Article	Article Number and Contents
Registers and documents to be maintained by the Company	243. The Company shall keep and maintain registers, books and documents required by the Act or these Articles, including the following: (a) Register of investments made by the Company but not held in its own name, as required by Section 49(7) of the Act (b) Register of mortgages and charges as required by Section 143 of the Act and copies of instruments creating any charge requiring registration according to Section 136 of the Act. (c) Register and index of Members and debenture holders as required by Sections 150, 151 and 152 of the Act. (d) Foreign register, if so thought fit, as required by Section 157 of the Act (e) Register of contracts, with companies and firms in which Directors are interested as required by Section 301 of the Act. (f) Register of Directors and Secretaries etc. as required by Section 303 of the Act. (g) Register as to holdings by Directors of Shares and/or Debentures in the Company as required by Section 307 of the Act. (h) Register of investments made by the Company in Shares and Debentures of the bodies corporate in the same group as required by Section 372(2) of the Act. (i) Copies of annual returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act. (j) Register of loans, guarantees, or securities given to the other companies under the same management as required by Section 370 of the Act.



Title of Article	Article Number and Contents
Inspection of Registers	<p>244.</p> <p>The registers mentioned in clauses (f) and (i) of the foregoing Article and the minutes of all proceedings of General Meetings shall be open to inspection and extracts may be taken therefrom and copies thereof may be required by any Member of the Company in the same manner to the same extent and on payment of the same fees as in the case of the Register of Members of the Company provided for in clause (c) thereof. Copies of entries in the registers mentioned in the foregoing article shall be furnished to the persons entitled to the same on such days and during such business hours as may be consistent with the provisions of the Act in that behalf as determined by the Company in General Meeting.</p>

#### WINDING UP

Title of Article	Article Number and Contents
Distribution of assets	<p>245.</p> <p>If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in the proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up, on the Shares held by them respectively, and if in the winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up, paid up or which ought to have been paid up on the Shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of Shares issued upon special terms and conditions.</p>
Distribution in specie or kind	<p>246.</p> <p>(a) If the Company shall be wound up, whether voluntarily or otherwise, the Liquidator may, with the sanction of a Special Resolution, divide amongst the contributories in specie or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories or any of them, as the liquidator, with the like sanction, shall think fit.</p> <p>(b) If thought expedient any such division may subject to the provisions of the Act be otherwise than in accordance with the legal rights of the contributions (except where unalterably fixed by the Memorandum of Association and in particular any class may be given preferential or special rights or may be excluded altogether or in part but in case any division otherwise than in accordance with the legal rights of the contributories, shall be determined on any contributory who would be prejudicial thereby shall have a right to dissent and ancillary rights as if such determination were a Special Resolution passed pursuant to Section 494 of the Act.</p> <p>(c) In case any Shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said Shares may within ten days after the passing of the Special Resolution by notice in writing direct the Liquidator to sell his proportion and pay him the net proceeds and the Liquidator shall, if practicable act accordingly.</p>
Right of shareholders in case of sale	<p>247.</p> <p>A Special Resolution sanctioning a sale to any other Company duly passed pursuant to Section 494 of the Act may subject to the provisions of the Act in like manner as aforesaid determine that any Shares or other consideration receivable by the liquidator be distributed against the Members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the Members subject to the rights of dissent and consequential rights conferred by the said sanction.</p>
Directors and others right to indemnity	<p>248.</p> <p>Subject to the provisions of Section 201 of the Act, every Director or officer, or servant of the Company or any person (whether an officer of the Company or not) employed by the Company as Auditor, shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company to pay all costs, charges, losses and damages which any such person may incur or become liable to pay by reason of any contract entered into or any act, deed, matter or thing done, concurred in or omitted to be done by him in any</p>





Title of Article	Article Number and Contents
	way in or about the execution or discharge of his duties or supposed duties (except such if any as he shall incur or sustain through or by his own wrongful act, neglect or default) including expenses, and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, officer or Auditor or other office of the Company in defending any proceedings whether civil or criminal in which judgment is given in his favour, or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.
Director, officer not responsible for acts of others	249. Subject to the provisions of Section 201 of the Act no Director, Auditor or other officer of the Company shall be liable for the acts, receipts, neglects, or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of the title to any property acquired by order of the Directors for on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested for any loss or damages arising from the insolvency or tortuous act of any person, firm or Company to or with whom any moneys, securities or effects shall be entrusted or deposited or any loss occasioned by any error of judgment, omission, default or oversight on his part of for any other loss, damage, or misfortune whatever shall happen in relation to execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.

#### SECURITY CLAUSE

Title of Article	Article Number and Contents
Secrecy Clause	250. Every Director/Manager, Auditor, treasurer, trustee, member of a committee, officer, servant, agent, accountant or any other person-employed in the business of the Company shall, if so required by the Director, before entering upon his duties, sign a declaration pledging himself, to observe a strict secrecy respecting all transactions and affairs of the Company with the Company customers and the state of the accounts with individuals and in matter thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in discharge of his duties except when required to do so by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
No Member to enter the premises of the Company without permission	251. No Member or other person (not being a Director) shall be entitled to visit or inspect any property or premises of the Company without the permission of the Board of Directors or Managing Director, or to inquire discovery of or any information respecting any details of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.



## SECTION IX – OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

*The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of the Draft 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 the Draft Prospectus, delivered to the Registrar of Companies, Gujarat, Dadra and Nagar Haveli for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 11.00 am to 5.00 pm on working days from the date of the Draft Prospectus until the Issue Closing Date.*

#### **Material Contracts**

1. Memorandum of Understanding dated October 10, 2012 between our Company and the Lead Manager i.e. Intensive Fiscal Services Private Limited.
2. Memorandum of Understanding dated October 5, 2012 between our Company and the Registrar to the Issue.
3. Escrow Agreement dated [●] between our Company, the Lead Manager, Escrow Collection Banks, and the Registrar to the Issue.
4. Underwriting Agreement dated December 10, 2012 between our Company and the Lead Manager - Intensive Fiscal Services Private Limited and the Market Makers – K.M. Jain Stock Brokers Pvt. Ltd. and Intensive Softshare Private Limited.
5. Market Making Agreement December 10, 2012 between the Company, the Lead Manager - Fiscal Services Private Limited and the Market Maker - K.M. Jain Stock Brokers Pvt. Ltd. And Intensive Softshare Private Limited.
6. Tripartite agreement between the NSDL, our Company and the Registrar dated December 4, 2012.
7. Tripartite agreement between the CDSL, our Company and the Registrar dated November 20, 2012.

#### **Material Documents**

1. Certificate of Incorporation.
2. Fresh Certificate of Incorporation consequent to change of name on conversion of Company from private to public limited company.
3. Certified true copies of the Memorandum and Articles of Association of our Company, as amended from time to time.
4. Resolution of the Board of Directors meeting dated August 8, 2012, authorising the Issue.
5. Resolution of the shareholders passed at the Extra Ordinary General Meeting dated August 31, 2012, authorising the Issue.
6. Consent of M/s. R.T. Jain & Co., the Peer Review Auditors of the Company for inclusion of their name in the Draft Prospectus.
7. Report of the Peer Review Auditor dated December 24, 2012 from M/s. R. T. Jain & Co., on our Company's restated financial statements for the years ended March 31, 2008, 2009, 2010, 2011, 2012 and for the five months period ending August 31, 2012.
8. Copy of the Statement of Possible Tax Benefits dated November 30, 2012 issued by the Statutory Auditors of the Company M/s. Sanjay Maheshwari & Associates, Chartered Accountants.





9. Consents of Statutory Auditors, Bankers to the Company, Lead Manager, Legal Advisors to this Issue, Directors, Promoters, Company Secretary, Compliance Officer, Registrar to this Issue, Market Makers, Underwriters and Escrow Collection Banks, Refund Banks as referred to, in their respective capacities.
10. Approval from BSE vide letter In-principle listing approvals dated [●] to use the name of BSE in this Offer Document for listing of Equity Shares on from the SME Platform of the BSE.
11. Due Diligence certificate(s) dated [●] of the Lead Manager to be submitted to SEBI along with the filing of the Prospectus.

Any of the contracts or documents mentioned in the Draft 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

*We, the Directors of the Company, hereby declare that, all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the regulations or guidelines issued by the Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in the Draft Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992, each as amended or rules made there under or guidelines / regulations issued, as the case may be. We further certify that all the disclosures and statements made in the Draft Prospectus are true and correct.*

### **SIGNED BY THE DIRECTORS OF OUR COMPANY**

\_\_\_\_\_  
Mr. Harish Chandak, Chairman and Managing Director

\_\_\_\_\_  
Mr. Shailesh Chandak, Executive Director

\_\_\_\_\_  
Mrs. Sarika Chandak, Executive Director

\_\_\_\_\_  
Mr. Govindlal Saboo, Independent Director

\_\_\_\_\_  
Mr. Kishan Kumar Sarda, Independent Director

\_\_\_\_\_  
Mr. Amit Merai  
Compliance Officer

\_\_\_\_\_  
Mr. Nitin Maheshwari, Independent Director

\_\_\_\_\_  
Ms. Nikita Sukheja Wadhvani  
Company Secretary

Date: January 7, 2013  
Place: Surat

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