



(The Company was incorporated as 'Reid & Taylor (India) Limited' on April 19, 2000, at Mumbai, as public limited company under the Companies Act, 1956, as amended (the "Companies Act"). The Company received a certificate of commencement of business on July 29, 2008. For details of changes in the Registered Office of the Company, please see the section "History and Certain Corporate Matters" on page 98 of this Draft Red Herring Prospectus.)

**Registered Office:** Marathon Innova IT Park, B2/501 and C-501, 5<sup>th</sup> Floor, off Ganpatrao Kadam Marg, Lower Parel (West), Mumbai 400 013

**Contact Person:** Nihar R. Avasare, Company Secretary and Compliance Officer

**Tel:** (91 22) 2825 0797; **Fax:** (91 22) 2820 7577; **Email:** nihar.avasare@reidntaylor.co.in; **Website:** http://www.bondwiththebest.com

**Promoter of the Company:** S. Kumars Nationwide Limited

**PUBLIC ISSUE OF [●] EQUITY SHARES OF A FACE VALUE RS. 10 EACH OF REID & TAYLOR (INDIA) LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING TO RS. [●] MILLION CONSISTING OF A FRESH ISSUE OF [●] EQUITY SHARES AGGREGATING UP TO RS. 5,000 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 11,964,218 EQUITY SHARES BY S. KUMARS NATIONWIDE LIMITED AND 2,991,055 EQUITY SHARES BY INDIVEST PTE LTD (THE "SELLING SHAREHOLDERS") (THE "OFFER FOR SALE" AND TOGETHER WITH THE FRESH ISSUE, THE "ISSUE"). THE ISSUE ALSO INCLUDES A RESERVATION OF UP TO [●] EQUITY SHARES OF RS. 10 EACH AGGREGATING TO RS. [●] MILLION FOR THE ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS REFERRED TO AS THE "NET ISSUE". THE ISSUE WILL CONSTITUTE [●]% OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF THE COMPANY. THE NET ISSUE WILL CONSTITUTE [●]% OF THE POST ISSUE PAID UP EQUITY SHARE CAPITAL OF THE COMPANY.**

**THE FACE VALUE OF EQUITY SHARES IS RS. 10 EACH. THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY THE COMPANY AND THE SELLING SHAREHOLDERS IN CONSULTATION WITH THE GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS ("GCBRLMS") AND THE BOOK RUNNING LEAD MANAGERS ("BRLMS") AND WILL BE ADVERTISED AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.**

In case of any revision to the Price Band, the Bid/Issue Period will be extended by three additional Working Days after such revision of the Price Band, subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the GCBRLMS, BRLMS and at the terminals of the other members of the Syndicate.

The Company is undertaking this Issue under Rule 19(2)(b)(ii) of the Securities Contracts Regulations Rules, 1957 ("SCRR") and shall comply with the requirements thereunder. This being an issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIB") Bidders. 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to [●] Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. Potential investors may participate in this 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, please see the section "Issue Procedure" on page 229 of this Draft Red Herring Prospectus.

**RISK IN RELATION TO THE FIRST ISSUE**

This being the first public issue of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times of the face value. The Issue Price (has been determined and justified by the Company, the Selling Shareholders, the GCBRLMS and the BRLMS as stated under the section "Basis for Issue Price" on page 47 of this Draft Red Herring 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 or regarding the price at which the Equity Shares will be traded after listing.

**IPO GRADING**

This Issue has been graded by [●] as [●], indicating [●]. For details, please see the section "General Information" on page 15 of this Draft Red Herring Prospectus.

**GENERAL RISKS**

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

**ISSUER'S ABSOLUTE RESPONSIBILITY**

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft Red Herring Prospectus is true and correct in all material 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 make this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. The Selling Shareholders accept responsibility that this Draft Red Herring Prospectus contains all information about them as a Selling Shareholders which is material in the context of the Offer for Sale.

**LISTING**

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received an 'in-principle' approval from each of the BSE and the NSE for the listing of the Equity Shares pursuant to the letters dated [●] and [●], respectively. For the purposes of the Issue, the Designated Stock Exchange shall be [●].

**GLOBAL COORDINATORS AND BOOK RUNNING LEAD MANAGERS**

<b>JM Financial Consultants Private Limited</b> 141, Maker Chamber-III Nariman Point, Mumbai 400021 Tel: (91 22) 6630 3030 Fax: (91 22) 2204 2137 E-mail: rtil ipo@jmfincial.in Investor Grievance Email: grievance.ibd@jmfincial.in Website: www.jmfincial.in Contact Person: Lakshmi Lakshmanan SEBI Registration No.: INM000010361	<b>UBS Securities India Private Limited</b> 2/F, 2 North Avenue Maker Maxity Bandra Kurla Complex, Bandra (East), Mumbai 400051 Tel: (91 22) 6155 6000 Fax: (91 22) 6155 6300 E-mail: customercare@ubs.com Investor Grievance Email: customercare@ubs.com Website: www.ubs.com/Indianoffers Contact Person: Ashish Mukirkar SEBI Registration No.: INM000010809	<b>J.P. Morgan India Private Limited</b> J.P. Morgan Tower Off C.S.T. Road, Kalina Santacruz (East), Mumbai 400 098 Tel: (91 22) 6157 3000 Fax: (91 22) 6157 3911 E-mail: project_bond@jpmorgan.com Investor Grievance Email: investorsmb.jpnipl.com Website: www.jpnipl.com Contact Person: Ranjan Sharma SEBI Registration No.: INM000002970	<b>Religare Capital Markets Limited</b> GYS Infinity, Paranje 'B' Scheme, Subhash Road Vile Parle (East), Mumbai 400 057 Tel: (91 22) 6766 3400 Fax: (91 22) 6766 3600 E-mail: rtil ipo@religare.in Investor Grievance Email: grievance.ibd@religare.in Website: www.religarecapitalmarkets.com Contact Person: Kumar Bavishi SEBI Registration No: INM000011062

**BOOK RUNNING LEAD MANAGERS**

**REGISTRAR TO THE ISSUE**

<b>Antique Capital Markets Private Limited</b> 6th Floor, Nirmal Building Nariman Point Mumbai 400 021 Tel: (91 22) 4031 3300 Fax: (91 22) 2202 2691 E-mail: rtil ipo@antiquelimited.com Investor Grievance Email: investors@antiquelimited.com Website: www.antiquelimited.com Contact Person: Ankur Joshi SEBI Registration No.: INM000011385	<b>Edelweiss Capital Limited</b> 14th Floor, Express Towers Nariman Point Mumbai 400 021 Tel: (91 22) 4086 3535 Fax: (91 22) 4086 3610 E-mail: rtil ipo@edelcap.com Investor Grievance Email: customerservice.mb@edelcap.com Website: www.edelcap.com Contact Person: Neetu Ranka/Viral Shah SEBI Registration No.: INM0000010650*	<b>HSBC Securities and Capital Markets (India) Private Limited</b> 52/60 Mahatma Gandhi Road Fort, Mumbai 400 001 Tel: (91 22) 2268 5555 Fax: (91 22) 2263 1984 E-mail: rtil ipo@hsbc.co.in Investor Grievance Email: investorgrievance@hsbc.co.in Website: http://www.hsbc.co.in/1/2/corporate/ equitiesglobalinvestment Contact Person: Sumit Roy SEBI Registration No.: INM000010353	<b>IDBI Capital Market Services Limited</b> 5 <sup>th</sup> Floor, Mafatal Centre Nariman Point Mumbai 400 021 Tel: (91 22) 4322 1212 Fax: (91 22) 2283 8782 E-mail: rtil ipo@idbicapital.com Investor Grievance Email: redressal@idbicapital.com Website: www.idbicapital.com Contact Person: Kartik Shah/ Subodh Mallya SEBI Registration No.: INM000010866	<b>Bigshare Services Private Limited</b> E-2, Ansa Industrial Estate Sakivihar Road, Sakinaka Andheri (East) Mumbai 400 072 Tel: (91 22) 4043 0200 Fax: (91 22) 2847 5207 Email: ipo@bigshareonline.com Investor Grievance Email: rtil ipo@bigshareonline.com Website: www.bigshareonline.com Contact Person: Ashok Shetty SEBI Registration No.: IN000001385

**BID/ISSUE OPENS ON: [●]\*\***

**BID/ISSUE PROGRAMME\*\***

**BID/ISSUE CLOSURES ON: [●]\*\***

*In compliance with the proviso to Regulation 21A(1) and explanation (iii) to Regulation 21A(1) of SEBI (Merchant Bankers) Regulations, 1992, read with Regulation 110 and Schedule XX of the SEBI Regulations, Edelweiss Capital Limited would be involved only in the marketing of the Issue.*

*\*\* The Company may, in consultation with the GCBRLMS and the BRLMS, consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one working day prior to the Bid/ Issue Opening Date.*

*\*\* The Company may, in consultation with the GCBRLMS and the BRLMS, consider closing the Bid/Issue Period for QIBs one working day prior to the Bid/Issue Closing Date.*

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## SECTION I: GENERAL

### DEFINITIONS AND ABBREVIATIONS

#### General Terms

Term	Description
“the Company” or the “Issuer”	Unless the context otherwise indicates or implies, refers to Reid & Taylor (India) Limited, a company incorporated under the Companies Act and having its Registered Office at Marathon Innova IT Park, B2/501 and C-501, 5 <sup>th</sup> Floor, off Ganpatrao Kadam Marg, Lower Parel (West), Mumbai 400 013

#### Company Related Terms

Term	Description
Articles/Articles of Association	Articles of Association of the Company
Auditor	The statutory auditor of the Company, Haribhakti & Co., Chartered Accountants
BHRL	Brandhouse Retails Limited
Board/Board of Directors	The board of directors of the Company or a duly constituted committee thereof
Director(s)	The director(s) of the Company, unless otherwise specified
Franchisee Agreement	Master franchisee agreement dated July 8, 2008, entered into between BHRL and the Company
GIC	Government of Singapore Investment Corporation Pte Ltd
GICSI	GIC Special Investments Private Limited, a wholly-owned subsidiary of GIC
Group Companies	Companies, firms and ventures promoted by the Promoters, irrespective of whether such entities are covered under section 370(1)(B) of the Companies Act or not and disclosed in the section “Group Companies” on page 127 of this Draft Red Herring Prospectus
Hartmarx	Hartmarx Corporation USA
Indivest	Indivest Pte Ltd
Memorandum/Memorandum of Association	Memorandum of Association of the Company, unless the context otherwise specifies
Promoter	S. Kumars Nationwide Limited. For details, please see the section “Promoter and Promoter Group” on page 121 of this Draft Red Herring Prospectus
Promoter Group	Unless the context otherwise requires, refers to such persons and entities constituting the promoter group of the Company in terms of Regulation 2(zb) of the SEBI Regulations and disclosed in the section “Promoter and Promoter Group” on page 121 of this Draft Red Herring Prospectus
R&T International	Reid & Taylor (International) Limited
Registered Office	The registered office of the Company is located at Marathon Innova IT Park, B2/501 and C-501, 5 <sup>th</sup> Floor, off Ganpatrao Kadam Marg, Lower Parel (West), Mumbai 400 013
RTHL	Reid & Taylor (Holdings) Limited
Sale and Purchase Agreement	Sale and purchase agreement dated July 8, 2008, entered into between SKNL and the Company
Services Sharing Agreement	Shared services and product supply agreement dated July 8, 2008, entered into between SKNL and the Company
Shareholders’ Agreement	Shareholders Agreement dated June 20, 2008 entered into between the Company, Indivest Pte Ltd, the Promoter, Nitin S. Kasliwal, Jyoti N. Kasliwal, Anjani N. Kasliwal, Kartikeya N. Kasliwal, Tulija Enterprises Private Limited, Chamundeshwari Mercantile Private Limited and Anjani Finvest Private Limited
SKNL	S. Kumars Nationwide Limited
TKH License Agreement	Technical know-how license agreement dated July 8, 2008, entered into between Reid & Taylor (Holdings) Limited and the Company
TM License Agreement	Trademarks license agreement dated July 8, 2008, entered into between Reid &

<b>Term</b>	<b>Description</b>
	Taylor (International) Limited and the Company

### Issue Related Terms

<b>Term</b>	<b>Description</b>
Allotment/Allot/Allotted	Unless the context otherwise requires, means the allotment of Equity Shares pursuant to the Fresh Issue and the transfer of the Equity Shares pursuant to the Offer for Sale to successful Bidders
Allottee	A successful Bidder to whom the Equity Shares are/ have been Allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion with a minimum Bid of Rs. 100 million
Anchor Investor Allocation Notice	Notice or intimation of allocation of Equity Shares sent to Anchor Investors who have been allocated Equity Shares after discovery of the Issue Price if the Issue Price is higher than the Anchor Investor Issue Price
Anchor Investor Bid/Issue Period	The day, one working day prior to the Bid/Issue Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs
Anchor Investor Portion	Up to 30% of the QIB Portion which may be allocated by the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic mutual funds, subject to valid Bids being received from domestic mutual funds at or above the price at which allocation is being done to Anchor Investors
Antique	Antique Capital Markets Private Limited
Application Supported by Blocked Amount/ASBA	An application, whether physical or electronic, used by all Bidders to make a Bid authorising an SCSB to block the Bid Amount in their ASBA Account maintained with the SCSB
ASBA Account	An account maintained by the ASBA Bidders with the SCSB and specified in the ASBA Bid cum Application Form for blocking an amount mentioned in the ASBA Bid cum Application Form
ASBA Bid cum Application Form	The form, whether physical or electronic, used by a Bidder to make a Bid through ASBA process, which contains an authorisation to block the Bid Amount in an ASBA Account and will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
ASBA Bidder	Prospective investors in this Issue who intend to Bid/apply through ASBA
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Form or any previous ASBA revision form(s)
Banker(s) to the Issue/Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Bankers to the Issue and with whom the Escrow Account will be opened, in this case being [●]
Basis of Allotment	The basis on which Equity Shares will be Allotted to successful Bidders under the Issue and which is described under “Basis of Allotment” in the section “Issue Procedure” on page 253 of this Draft Red Herring Prospectus
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder pursuant to submission of the Bid cum Application Form, or during the Anchor Investor Bid/Issue Period by the Anchor Investors, to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and

<b>Term</b>	<b>Description</b>
	modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form
Bid cum Application Form	The form used by a Bidder (which, unless expressly provided, includes the ASBA Bid cum Application Form by an ASBA Bidder, as applicable) to make a Bid and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
Bid/Issue Closing Date	Except in relation to any Bids received from Anchor Investors, the date after which the Syndicate and the Designated Branches of the SCSBs will not accept any Bids for the Issue, which shall be notified in two national newspapers (one each in English and Hindi) and one in Marathi newspaper with wide circulation
Bid/Issue Opening Date	Except in relation to any Bids received from Anchor Investors, the date on which the Syndicate and the Designated Branches of the SCSBs shall start accepting Bids for the Issue, which shall be notified in two national newspapers (one each in English and Hindi) and one in Marathi newspaper with wide circulation
Bid/Issue Period	Except in relation to Anchor Investors, the period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which prospective Bidders can submit their Bids, including any revisions thereof
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Book Building Process/Method	Book building process, as provided in Schedule XI of the SEBI Regulations, in terms of which this Issue is being made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being Antique Capital Markets Private Limited, Edelweiss Capital Limited, HSBC Securities and Capital Markets (India) Private Limited and IDBI Capital Market Services Limited
CAN/Confirmation of Allotment Note	Note or advice or intimation of Allotment sent to the Bidders who have been Allotted Equity Shares after Basis of Allotment has been approved by the Designated Stock Exchange
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	Issue Price, finalised by the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs. Only Retail Individual Bidders and Eligible Employees are entitled to Bid at the Cut-off Price, for a Bid Amount not exceeding Rs. 200,000. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Forms used by the ASBA Bidders and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a>
Designated Date	The date on which funds are transferred from the Escrow Account or the amount blocked by the SCSB is transferred from the ASBA Account, as the case may be, to the Public Issue Account or the Refund Account, as appropriate, after the Prospectus is filed with the RoC, following which the Board of Directors shall Allot Equity Shares to successful Bidders in the Fresh Issue and the Selling Shareholders shall give delivery instructions for transfer of Equity Shares constituting the Offer for Sale
Designated Stock Exchange	[•]
Draft Red Herring Prospectus or DRHP	This Draft Red Herring Prospectus dated December 9, 2010 issued in accordance with Section 60B of the Companies Act and the SEBI Regulations, which does not contain complete particulars of the price at which the Equity Shares will be issued and the size of the Issue
Edelweiss	Edelweiss Capital Limited
Eligible Employees	Permanent and full-time employees of the Company, the Promoter, a subsidiary company and material associates (entities whose financial statements are consolidated with the Company's financial statements as per AS 21) and the

<b>Term</b>	<b>Description</b>
	Directors of the Company as on [●], 2010
Eligible NRI(s)	NRI(s) from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares
Employee Reservation Portion	The portion of the Issue being up to [●] Equity Shares shall be available for allocation to Eligible Employees
Engagement Letter	Engagement letter dated October 6, 2010 between the Company, the GCBRLMs and the BRLMs
Equity Shares	Equity shares of the Company of Rs. 10 each fully paid-up unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidders (excluding the ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into by the Company, the Registrar to the Issue, the GCBRLMs, the BRLMs, the Syndicate Members, the Escrow Collection Bank(s) and the Refund Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
Floor Price	The lower end of the Price Band, at or above which the Issue Price will be finalised and below which no Bids will be accepted
Fresh Issue	The fresh issue of [●] Equity Shares aggregating up to Rs. 5,000 million by the Company
Global Coordinators and Book Running Lead Managers or GCBRLMs	Global Coordinators and Book Running Lead Managers to the Issue, in this case being JM Financial Consultants Private Limited, UBS Securities India Private Limited, J. P. Morgan India Private Limited and Religare Capital Markets Limited
HSBC	HSBC Securities and Capital Markets (India) Private Limited
IDBI	IDBI Capital Market Services Limited
Issue	The public issue of [●] Equity Shares for cash at a price of Rs. [●] each aggregating to Rs. [●] million comprising the Fresh Issue and Offer for Sale. It comprises of a Net Issue to the public aggregating to Rs. [●] million and a reservation for Eligible Employees aggregating up to Rs. [●] million
Issue Agreement	The agreement entered into on December 9, 2010 between the Company, the Selling Shareholders, the GCBRLMs and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price at which Equity Shares will be issued and Allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs on the Pricing Date
Issue Proceeds	The proceeds of the Issue
J. P. Morgan	J. P. Morgan India Private Limited
JM Financial	JM Financial Consultants Private Limited
Mutual Fund Portion	5% of the QIB Portion (excluding the Anchor Investor Portion), or [●] Equity Shares shall be available for allocation to Mutual Funds only
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Net Issue	The Issue less than Employees Reservation Portion
Net Proceeds	Proceeds of the Fresh Issue less the Issue expenses. For further information about use of the Issue Proceeds and the Issue expenses, please see the section “Objects of the Issue” on page 32 of this Draft Red Herring Prospectus
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount of more than Rs. 200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Issue being not less than [●] Equity Shares shall be available

<b>Term</b>	<b>Description</b>
	for allocation to Non-Institutional Bidders
Non-Resident	A person resident outside India, as defined under FEMA and includes a Non Resident Indian, FIIs registered with SEBI and FVCIs registered with SEBI
Offer for Sale	The offer for sale of 11,964,218 Equity Shares by S. Kumars Nationwide Limited and 2,991,055 Equity Shares by Indivest Pte Ltd at the Issue Price, pursuant to the terms of the Red Herring Prospectus
Price Band	Price Band of a minimum price of Rs. [●] (Floor Price) and the maximum price of Rs. [●] (Cap Price) and includes revisions thereof. The Price Band and the minimum Bid Lot size for the Issue will be decided by the Company the Selling Shareholders in consultation with the GCBRLMs and the BRLMs and advertised, at least two working days prior to the Bid/Issue Opening Date, in two national newspapers (one each in English and Hindi) and one in Marathi newspaper with wide circulation
Pricing Date	The date on which the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs finalises the Issue Price
Prospectus	The Prospectus to be filed with the RoC in accordance with Section 60 of the Companies Act, containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account and from the SCSBs on the Designated Date
QIB Portion	The portion of the Issue being not more than [●] Equity Shares shall be available for allocation to QIB Bidders
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FIIs and sub-account registered with SEBI (other than a sub-account which is a foreign corporate or foreign individual), multilateral and bilateral development financial institutions, venture capital fund registered with SEBI, foreign venture capital investor registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of Rs. 250 million, pension fund with minimum corpus of Rs. 250 million, National Investment Fund, insurance funds set up and managed by the army, navy or air force of the Union of India and insurance funds set up and managed by Department of Posts, India
Red Herring Prospectus or RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three days before the Bid/Issue Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date
Refund Account(s)	The account opened with the Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount (excluding the ASBA Bidder) shall be made
Refund Bank(s)	[●]
Refunds through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS or NEFT, as applicable
Registrar to the Issue/Registrar	Registrar to the Issue, in this case being Bigshare Services Private Limited
Religare	Religare Capital Markets Limited
Retail Individual Bidder(s)	Individual Bidders who have Bid for Equity Shares for an amount not more than Rs. 200,000 in any of the bidding options in the Issue (including HUFs applying through their Karta and Eligible NRIs and does not include NRIs other than Eligible NRIs)
Retail Portion	The portion of the Issue being not less than [●] Equity Shares shall be available for allocation to Retail Individual Bidder(s)

<b>Term</b>	<b>Description</b>
Revision Form	The form used by the Bidders (which, unless expressly provided, includes the ASBA Revision Form) to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
Self Certified Syndicate Bank(s) or SCSB(s)	A banker to the Issue registered with SEBI, which offers the facility of ASBA and a list of which is available on <a href="http://www.sebi.gov.in/pmd/scsb.pdf">http://www.sebi.gov.in/pmd/scsb.pdf</a>
Selling Shareholders	S. Kumars Nationwide Limited and Indinvest Pte Ltd
Syndicate Agreement	The Agreement to be entered into amongst the Syndicate, the Company and the Selling Shareholders in relation to the collection of Bids in this Issue (excluding Bids from the Bidders applying through ASBA process)
Syndicate Members	[•]
Syndicate/ members of the Syndicate	The GCBRLMs and the BRLMs and the Syndicate Members
TRS/Transaction Registration Slip	The slip or document issued by the Syndicate, or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid
UBS	UBS Securities India Private Limited
Underwriters	The GCBRLMs, the BRLMs and the Syndicate Members
Underwriting Agreement	The agreement amongst the Underwriters, the Company and the Selling Shareholders to be entered into on or after the Pricing Date
Working Days	All days excluding Sundays and bank holidays in Mumbai

#### Technical/Industry Related Terms

<b>Term</b>	<b>Description</b>
EBO	Exclusive Brand Outlets
MBO	Multi-Brand Outlets
T&A	Textile and Apparel

#### Conventional Terms

<b>Term</b>	<b>Description</b>
AGM	Annual General Meeting
AS/Accounting Standards	Accounting Standards issued by the Institute of Chartered Accountants of India
Bn	Billion
BPLR	Benchmark Prime Lending Rates
BSE	Bombay Stock Exchange Limited
CAD	Computer aided drafting
CAGR	Compounded Annual Growth Rate
CARE	Credit Analysis & Research Limited
CDSL	Central Depository Services (India) Limited
CHF or Franc	CHF is the official currency of Switzerland
CIN	Corporate Identity Number
CMIE	Centre for monitoring Indian economy
Companies Act	The Companies Act, 1956 and amendments thereto
CVD	Countervailing duty
Depositories	NSDL and CDSL
Depositories Act	The Depositories Act, 1996, as amended from time to time
DIN	Director Identification Number
DP ID	Depository Participant's Identification
DP/Depository Participant	A depository participant as defined under the Depositories Act
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods



<b>Term</b>	<b>Description</b>
EPS	Earnings Per Share i.e., is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period
EU	European Union
FCNR	Foreign Currency Non-Resident
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 and amendments thereto
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995, as amended, and registered with SEBI under applicable laws in India
Financial Year/Fiscal/FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investors
GBP or £	British Pound
GDP	Gross Domestic Product
GIR	General Index Register
GoI/Government	Government of India
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
IIP	Index of Industrial Production
Income Tax Act	The Income Tax Act, 1961, as amended
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
LIBOR	London Interbank Offered Rate
Mn/mn/million	Million
MNC	Multinational Corporation
NA/n.a.	Not Applicable
National Investment Fund	National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, being a person resident outside India, as defined under FEMA and the FEMA Regulations
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
NTP	National Textile Policy, 2000
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 trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the FEMA Regulations. OCBs are not allowed to invest in this Issue
OTEXA	Office of Textiles Commissioner
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number

<b>Term</b>	<b>Description</b>
PAT	Profit After tax
PLR	Prime Lending Rate
RBI	The Reserve Bank of India
RoC	The Registrar of Companies, Maharashtra located at 100, Everest, Marine Drive, Mumbai 400 002
RoNW	Return on Net Worth
Rs./Rupees	Indian Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992, as amended
SEBI Act	Securities and Exchange Board of India Act 1992, as amended
SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended
Securities Act	U.S. Securities Act, 1933, as amended from time to time
SICA	Sick Industries Companies (Special Provisions) Act, 1985
SITP	Scheme for Integrated Textile Parks. A scheme launched in 2005, during the Tenth Five Year Plan by merging the two previously existing schemes namely, the Scheme for Apparel Parks for Exports and the Textile Centre Infrastructure Development Scheme
Sq. Ft./sq. ft.	Square feet
Sq. Mts./sq. mts.	Square metres
State Government	The government of a state in India
Stock Exchanges	BSE and the NSE
TUFS	Technology Up-gradation Fund Scheme. A scheme launched by the Ministry of Textiles for the textile and jute industries for a five years time frame with effect from April 1, 1999 to March 31, 2004
TWS	Total Wardrobe Solutions
UK	United Kingdom
US /United States/USA	United States of America
US GAAP	Generally Accepted Accounting Principles in the United States of America
USD/US\$	United States Dollars
VAT	Value added tax
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended

## **PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA**

### **Financial Data**

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from the audited financial statements, prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Regulations and included in this Draft Red Herring Prospectus. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

The Company's fiscal year commences on April 1 and ends on March 31 of the next year, so all references to particular fiscal year, unless stated otherwise, are to the 12 months period ended on March 31 of that year.

There are significant differences between Indian GAAP, US GAAP and IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We do not provide reconciliation of our financial statements to IFRS or US GAAP financial statements. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, to the investors and the investors shall consult their own advisors regarding such differences and their impact on the financial data.

### **Currency and Units of Presentation**

All references to:

- "CHF" or "Franc" or are to the official currency of Switzerland;
- "Euro" or "€" are to the official currency of the member states of European Union;
- "GBP" or "£" are to the official currency of United Kingdom of Great Britain and Northern Ireland, together with its territories and possessions;
- "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India; and
- "US\$" or "USD" are to United States Dollars, the official currency of the United States of America.
- "JPY" are to Japanese Yen, the official currency of Japan.

### **Exchange Rates**

This Draft Red Herring Prospectus contains conversions of certain US Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of the SEBI Regulations. These conversions should not be construed as a representation that those US Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate.

### **Industry and Market Data**

Unless stated otherwise, industry and market data used in this Draft Red Herring Prospectus has been obtained or derived from publicly available information as well as industry publications and sources. 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. Accordingly, no investment decision should be made on the basis of such information. Although industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

The section titled "Industry Overview" has been prepared and provided by CARE Research ("CARE"). CARE

obtained the information set forth in its respective report from its own independent research, as well as from publicly available third-party sources identified in each such report, including Government agencies. While CARE believes that the descriptions and conclusions contained in its report are reasonable, there can be no assurance that the information contained in such report is accurate. The Industry Overview also includes projections and estimates regarding demand and market share for the Indian apparel industry. For purposes of preparing these projections and estimates, CARE has relied on certain assumptions regarding contingencies and other matters that are not within the control of the Company, CARE or any other person. These assumptions are inherently subject to significant uncertainties and actual results will differ, perhaps materially, from those projected. Therefore, no representations are made or intended, nor should any be inferred, with respect to the likely existence of a particular future set of facts or circumstances.

## FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe the Company’s strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions about the Company that could cause actual results and property valuations to differ materially from those contemplated by the relevant forward-looking statement.

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

- inadequate supply of raw materials or failure to receive timely supply or on acceptable commercial terms;
- deficiency in capabilities of outside manufacturers;
- fluctuation in the prices of raw materials;
- inability of the Company to obtain or renew its intellectual property related contractual arrangements;
- inability of the Company to reduce its cost of production;
- inability of the Company to manage its growth;
- general economic and political conditions;
- termination of any contract entered into with third parties; and
- delay in completion of projects due to force majeure reasons;

For further discussion of factors that could cause the actual results to differ from the expectations, please see the sections “Risk Factors”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages xii, 79 and 178 of this Draft Red Herring Prospectus, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or losses could materially differ from those that have been estimated.

Forward-looking statements reflect the current views as of the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. Neither the Company, its Directors, the Selling Shareholders, the Underwriters nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, the Selling Shareholders, the GCBRLMs and the BRLMs will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

## SECTION II: RISK FACTORS

*An investment in equity shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Company's Equity Shares. The risks and uncertainties described in this section are not the only risks that are currently faced by the Company. Additional risks and uncertainties not presently known to the Company or that it currently believes to be immaterial may also have an adverse effect on the Company's business, results of operations and financial condition. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, the Company's business, results of operations and financial condition could suffer, the price of its Equity Shares could decline, and investors may lose all or part of their investment. In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of the Issue, including the merits and risks involved.*

*Unless otherwise stated, the financial information of the Company used in this section is derived from its audited financial statements under Indian GAAP, as restated. Unless otherwise stated, the Company is not in a position to specify or quantify the financial or other risks mentioned herein.*

### **Internal Risk Related to the Company**

- 1) ***The Company relies on a continued supply of raw materials and any disruption in that supply could have an adverse effect on the Company.***

The Company currently relies on raw materials purchased from a number of domestic suppliers. However, if timely and adequate supplies of raw materials on acceptable commercial terms are not available to the Company, or if there are significant increases in the cost of these materials, the Company's margins, results of operations and financial condition may be adversely affected.

- 2) ***The Company relies on outsourced manufacturing capabilities and the failure to maintain a timely and adequate supply of such outsourcing could have an adverse effect on the Company.***

The Company relies on outsourcing for low value added processes while it maintains high value added manufacturing processes in-house. The Company has not entered into any formal long term agreement with any entity to outsource such processes. If the timely and adequate supply of outsourced processes are not available to the Company on acceptable commercial terms, or if there are significant increases in the cost of these outsourced processes, the Company's results of operations and financial condition may be adversely affected. Furthermore, any failure on the Company's part to maintain a high level of quality or any failure by such outside manufacturers to comply with labour standards could adversely affect the Company's reputation.

- 3) ***The Company relies on intellectual property and technology provided by third parties and its business may suffer if these arrangements are terminated or not renewed.***

The Company is the licensed user of certain trademarks incorporating the words 'Reid & Taylor' and/or certain devices for use in India by virtue of the Trademark License Agreement between Reid & Taylor (International) Limited and the Company signed in July 2008 and which became retroactively effective from January 1, 2008 (the "Agreement"). The Agreement grants an exclusive and perpetual license to use the 'Reid & Taylor' trademark in India and other territories specified in the Agreement. The Agreement shall continue in perpetuity unless the Company commits a material breach or until it is terminated by either party for reasons such as liquidation, change of management or nationalisation by the Government or any local authority or if the Company is declared a "sick undertaking" under the Sick Industrial Companies (Special Provisions) Act, 1985.

The Company has also entered into a technical know-how licence agreement with Reid & Taylor (Holdings) Limited on July 8, 2008 which became retroactively effective on January 1, 2008. The technical know-how licence agreement grants an exclusive, non-transferable, perpetual right and license to use the know-how necessary for the manufacture of 'Reid & Taylor' products in India. This technical know-how

license agreement shall continue in perpetuity unless the Company commits a material breach or until it is terminated by either party for reasons such as liquidation, change of management, nationalisation by the Government or any local authority or if the Company is declared a “sick undertaking” under the Sick Industrial Companies (Special Provisions) Act, 1985.

In addition, the Company has entered into a license agreement (through a novation agreement and guarantee in October 2008) with Austin Reed Limited for use of the ‘Stephens Brothers’ brand name and the processes it employs to manufacture its products. Pursuant to the terms of this license agreement, the Company has an exclusive, revocable and non-transferable license which is valid for a term of five years from September 1, 2006 to December 31, 2011. The agreement may be renewed for a further period of five years, provided that the Company has achieved a net retail sales value of £2.45 million in 2011. Austin Reed Limited or the Company are entitled to terminate the agreement inter alia if the other party takes any action under any law regarding insolvency or relief for debtors or makes any arrangement or compromise with its creditors whatsoever.

In the event these agreements are terminated or the Company is unable to renew its trademark license agreement for use of the ‘Stephens Brothers’ name on the same or other acceptable terms, the Company may lose the benefit of that intellectual property and the legal protection to use certain of the processes it employs to manufacture its products, which may prevent the Company from manufacturing and selling many of its products which in the future may adversely affect its business. In the future, the Company may also need to obtain additional licenses for new or existing technologies. The Company cannot provide any assurances that such license agreements will be obtained or renewed on acceptable terms or at all, and, if not, the Company’s results of operations and financial condition could be adversely affected.

4) ***There is outstanding litigation involving the Company, the Directors, the Promoter and the Group Companies, which if determined adversely, could affect the Company’s business and results of operations.***

There is outstanding litigation involving the Company, the Directors, the Promoter and the Group Companies. These legal proceedings are pending at different levels of adjudication before various courts, enquiry officers and tribunals. The amounts claimed in these proceedings have been disclosed to the extent ascertainable and include amounts claimed jointly and severally from the Company and other parties. Should any new developments arise, such as any change in applicable Indian law or any rulings against the Company by appellate courts or tribunals, the Company may need to make provisions in its financial statements that could increase expenses and current liabilities. Any adverse decision may have an adverse effect on the Company’s business, results of operations and financial condition. The brief details of such outstanding litigation as of the date of the Draft Red Herring Prospectus are as follows:

*Litigation against the Company*

Sr. No.	Nature of litigation	Number of outstanding cases	Aggregate approximate amount involved (in Rs. million)
1.	Tax proceedings	4	46.7

*Litigation against the Directors*

Sr. No.	Name of Director	Nature of litigation	Number of outstanding cases	Aggregate approximate amount involved (in Rs. million)
Nil	Nil	Nil	Nil	Nil

*Litigation against the Promoter*

<b>Sr. No.</b>	<b>Name of Promoter</b>	<b>Nature of litigation</b>	<b>Number of outstanding cases</b>	<b>Aggregate approximate amount involved (in Rs. million)</b>
1.	SKNL	Criminal proceedings	1	-
2.	SKNL	Labour proceedings	92	8.9
3.	SKNL	Tax proceedings	1	3.4
4.	SKNL	Civil proceedings	3	1.2

*Litigation against the Group Companies*

<b>Sr. No.</b>	<b>Name of Group Company</b>	<b>Nature of litigation</b>	<b>Number of outstanding cases</b>	<b>Aggregate approximate amount involved</b>
1.	HMX Poland sp. Z o. o	Arbitration proceedings	1	US \$4.2 million (Rs. 189.44 million) <sup>(1)</sup>
2.	Remala Trading B.V.	Civil proceedings	1	-
3.	SKNL North America B. V.	Civil proceedings	1	-

<sup>(1)</sup> The Company has used an exchange rate of Rs. 45.105 being the reference rate as of December 3, 2010. (Source: [www.xe.com](http://www.xe.com)).

For details, please see the section “Outstanding Litigation and Material Developments” on page 201 of this Draft Red Herring Prospectus.

**5) *The Company has received qualifications in its audit reports in relation to its financial statements for the year ended March 31, 2010 and may have auditor qualifications in the future.***

The Company’s auditors have included qualifications in their report with respect to the year ended March 31, 2010. Further, in the Audit Report dated November 25, 2010 and included in this Draft Red Herring Prospectus at pages 139 to 177, the auditors have noted that during the financial year ended March 31, 2010, sundry debtors, loans and advances including capital advances and sundry creditors, amounting to Rs. 473.7 million, Rs. 694.7 million and Rs. 533.8 million, respectively, are subject to confirmations, reconciliation and consequential adjustment, if any. In addition, the auditor’s report contained in the Company’s annual report for the fiscal year ended March 31, 2010 contains a qualification stating that the Company’s prevailing internal audit system must be strengthened to be commensurate with the size of the Company and the nature of its business.

Further, the auditor’s report contained in the Company’s annual report for the fiscal years ended March 31, 2009 and 2010 contain a qualification stating that the Company has overstated its profits by an amount of Rs. 219.8 million (for fiscal year ending March 31, 2010) by amortizing the amount (starting from October 1, 2008 till March 31, 2020) paid to its lenders as part of corporate debt restructuring of the Promoter (to which the Company is also a part) pertaining to earlier years. The auditors are of the view that such amounts should have been charged to the ‘Profit and Loss’ account and should not have been carried forward; which the auditors have stated is not in line with the requirements of the applicable accounting standards. The Auditor’s Report contained in the Draft Red Herring Prospectus at pages 139 to 177 does not have the qualification because the accounts have been restated by the auditors as required by SEBI and have charged the amount of Rs. 219.8 million to the ‘Profit and Loss’ account. However, this qualification has been stated in past annual reports of the auditors and will continue to be stated in the future, till such time that the Company either charges off the current outstanding balance of Rs. 219.8 million to its profit and loss account or till the year 2020.

Additionally, the accounting procedures used for purposes of the restated financial statements included in this Draft Herring Prospectus are different from those used in the past and what may be used in the future. As such, future audit reports will contain auditor qualifications if the Company reverts back to its prior



accounting procedures.

6) ***Fluctuations in raw material prices that the Company is unable to pass on to customers may affect the Company's earnings.***

The raw materials used in the manufacture of most of the Company's products are primarily polyester, viscose, raw wool, cotton, blended fabrics and other stores and spares. In fiscal years 2009 and 2010 and the six month period ended September 30, 2010, raw materials accounted for approximately 43%, 50% and 51%, respectively, of the Company's total expenses. As a raw material-intensive manufacturing operation, the Company is exposed to a variety of market risks, including the effects of changes in commodity prices. Changes in the prices of raw materials cannot always be predicted or hedged. The costs at which the Company procures certain of its raw materials have in the past been subject to significant increases. There can be no assurance that the price of the Company's raw materials will not increase in the future. Although the Company has been able to pass on many of its raw material increases to its customers in the past, there can be no assurance that the Company will be able to do so in the future. A significant increase in the price of raw materials that cannot be passed on to its customers could have a material adverse effect on the Company's results of operations and financial condition.

7) ***The Company relies heavily on licensed brands and specifically the 'Reid & Taylor' brand name. Any dilution of the same could adversely affect its business.***

Sales from the brand 'Reid & Taylor' contributed approximately 99.5%, 98.2% and 98.3%, respectively, of the Company's sales and service charges in the years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010, respectively. The Company believes that the 'Reid & Taylor' brand commands strong brand recall among consumers due to its long international presence. The Company's success depends on its ability to maintain the brand image of its existing products. Decrease in product quality due to reasons beyond its control or allegations of product defects, even when false or unfounded, could tarnish the image of the brands and may cause consumers to choose other products. Further, there can be no assurance that this brand name will not be adversely affected in the future by events such as actions that are beyond the Company's control and its business, financial condition and results of operations may be adversely affected.

8) ***The Company may not be able to effectively promote or develop its licensed brands.***

The Company strives to position its licensed brands as premium and super premium fabric and apparel brands. Brand image is an important factor which affects a consumer's purchasing decision with respect to the Company's products. To effectively promote these brands, the Company would have to be able to build and maintain the brand image by focusing on a variety of promotional and marketing activities to promote brand awareness, as well as to increase their presence in the markets in which they operate by expanding their retail network. There is no assurance that the Company will be able to effectively promote or develop these brands and if they fail to do so, the goodwill of such brands may be undermined, and accordingly the Company's results of operations and financial condition may be adversely affected.

9) ***The Company's funding requirements and deployment of the net proceeds of the Issue are based on management estimates and have not been independently appraised.***

The Company has not entered into any definitive agreements to utilize any portion of the net proceeds of the Fresh Issue. In view of the competitive and dynamic nature of the textile industry, the Company may have to revise its expenditure and fund requirements, as stated in the section titled "Objects of the Issue" beginning on page 32 of the Draft Red Herring Prospectus, due to such factors as variations in the cost structure, changes in estimates, exchange rate fluctuations and external factors, which may not be within the control of the Company's management. In addition, the estimated dates of completion of various projects as described herein are based on management's current expectations and are subject to delay and change due to various factors such as delays caused by market conditions, changes in government policies or initiatives, changes in budgetary allocation or insufficiency of funds. In case of decline in fund requirements at a later stage, such excess proceeds of the Fresh Issue will be deployed as approved by the

Board of Directors and the shareholders of the Company at that point in time. In the event, for whatsoever reason, the Company is unable to execute its plans as detailed in the “Objects of the Issue” beginning on page 32 of this Draft Red Herring Prospectus, the Company could have unallocated net proceeds.

**10) *The Company’s business is presently characterised by large investments in working capital which could constrain the cash flows of the business and may affect its result of operations.***

Currently, a significant portion of the Company’s revenues are generated from products that are characterised by high investments in working capital, predominantly in inventories and debt. As of September 30, 2010, the Company’s account receivable days were 172, and its days sales of inventory were 111 days. The Company has incurred high investments primarily due to its wide product range and large distribution network. Any increase in these investments due to a change in the business scenario may constrain the Company’s cash flows and adversely affect its results of operations and financial condition.

**11) *The Company has limited financial history; therefore, prospective investors may not be able to evaluate the Company’s current and future business prospects accurately.***

The Company was spun off from SKNL in January 2008 and hence has a limited operating and financial history. For details, please see the section “History and Certain Corporate Matters” beginning on page 98 of this Draft Red Herring Prospectus. Hence, it has no significant operating history from which its business, future prospects and viability can be evaluated. The manufacturing and distribution of all products involves various risks, including among others, execution risk, regulatory risk, financing risk and the risk that these projects may prove to be unprofitable. Any inability of the Company to effectively develop and operate could adversely affect its business prospects, financial condition and results of operation. Moreover, investors should not evaluate the Company’s prospects and viability based on the performance of its Promoter, SKNL, or other affiliates. The Company cannot assure investors about its future performance or that its business strategy will be successful.

**12) *The Company does not have long-term contracts with its buyers, the loss of which could have a material adverse effect on the Company.***

Due to the nature of the industry, purchases by the Company’s customers are primarily through purchase orders on a semi-annual basis or on a fixed delivery basis. The Company does not have any long term contracts with any of its customers and there can be no guarantee that its present customers will continue to procure orders from it. Any decline in the number of customers would likely result in reduced margins and the Company’s results of operations may be adversely affected.

**13) *The Company’s business is cyclical and rapidly changing. Any failure by the Company to identify changing fashion trends or any reduction in consumer demand would adversely affect the Company’s business.***

The fashion industry in which the Company operates is highly creative, competitive and rapidly-changing. Any inability on the part of the Company to perceive and capitalize on prevailing trends, timely forecast changing trends or failure to keep pace with the rate of such change will affect its growth prospects. Also, the Company’s business is cyclical and subject to seasonal fluctuations as the range of products in the garment business changes according to the season. Purchases of the Company’s products may decline during recessionary periods and may decline for a variety of other reasons, including changes in fashion trends and the introduction of new products or pricing changes by the Company’s competitors. Uncertainties regarding future economic prospects could affect consumer-spending habits and have an adverse effect on the results of operations. For example, a continuation or worsening of the global economic crisis could result in a reduction in demand for higher quality, higher priced garments. In addition, uncertainty with respect to consumer spending as a result of weak economic conditions could cause delays in the placing of initial orders and may slow the pace of reorders during the seasonal peak of the Company’s business. Weak economic conditions may have a material adverse effect on the Company’s financial condition and results of operations.

- 14) ***The Company's major capital projects may not be completed in the time frame planned or at cost levels originally anticipated, and may not achieve the intended economic results.***

Currently, the Company intends to incur capital expenditures at some of its existing facilities and is establishing a new facility in Bengaluru. The Company's ability to successfully execute such projects in a timely manner is affected by factors such as delays in regulatory approvals, political unrest, technical difficulties, the inability to procure machinery and materials at desirable prices, human, technological or other resource constraints and may be affected by other unforeseen reasons, events or circumstances, some of which may be beyond its control.

Capital projects may incur significant cost overruns and may not be completed on time or at all, which may significantly affect the Company's results of operations. In addition, as a consequence of project delays, cost overruns, changes or lack of demand for the Company's products or for other reasons, the Company may not achieve the economic benefits expected from these projects and its failure to obtain expected economic benefits from these projects could adversely affect its business, financial condition and results of operations.

- 15) ***Failure to implement future technological advances in the textile industry or fund capital expenditure requirements could have a material adverse effect on the Company's competitive position and its results of operations.***

The Company's operating results depend to a significant extent on its ability to continue to introduce innovative products and to continue to develop its production processes to be a competitive producer. Accordingly, to maintain the Company's competitive position and its revenue base, the Company must continually modernize its manufacturing processes, plants and equipment. To this end, the Company has made significant investments in its manufacturing infrastructure in the past. Future technological advances in the textile industry may result in the availability of new products or increase the efficiency of existing manufacturing and distribution systems, and the Company may not be able to adapt to such technological changes or offer such products on a timely basis or establish or maintain competitive positions. Existing, proposed or undeveloped technologies may render the Company's technology less profitable or less viable, and it may not have the financial and other resources to compete effectively against companies possessing such technologies. To the extent sources of funds are insufficient to meet the Company's ongoing capital improvement requirements, it would need to seek alternative sources of financing or curtail or delay capital spending plans. The Company may not be able to obtain the necessary financing when needed or on acceptable terms. The Company is unable to predict which of the many possible future products and services will meet the evolving industry standards and consumer demands. If the Company fails to make the capital improvements necessary to continue the modernization of its manufacturing operations and reduction of its costs, the Company's competitive position may suffer, and its results of operations may be adversely effected.

- 16) ***A portion of the shareholding of the Promoter, constituting 26.0% of the current paid-up share capital of the Company, has been pledged to a bank. Any sale of the Equity Shares by the bank in case of a default under the financing document will dilute the shareholding of the Promoter and adversely affect the Company's stock price.***

34,995,338 Equity Shares held by the Promoter, constituting 26.0% of the current paid-up share capital of the Company, has been pledged as security to ICICI Bank Limited under the terms of loan agreement dated September 16, 2009. Any default under this financing document may result in ICICI Bank Limited selling the Equity Shares pledged to them in the open market, thereby diluting the shareholding of the Promoters. Any action initiated by ICICI Bank Limited may result in the price of the Equity Shares being adversely impacted along with the ability to obtain further funding from other banks and financial institutions.

**17) *The Company's business could be adversely affected if it fails to protect its intellectual property rights.***

The Company licenses trademarks from third parties. The Company's success depends in part on its ability to protect these and other intellectual property rights. The Company relies on a combination of trademark, and trade secret laws, licenses, confidentiality and other agreements to protect its intellectual property rights. However, this protection may not be fully adequate. The Company's trademark agreements may terminate or become subject to litigation. The Company's intellectual property rights may be challenged or invalidated, an infringement suit by the Company against a third party may not be successful and/or third parties could adopt trademarks similar the Company's. The Company routinely enters into confidentiality agreements with its employees and strategic and joint venture partners, among others, such agreements may be breached, and the Company could be harmed by unauthorized use or disclosure of its confidential information. Further, the Company's failure to protect its intellectual property could materially and adversely affect its competitive position, reduce revenue or otherwise harm its business.

Further, the Company may be accused of infringing or violating the intellectual property rights of third parties. Any such claims, whether or not meritorious, could result in costly litigation and divert the efforts of Company personnel. Should the Company be found liable for infringement, it may be required to enter into licensing arrangements (if available on acceptable terms or at all) or pay damages and cease selling certain products or using certain product names or technology. The Company's failure to prevail in any intellectual property litigation could materially adversely affect its competitive position and have an adverse effect on its results of operations.

**18) *The success of the Company's business is substantially dependent upon the services of a few management personnel, the loss of whom could adversely affect the Company's business.***

The Company believes it has built a strong team of senior professionals to oversee the operations and growth of its business. The Company's management team consists of individuals having significant experience in the textile industry. The Company's Managing Director and Executive Director, Nitin Kasliwal, has 32 years of experience in the textile industry. The Company's success is substantially dependent upon the expertise and services of these members of management. The loss of these persons could have an adverse effect on the Company's business, results of operations and financial condition.

**19) *An inability to manage the Company's growth could disrupt its business, results of operations and financial condition.***

The Company's total income has grown to Rs. 11,502.1 million and Rs. 6,323.5 million in the year ended March 31, 2010 and the six month period ended September 30, 2010, respectively, from Rs. 7,133.8 million in the year ended March 31, 2009. A principal component of the Company's strategy is to continue to grow by expanding the size and geographical scope of its existing business. This growth strategy will place significant demands on the Company's management, financial and other resources. In particular, continued expansion challenges the Company in the following areas:

- maintaining consistently high-quality products;
- recruiting, training and retaining sufficient skilled technical, marketing and management personnel;
- managing expectations of clients and maintaining high levels of customer satisfaction;
- developing and improving internal administrative functions and systems and controls, particularly the Company's financial, operational, communications and other internal systems; and
- maintaining a constant supply of quality inputs for its manufacturing processes.

The Company's inability to properly manage its growth may have an adverse effect on its business, results of operations and financial condition. Also, the Company needs to obtain various regulatory, environmental and health and safety approvals in the normal course of business as well as for proposed expansion projects and new projects which may not be available on a timely basis or at all. This may also significantly limit

the Company's growth.

- 20) ***The Promoter of the Company exercises significant control and influence over the business affairs of the Company and their interests may conflict with those of the investors and other shareholders of the Company.***

As of September 30, 2010, the Promoter shareholding in the Company was 74.4% of the issued and outstanding Equity Share capital. The Promoter has the ability to control and influence the business affairs of the Company including matters such as sale of all or substantially all of the assets of the Company, assumption of additional debt, sale of brands belonging to the Company, timing and distribution of dividends, election of officers and directors and change of control transactions and other matters. The interests of the Promoter may differ and conflict with those of the investors and other shareholders of the Company which may cause them to act in a manner that may not be in the best interests of the shareholders of the Company.

- 21) ***The Company has faced labour disruptions in the past and may face labour disruptions in the future that may interfere with its operations.***

The Company is exposed to the risk of strikes and other industrial actions. As of September 30, 2010, the Company employed a total of 1,227 employees, of whom 834 employees belonged to a single registered trade union. The Company has faced labour disruptions in the past. On June 10, 2008, the labourers of the Company went on a strike for a period of 16 days. Further, a lockout was declared at the Mysore factory from May 30, 2005 to June 30, 2005. While the Company's management believes that current relations between the Company and its employees are generally good, there can be no assurance that other employees will not unionise or that strikes, work stoppages or other industrial actions will not occur in the future. Labour disruptions could negatively impact the Company's operations and capacity utilization and cause it to be unable to meet its customers' demands. Such an event could result in increased wages and other benefits to the Company's employees and otherwise have a material adverse effect on its business, results of operations and financial condition.

The Company's current labour agreement will expire on December 30, 2010. If a new agreement is not reached by that time, the Company may experience labour disruptions which could have a negative impact the Company's operations and capacity utilization and cause it to be unable to meet its customers' demands.

In addition, many of the Company's suppliers have unionised work forces. Work stoppages or slow-downs experienced by these suppliers could increase the costs of raw materials and cause disruptions in the Company's operations and have a material adverse effect on its business, results of operations and financial condition.

- 22) ***The Company relies on the success of its third party distribution network of wholesalers and retailers for supplying its products into the market and if the Company is unable to maintain its current distribution network or attract new distributors, the Company's results of operations and financial condition may be adversely affected.***

The Company has a nationwide distribution network comprising exclusive agents, wholesalers and retail outlets, who market, distribute and sell a major portion of the Company's products. The Company also distributes its products through BHRL. The Company is heavily dependent on its distribution network. The distributors are generally independent of the Company, thus the distributor's finances, as well as the sales, merchandising and display of the Company's products are largely outside of its control. Additionally, distributors are constantly entering and exiting the retail market. Thus, the success of the business depends on maintaining good relations with existing distributors as well as attracting new ones. Although the Company believes it has good relations with its existing distributors, there can be no assurance that its distributors will continue to do business with the Company or that the Company will be able to attract new distributors. If the Company does not succeed in maintaining its current distribution network or in attracting new distributors to support future growth, the Company's market share may decline and adversely affect its results of operations and financial condition.

- 23) ***The Company generates a material portion of its revenue from sales to BHRL, which is a related party, and it is therefore dependent on the performance and growth of BHRL.***

In the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010, sales to BHRL represented approximately 39.9%, 37.2% and 29.6%, respectively, of the Company's total sales. The Company expects the portion of its sales to BHRL to continue to grow in the future. Maintaining the Company's relationship with BHRL is crucial to the Company's business, and any deterioration in BHRL's business would have a material impact on the Company. Further, there can be no assurance that BHRL will wish to continue its relationship with the Company in the future or that the Company will be able to pursue its stated strategies with respect to BHRL and the markets in which it operates. Any deterioration in the Company's relationship with BHRL could have an adverse effect on the Company's results of operations and financial condition. For details, please see the section "Related Party Transactions" beginning on page 136 of this Draft Red Herring Prospectus.

- 24) ***The Company may not be able to manage the rapid growth of its planned retail network effectively which may have an adverse effect on the Company's results of operations and financial condition.***

The Company intends to develop its own retail network in India by setting up 160 new exclusive brand outlets in 2012. The Company may not be able to successfully manage the rapid growth of its retail network effectively despite adopting various measures or strategies, including relying on the retailing experience of BHRL to manage its stores. Therefore, there is no assurance that the intended growth of the Company's retail network can be achieved or will be profitable. If the expansion of the retail network is not successfully managed, the Company's operating costs may increase and the Company's results of operations and financial condition may be adversely affected. In addition, in the event of an economic downturn, which may adversely affect the profitability of the stores, this could result in longer lead-time for new stores to reach their optimal operating levels.

- 25) ***The Company is subject to restrictive covenants and some of the Company's properties have been pledged as security under certain SKNL financing arrangements.***

Certain SKNL financing arrangements are secured by the Company's current and fixed assets, including a charge on the Company's stock of raw materials, semi-finished and finished goods, consumable stores and book debts. Certain SKNL financing arrangements also include various conditions and covenants that require the Company to obtain lender consent prior to carrying out certain activities and entering into certain transactions, including, among others, undertaking new projects or expansions, selling or transferring assets, providing additional mortgage guarantees incurring additional debt or amending the Articles of Association. Any failure to comply with the requirement to obtain consent, or other conditions or covenants under these or future financing agreements that is not waived by the lenders or is not otherwise cured by the Company or SKNL, may lead to a termination of SKNL's or the Company's credit facilities and/or acceleration of all amounts due under such facilities and may affect the Company's ability to conduct its business and operations or implement its business plans.

- 26) ***The Company will have to find locations to open and operate exclusive brand outlets and a failure to do so could have a material adverse impact on the Company's results of operations and financial condition.***

The Company intends to use Rs. 928.7 million from the funds raised from the Fresh Issue towards setting up 160 new exclusive brand outlets. The success of any retail business lies largely in identifying the best possible location at a competitive cost. The Company has to compete with other branded apparel retailers to find locations for its exclusive brand outlets on a continuous basis. The Company cannot give any assurance that it will be able to expand and grow at the rate at which it may desire to, as it may not be able to find locations that it believes will be necessary for implementing its expansion plans. If the Company is unable to find locations at the time and place that it desires, the same may have a material adverse impact on its results of operations and financial condition.

27) ***BHRL may have different strategic priorities than the Company which may be detrimental to the Company.***

A material portion of the Company's sales are derived from its relationship with BHRL which is controlled by the Promoter Group. The operations of BHRL are independent from that of the Company. BHRL may have different strategic priorities than the Company, which may be detrimental to the Company including:

- business opportunities that may be attractive to both the Company and BHRL;
- disagreements over where to establish new exclusive brand outlets and franchise stores;
- economic or business interests or goals that are inconsistent with the other company's;
- BHRL taking actions contrary to the Company's instructions or requests or contrary to the Company's policies and objectives; and
- disagreements over how to best market the Company's brands.

Furthermore, BHRL may undergo a change of control or financial difficulties which may alter the existing relationship between BHRL and the Company. To the extent that the interests of the Company and BHRL are unaligned, the Company cannot provide any assurance that it will be able to resolve such conflicts in a manner that will be in the Company's best interests.

28) ***The restrictions set forth in the shareholders agreement between the Company, SKNL and Indinvest may not govern certain Hartmarx brands.***

The Company, SKNL and Indinvest entered into a shareholders' agreement dated June 20, 2008 (the "Shareholders Agreement"). The terms of the Shareholders Agreement manage the relationship between the three companies, including placing restrictions on SKNL's operations in certain market segments. Under the Shareholders Agreement, SKNL agrees not to manufacture or retail, at a wholesale level, apparel in the premium and super premium brand categories for either four years after the Company's initial public offering or five years after the execution of the Shareholders' Agreement, whichever is later. However, the Shareholders Agreement may not cover certain apparel brands that were acquired by SKNL from Hartmarx Corporation USA. Furthermore, four years after the Company's initial public offering, SKNL will no longer be bound by this restriction. To the extent that the interests of the Company and SKNL are unaligned and they fail to reach an agreement on the distribution of market segments and brand licenses, the Company cannot provide any assurance that it will be able to resolve such conflicts in a manner that will be in the best interest of the Company.

29) ***There may be potential conflicts of interest with the Promoter, Promoter Group Companies and companies in which some of the Company's directors are involved. Such conflict of interests may have an adverse effect on the Company's operations.***

The Promoter, Promoter Group Companies and some of the Company's directors either have equity interests or other investments or are involved in other companies that are authorised to engage in businesses similar to the Company. In particular, the Promoter is also engaged in the production of textiles in India. There may be conflicts of interest in addressing business opportunities and strategies in circumstances where the Company's interests differ from other companies in which the Promoter or one or more of the Company's directors or members of the Promoter Group Companies have an interest. For example, half of the members of the Company's Board of Directors and several key members of management also hold similar positions with the Promoter. There may be instances where the Board of Directors or management are asked to decide on issues that have consequences to both the Company and the Promoter, and their interests may not be aligned. In such cases of conflict, the Promoter or the Promoter Group Companies' Directors which are common between the Promoter and the Company or members of the Promoter Group Companies may favour other companies in which the Promoter or one or more of the Company's Directors

or members of the Promoter Group Companies have an interest. Neither the Promoter nor the Company's Directors or members of the Promoter Group Companies are obligated to direct any opportunities in the industries where the Company operates. Further, the Company shares members of management and other resources and office space with the Promoter, which may divert management attention and resources away from the Company's business and create conflicts of interest. In addition, new business opportunities may be directed to these affiliated companies instead of the Company. The Promoter and such directors or members of the Promoter Group Companies may also keep the Company from entering into certain businesses related to that of the Company's, which may be important for its future growth, as they may already have interests in other similar businesses. While the Promoter has committed not to enter into a competing business with the Company pursuant to the Shareholders' Agreement there can be no assurance that such conflicts will not arise in future.

**30) *Wage increases in India may reduce the Company's profits.***

Substantially all of the Company's workforce is employed in India, which has generally experienced overall wage increases in recent years due to its growing economy. Any future material wage increases experienced in India will likely have an impact on the Company's production costs and could have an adverse effect on the Company's profitability.

**31) *The Company's inability to reduce its cost of production could have a negative impact on its results of operations.***

Reducing the Company's cost of production is essential to its business strategy in a highly competitive market environment. If the Company is unable to effectively employ such measures as using third party logistic providers, implementing supply chain management, process and productivity improvements and e-sourcing, the Company may not be able to effectively control its costs, which may adversely affect its results of operations and financial condition.

**32) *The Company has issued Equity Shares in the past 12 months at a price which may be lower than the Issue Price.***

The Company has made a preferential allotment of 1,804,322 Equity Shares in the past 12 months to Indivest Pte Ltd at a price of Rs. 609.65 per Equity Share. For further details please see the section titled "Capital Structure" on page 25 of this Draft Red Herring Prospectus. The price at which the Equity Shares have been issued in the last 12 months is not indicative of the price at which the Equity Shares may be offered in the Issue or at the price at which they will trade upon listing.

**33) *The Company's Registered Office is located on land owned by the Promoter for which the Company has no formal right of occupation.***

The Company's Registered Office in Mumbai is located on land owned by the Promoter and the Company does not enjoy leasehold or other rights to such premises. In the event the Promoter decides to rent out or alienate the premises being used by the Company to any third-party or retains it for their own use, the Company may be required to shift its premises to a new location and there can be no assurance that the Company will be able to use the new premises in a similar manner.

**34) *The Company has certain contingent liabilities, primarily on account of a guarantee given in favour of a lender of the Promoter, which may adversely affect its results of operations and financial condition if they were to materialise.***

As on September 30, 2010, the Company had contingent liabilities aggregating to Rs. 2,759.3 million, of which Rs. 2,750.0 million is on account of a corporate guarantee in favour of a lender of the Promoter. The Promoter had borrowed an amount of Rs. 2,750.0 million from ICICI Bank Limited in 2009. As a condition to the loan, the lender asked for a corporate guarantee to be provided. The loan is to be repaid by the Promoter by the year 2015. If this contingent liability was to materialise, it may lead to substantial liability and may have a material adverse effect on the results of operations and financial condition of the Company.



For details on contingent liabilities, please refer to the Company's financial statements on page 150 of this Draft Red Herring Prospectus.

- 35) ***The Company has advanced a loan to its Promoter which involves a substantial degree of risk and if the loan remains unpaid, it will have a material adverse effect on the business, results of operations and financial condition of the Company.***

The Company has advanced a loan of Rs. 4,400 million to the Promoter to enable the promoter to repay its lenders pursuant to the corporate debt restructuring of the Promoter, the outstanding balance of which was Rs. 3,300.0 million as on September 30, 2010. The loan carries an interest rate of 12% per annum and is to be repaid by the Promoter in sixteen quarterly instalments ending in September 2013. Further, the Company has also provided an interest free, unsecured loan of Rs. 400 million to the Promoter under the corporate debt restructuring scheme of the Promoter, in fiscal year 2008. Currently, this loan amount is also outstanding. The Company cannot provide any assurance that this amount could not have been invested in instruments which would have yielded higher returns for the Company. Further, the Company cannot provide any assurance whether these loans will be repaid by the Promoter in accordance with the repayment schedule or at all. Further, given that senior management may have conflicts of interest in relation to the Company vis-à-vis the Promoter and Promoter Group Companies, there can be no assurance that steps will be taken by the Company against the Promoter in order to recover the amounts due under the loan. The amounts under the loan remaining unpaid, may result in a material adverse effect on the business, results of operations and financial condition of the Company.

- 36) ***The Company's profitability may decline as a result of increasing pressure on margins and it could incur operating losses that it may be unable to fund or sustain for extended periods of time, if at all.***

The textile industry is subject to significant pricing pressure caused by many factors, including intense competition, consolidation in the retail industry, pressure from retailers to reduce the costs of products and changes in consumer demand. These factors may cause the Company to reduce its prices to retailers and consumers, which could cause its gross margins to decline if it is unable to offset price reductions with comparable reductions in its operating costs. If the Company's gross margin declines and it fails to sufficiently reduce its costs of goods sold or grow its net revenues, the Company's profitability will decline, and it could incur operating losses that it may be unable to fund or sustain for extended periods of time, if at all. This could have a material adverse effect on the Company's financial condition and results of operations.

- 37) ***There are risks associated with the Company's manufacturing facilities and those of its supporting manufacturers.***

The Company's business is dependent on its manufacturing facilities and those of its supporting manufacturers. The loss or shutdown of operations at any of the manufacturing facilities, or those of its supporting manufacturers, due to labour unrest, natural disasters, technical failures or other issues, may have a material adverse effect on the Company's business, financial condition and results of operations.

- 38) ***The Company relies on its information technology systems in managing its supply chain, production process, logistics and other integral parts of its business, any failure of which could have a material adverse impact on the Company.***

Since the Company's operations are substantially information technology driven, the importance of information technology systems to its business is paramount. The Company is reliant on its information technology systems for order booking, procurement of raw materials, accounting, production and distribution. Any failure in the Company's information technology systems could result in business interruption, adversely impacting the Company's reputation and weakening of its competitive position and could have a material adverse effect on the Company's financial condition and results of operations.

39) ***Some of the Group Companies have incurred losses during the last three fiscal years.***

As set forth below, some of the Group Companies have incurred losses during last three fiscal years (as per their standalone financial statements).

(in Rs. millions)

<b>Group Company</b>	<b>Loss After Tax for the fiscal year Ended March 31, 2008*<sup>(1)</sup></b>	<b>Loss After Tax for the fiscal year Ended March 31, 2009*<sup>(2)</sup></b>	<b>Loss After Tax for the fiscal year Ended March 31, 2010*<sup>(3)</sup></b>
SKNL International B.V.	Nil	7.6	2.9
SKNL Europe B.V.	0.1	77.7	0.3
SKNL Global Holdings B.V.	0.1	1.8	Nil
SKNL North America B.V.	0.1	0.9	22.7

<sup>(1)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 63.89 for the revenue transactions during the year which is the average rate for the period April 1, 2009 to March 31, 2010 and exchange rate of Rs. 60.81 for the balances at the year end which is the prevailing exchange rate on March 31, 2010 (Source: www.xe.com).

<sup>(2)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 66.58 for the revenue transactions during the year which is the average rate for the period April 1, 2008 to March 31, 2009 and exchange rate of Rs. 67.44 for the balances at the year end which is the prevailing exchange rate on March 31, 2009 (Source: www.xe.com).

<sup>(3)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 66.58 for the revenue transactions during the year which is the average rate for the period April 1, 2007 to March 31, 2008 and exchange rate of Rs. 67.44 for the balances at the year end which is the prevailing exchange rate on March 31, 2008 (Source: www.xe.com).

For details, please see the section “Group Companies” beginning on page 127 of this Draft Red Herring Prospectus.

40) ***The Company requires certain approvals and licenses in the ordinary course of business, and the failure to obtain or retain them in a timely manner all may adversely affect its operations.***

The Company requires certain approvals, licences, registrations and permissions to operate its business, some of which may have expired and for which it may have either made, or are in the process of making, an application for obtaining the approval for its renewal. As of the date of this Draft Red Herring Prospectus, applications for the consent to operate and make discharge of effluents and emissions from its manufacturing facility located at Mysore and for expansion of its manufacturing capacity to 18,000 meters per day and the authorisation for storage of hazardous waste are pending before the Karnataka State Pollution Control Board. For details see “Governments Approvals” on page 209 of this Draft Red Herring Prospectus. If the Company fails to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, its business may be adversely affected. Furthermore, in terms of the government approvals and licenses the Company is subject to numerous conditions, some of which are onerous and may require the Company to make substantial compliance-related expenditure. If the Company fails to comply or a regulator claims that the Company has not complied with these conditions, the Company’s business, prospects, financial condition and results of operations may be adversely affected.

41) ***The Company’s insurance coverage may not adequately protect it against possible risk of loss.***

The Company’s operations are subject to hazards and risks inherent in the use of hazardous materials in the course of its production processes, discharges or releases of hazardous substances and other environmental risks, mechanical failure of equipment at its facilities and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of the Company’s properties and the properties of others and environmental pollution, and may result in suspension of operations and the imposition of civil or criminal penalties. While the Company believes that it maintains insurance coverage in amounts consistent with industry norms for its production facilities, if

any or all of its production facilities are damaged in whole or in part and its operations are interrupted for a sustained period, there can be no assurance that the insurance policies will be adequate to cover the losses that may be incurred as a result of such interruptions or the costs of replacing the damaged facilities. If the Company suffers a large uninsured loss or any insured loss suffered significantly exceeds the insurance coverage, the business, financial condition and results of operations may be adversely affected.

**42) *The Company has entered into certain transactions with related parties that may involve a conflict of interest.***

The Company has entered into certain transactions with related parties. For the fiscal year ended March 31, 2010 and the nine month period ended September 30, 2010, the Company entered into related party transactions as detailed in the following table:

<b>S No.</b>	<b>Particulars</b>	<b>For the nine month period ended September 30, 2010 Amount (in Rs. million)</b>	<b>For the fiscal year ended March 31, 2010 Amount (in Rs. million)</b>
1.	Sales	1,692.4	3,682.4
2.	Purchases	979.2	24.4
3.	Capex	Nil	3.8
4.	Loans and advances	(550.0)	490.9
5.	Others (interest income)	207.3	524.3

These transactions and any such future related party transactions may involve a conflict of interest. For details, please see the section “Related Party Transactions” beginning on page 136 of this Draft Red Herring Prospectus.

**43) *Certain loans that the Company has availed of contain undertakings, conditions and restrictive covenants which could restrict its ability to conduct its business and operations.***

Certain loans, which the Company has availed of in connection with its operations, contain conditions and restrictive covenants including, but not limited to, the following: the ability of the issuing bank to alter the terms and conditions or withdraw all or any of the credit limits sanctioned at any time at its discretion; the ability of the issuing bank to recall any part or all of the facility in the event the credit facility is not utilized for the specified purpose, non-compliance with terms and conditions of the sanction and drawing beyond the sanctioned limits. The Company has also assumed certain obligations under these arrangements, which include, but are not limited to, the following: immediate written notification of any changes in the Company’s constitution, changes in directors, proposals for a merger or takeover, in relation to which the issuing bank has the right to disapprove such alteration, and further may exercise the right to suspend, recall or withdraw the facilities; an undertaking to insure the Company’s hypothecated movables against fire, accident, theft and all other risks under joint name with the issuing bank. The Company also granted the issuing banks certain rights in relation to these facilities, which include, but are not limited to the following: an option to enforce the security or recover sums due in any manner the bank deems fit, as well as the ability of the issuing bank, at its discretion, to demand and recover the balance due in respect of any or all facilities and other charges.

Such conditions, covenants and undertakings may restrict or delay certain actions or initiatives that the Company may propose to take from time to time. A failure to observe such covenants or conditions under these facilities may lead to a termination of these facilities or an acceleration of all amounts due under such facilities and the enforcement of any security provided. Any acceleration of amounts due under such facilities may also trigger cross default provisions under other facilities. During any period in which the Company is in default, it may be unable to, or face difficulties in arranging similar facilities. The Company may not be able to continue obtaining new loan facilities in sufficient quantities to match its business requirements. As a result, the Company’s ability to increase production or expand into new markets or segments could be limited. Any of these circumstances could adversely affect the Company’s business,

financial condition and results of operations, as well as result in an adverse effect on the price of the Equity Shares.

**44) *The Company has incurred borrowings and may not be able to meet its obligations under these debt financing arrangements which could adversely affect its business and results of operation.***

The Company's ability to meet its debt service obligations and to repay its outstanding borrowings will depend primarily upon the cash flow generated by its business. There can be no assurance that the Company will generate sufficient cash to enable it to service existing or proposed borrowings, comply with covenants or fund other liquidity needs. If the Company fails to meet its debt service obligations or is found to be in default with any material covenants required under the financing documents, the relevant lenders could accelerate the maturity of the Company's obligations. There can be no assurance that, in the event of any such acceleration, the Company will have sufficient resources to repay these borrowings. Failure to meet the Company's obligations under the debt financing arrangements could have a material adverse effect on the Company's cash flows, business and results of operations.

**45) *The Company could face difficulties in accessing funds from the debt market due to past defaults by the Promoter***

The Promoter undertook an expansion plan for setting up new facilities during the years 1998-2002 which was primarily funded through high cost debt. The Promoter was unable to service this debt on time during the years 2000-2002. The Promoter undertook a credit restructuring exercise under the CDR mechanism formulated by the RBI. On September 12, 2008, the CDR forum allowed the Promoter to exit from the CDR mechanism subject to certain terms and conditions. The Promoter exited the CDR Scheme on August 22, 2008. The Promoter has settled all dues under the CDR mechanism with respect to its lenders. The Company, being a subsidiary of the Promoter, may be adversely affected in its effort to raise debt, due to the corporate debt restructuring of the Promoter. Any inability on the part of the Company to raise debt may adversely affect its business and results of operations.

**46) *The Company faces risks and uncertainties associated with the implementation of expansion projects at its existing facilities.***

The Company is implementing various expansion programmes and new projects that will increase its production capacity. In taking these and any other such initiatives, the Company faces risks and uncertainties, including:

- cost and time overruns which could adversely affect the Company's operating results;
- defects in new machinery;
- installation of machinery that is not as technologically advanced as compared to its competitors;
- lack of technical support available from the Company's vendors; and
- the Company may not be able to obtain or install production equipment on time or to its satisfaction due to unforeseen and unavoidable circumstances.

While the Company has successfully implemented major expansion projects in the past, there can be no assurance that the Company will be able to execute any current or future expansion strategies on time or within budget or that the Company will achieve its objectives. Any failure to do so could adversely affect the Company's business, results of operations and financial condition.

- 47) ***The Company is subject to risks associated with expansion into new segments and any failure to adequately deal with such risks could have a negative effect on the Company's business and results of operation.***

The Company plans to enter new product segments through investments in product development. The costs involved in entering and establishing itself in new segments may be higher than expected. For example, the Company expects to launch a new casual brand in the premium segment in the fiscal year ended March 31, 2011. The Company's market position in its export markets will depend on its ability to compete effectively with larger and more recognizable competitors, implement effective marketing initiatives and anticipate and respond to various competitive factors affecting the industry, including new products with new features, pricing strategies by competitors and changes in consumer preferences and general economic, political and social conditions in the countries in which it does business. If the Company's products are not successful in capturing market share in any of the new product segments that it seeks to enter, it could adversely impact the Company's results of operations and financial condition. Furthermore, the Company entered into an agreement with SKNL not to expand into certain market segments other than the premium and super premium segments. This agreement may limit the strategic choices of the Company and may limit future growth.

- 48) ***The Company's success depends on the continuous supply and transportation of raw materials from its suppliers to its facilities and of the Company's products from its manufacturing facilities to its distributors and customers, which are subject to various uncertainties and risks.***

The Company depends on road transportation to deliver raw materials from its suppliers to its manufacturing facilities as well as its products from its manufacturing facilities to its distributors and customers. The Company relies on third parties to provide such services. Disruptions of road transportation services because of weather-related problems, strikes and inadequacies in the road infrastructure, or other events could impair the Company's ability to receive raw materials and to supply its products to its customers. Any such disruptions could materially and adversely affect the Company's business, financial condition and results of operations.

- 49) ***Underutilisation of expanded capacities may adversely impact the Company's financial performance.***

The Company has undertaken expansion of its production capacities based on its estimates of market demand and profitability. In particular, the recent slowdown in the Indian and global economies may affect demand for the Company's products. In the event that the Company's estimates and expected orders do not meet expectations due to factors including adverse economic scenarios, changes in demand or changes in fashion trends, the Company's capacities may not be fully utilised thereby adversely impacting its financial performance.

- 50) ***The Company has capital requirements and may require additional financing in the form of debt or equity that may not always be obtained on satisfactory terms to meet the Company's requirements to pursue its expansion plans.***

Sources of additional financing requirements may include commercial banks or the sale or a fresh issuance of the Company's equity or debt securities in private or public offerings. If the Company decides to incur additional debt, its interest payment obligations will increase, and the Company may be subject to additional conditions from lenders, who could place restrictions on how it operates its business and result in reduced cash flows. If the Company decides to issue equity, the ownership interest of the Company's existing shareholders would be diluted.

The Company's failure to obtain sufficient financing could result in a lack of cash flow to meet its operating and growth requirements and, therefore, could have an adverse effect on the Company's business, results of operations and financial condition.

- 51) ***The Company faces risks associated with the launch of new brands and any failure to adequately deal with such risks could have a negative effect on the Company's business and results of operation.***

The Company intends to launch a new casual brand in the premium segment and may launch additional brands in different market segments in the future. Launching new brands involves a significant commitment of monetary and other resources for advertisement, product placement, distribution and other considerations. While the Company has successfully launched brands in the past, there can be no assurance that the Company will be able to successfully launch and gain benefits from new brand launches. Any failure to do so could adversely affect the Company's business, results of operations and financial condition.

- 52) ***Competition in the Company's markets may adversely affect its earnings.***

Competition in the Company's markets is intense. Some of the Company's competitors have economic resources greater than those of the Company and are well established as suppliers to the markets that the Company serves. Quality, performance, service and cost are generally the principal competitive factors that the Company faces in the markets in which it operates. To the extent the Company is unable to deal with these and other competitive pressures effectively, its financial condition and results of operations may be adversely affected.

- 53) ***Statistical and financial data from industry publications and other third party data included in the Draft Red Herring Prospectus may be incomplete or unreliable.***

The Company has not independently verified data from industry publications and other third-party sources and therefore cannot assure investors that they are complete or reliable. Such data may also be produced on different bases from those used in western countries. Therefore, discussions of matters relating to India, its economy or regulatory and statutory regime, as detailed in this Draft Red Herring Prospectus are subject to the caveat that the statistical and other data upon which such discussions are based, may be incomplete or unreliable. In addition, internal company reports have not been verified by independent sources and may be incomplete or unreliable.

- 54) ***The Company may be exposed to product liability claims that could have an adverse effect on the Company's results of operations.***

The laws of India do not require the maintenance of product liability insurance for the Company's business operations. The Company therefore does not have product liability insurance. If the Company is found liable for any product liability claim, it may be required to pay substantial damages. Even if the Company is successful in defending such a claim, the Company may have incurred substantial financial and other resources in defending such a claim. In such circumstances, the Company's financial results will be adversely affected. Depending on the outcome of any such claims, the reputation of the Company's licensed brands could also be adversely affected.

- 55) ***Costs associated with increased environmental regulation, compliance and changing consumer environmental awareness could adversely affect the Company's results of operations.***

Actions by central or state governments in India concerning environmental matters could result in laws or regulations that could increase the cost of producing the products manufactured by the Company or otherwise adversely affect demand for its products. For example, certain governmental authorities may adopt laws prohibiting or restricting the use or disposal of certain products that are among the types of products produced by the Company. If such prohibitions or restrictions were to be widely adopted, such regulatory and environmental measures could adversely affect demand for the Company's products and thereby have a material adverse effect upon the Company. Moreover, there can be no assurance that the Company will be able to maintain its environmental licenses and permits in order to be able to continue its operations. Additionally, a decline in consumer preference for the Company's products due to environmental considerations could have a material adverse effect upon the Company's business. Currently unknown environmental problems or conditions may be discovered. If any of the Company's facilities are

shut down, the Company will continue to incur costs complying with regulations, appealing decisions affecting those facilities, maintaining production if possible and continuing to pay labour and other costs. The Company's results of operations could, therefore, be materially and adversely affected by environmental related risks.

#### **External Risk Related to the Company**

**56) *A slowdown in growth of the Indian or global economies could cause the Company's business to suffer.***

The performance and growth of the Company's business is dependent on the health of the overall Indian and global economies and expansion plans are based on expectations of continued economic growth in India and abroad. The Company believes demand for many of its products is correlated to the general economic environment, which is sensitive to a number of factors outside the Company's control. The Company is not able to predict the timing, extent and duration of the economic cycles in the markets. A recession or a slowdown of the Indian or global economies or a deterioration in the credit markets could have an adverse effect on the Company's results of operations and financial condition.

**57) *Further deterioration of global financial market conditions could adversely affect the Company.***

Various sectors of the global financial markets began experiencing difficult conditions and volatility in 2008 and have continued into 2009 and 2010. The U.S. residential mortgage market has experienced serious disruption because of credit quality deterioration in a significant portion of loans originated, particularly to non-prime and sub-prime borrowers, evolving changes in the regulatory environment, a slower residential housing market, increased costs of borrowings for mortgage participants and illiquid credit markets. The effect of the downward cycle in the U.S. housing market is not expected to improve until residential inventories return to a more normal level and the mortgage credit market stabilizes. Dramatic declines in the housing market during the prior two years, with falling home prices and increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced, and in some cases, ceased to provide funding to borrowers including other financial institutions. These conditions have resulted in less liquidity, greater volatility, general widening of credit spreads and a lack of price transparency, all of which have adversely impacted the global financial markets. The tightening of the credit markets has made obtaining financing more difficult for the Company's suppliers. Further deterioration of global financial market conditions could have an adverse effect on the Company's ability to acquire additional debt on favourable terms or at all, and may adversely affect its results of operations and financial condition.

**58) *Regulatory changes in the textile industry may adversely affect the Company.***

There may be regulatory changes in the textile industry that could adversely affect the Company. Any modification or withdrawal of policies that have been initiated by the Government in order to promote growth in the sector, including policies such as interest rate subsidies and duty/tax reimbursement schemes, could adversely impact the profitability of textile companies in general and the Company in particular. The Company cannot anticipate the extent, nature or probability of such future changes and there can be no assurance that any such changes will not have a material adverse effect on the Company.

**59) *The Company's business may be affected by trade sanctions imposed by other countries.***

The Company may be required to comply with trade sanctions which may be imposed by countries to which it exports its products. The Company may not be able to control the causes leading to the trade sanctions and may not be able to rectify the circumstances leading to trade sanctions. These trade sanctions may have a material adverse impact on the Company's financial condition and results of operations.

**60) *If regional hostilities, terrorist attacks or social unrest in India and South Asia increase, the Company's business could be adversely affected and the trading price of the Equity Shares could decrease.***

Terrorist attacks and other acts of violence or war including those involving India, the United States or other countries, may adversely affect the Indian and worldwide financial markets. On November 26, 2008, terrorists staged a coordinated attack on several prominent international hotels and various other locations in the financial centre of Mumbai. Further terrorist acts may result in a loss of business confidence and have other consequences that could adversely affect the Company's business, prospects, financial condition and results of operations. Increased volatility in the financial markets, including economic recession, can have an adverse impact on the economies of India and other countries.

In addition, South Asia has from time to time experienced instances of civil unrest and hostilities among neighbouring countries, including between India and Pakistan. Increased tensions and hostilities may occur in the future and on a wider scale. Also, since 2003, there have been military hostilities and continuing civil unrest and instability in Iraq and Afghanistan. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy by disrupting communications and making travel and transportation more difficult and could create a perception that investments in Indian companies involve greater degrees of risk.

Further, India has also experienced social unrest, communal disturbances and riots in some parts of the country during recent times. If such hostilities and tensions occur, it could have an adverse effect on the Indian economy and the Company's business, future financial performance and the trading price of the Equity Shares.

**61) *Political instability and significant changes in Government policy could adversely affect economic conditions in India generally and the Company's business in particular.***

Changes in exchange rates and controls, interest rates, Government policies, taxation, social and ethnic instability and other political and economic developments in and affecting India may have an adverse effect on the Company's results of operations.

India has a mixed economy with a large public sector and an extensively regulated private sector. The role of the Central and the State Governments in the Indian economy and the effect on producers, consumers, service providers and regulators has remained significant over the years. The governments have in the past, among other things, imposed controls on the prices of a broad range of goods and services, restricted the ability of businesses to expand existing capacity and reduce the number of their employees, and determined the allocation to businesses of raw materials and foreign exchange. Since 1991, successive Governments have pursued policies of economic liberalization, including significantly relaxing restrictions in the private sector. Nevertheless, the role of the Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant. There can be no assurance that its past liberalization policies or any political stability will continue in the future. Any significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally and the Company's business in particular.

**62) *The Company's business and activities may be regulated by the Competition Act, 2002.***

The Indian Parliament has enacted the Competition Act, 2002 (the "Act") for the purpose of preventing business practices having an adverse effect on competition under the auspices of the Competition Commission of India, which (other than for certain provisions relating to the regulation of combinations) has recently become effective. Under the Act, any arrangement, understanding or action, whether or not formal or informal, which causes or is likely to cause an appreciable adverse effect on competition is void and attracts substantial penalties. Any agreement which directly or indirectly determines purchase or sale prices, limits or controls production, shares the market by way of geographical area or market or number of customers in the market is presumed to have an appreciable adverse effect on competition. It is unclear as to how the Act and the Competition Commission of India will affect industries in India; any application of



the Act to the Company may be unfavourable and have a material effect on its results of operations and financial condition.

**63) *Investors may have difficulty enforcing foreign judgments against the Company or its management.***

The Company is incorporated under the laws of India. Many of its Directors and executive officers are Indian residents. A substantial portion of the Company's assets and the assets of the Directors and executive officers resident in India are located in India. As a result, it may be difficult for investors to effect service of process upon the Company or such persons outside India or to enforce judgments obtained against the Company or such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 of the Code of Civil Procedure, 1908 of India (as amended) (the "Code") on a statutory basis. Section 13 of the Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law in force in India. Under the Code, a court in India shall, upon production of any document purporting to be a certified copy of a foreign judgment presumes that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

**64) *Natural calamities could adversely affect the Indian economy, the Company's business and the price of the Equity Shares.***

India has experienced natural calamities such as earthquakes, floods, drought and a tsunami in recent years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, the erratic progress of the monsoon season in 2009 adversely affected sowing operations for certain crops. Further, prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy and the Company's business.

**65) *Changes in Government regulations such as tax regulations, FDI policies and foreign ownership of Indian securities could adversely affect the Company.***

Any change in the Government's attitude towards FDI, FII holdings in Indian companies, taxation aspects related to such entities or any changes in tax regulations with respect to Indian companies could have a material adverse effect on the price of equities in the capital markets. Also, changes in tax regulations could result in an increase in the tax liability of the Company, which may adversely affect its financial results.

**66) *Any downgrading of India's debt rating by an international rating agency could have a negative impact on the Company's business.***

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact the Company's ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on the Company's financial performance and its ability to obtain financing to fund growth on favourable terms or at all.

**67) *A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely affect the Company's financial condition.***

India's foreign exchange reserves totalled US\$287.7 billion as at September 17, 2010. A decline in these reserves could impact the valuation of the local currency and could result in reduced liquidity and higher interest rates. This could, in turn, adversely affect the Company's financial condition and the market price of its Equity Shares.

**68) *Financial instability in other countries, particularly emerging market countries, could disrupt the Company's business and affect the price of the Equity Shares.***

Although economic conditions are different in each country, investors' reactions to developments in one country may have an adverse effect on the securities of companies in other countries including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India. Any financial disruption could have an adverse effect on the Company's business, future financial performance, shareholders' equity and the price of the Equity Shares.

**69) *Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar.***

Financial statements included in this Draft Red Herring Prospectus at pages 139 to 177 are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards with which prospective investors may be familiar with in other countries. The Company does not provide a reconciliation of these financial statements to IFRS or U.S. GAAP or a summary of principal differences between Indian GAAP, IFRS and U.S. GAAP relevant to its business. Furthermore, the Company has not quantified or identified the impact of the differences between Indian GAAP and IFRS or between Indian GAAP and U.S. GAAP as applied to these financial statements. As there are significant differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP, there may be substantial differences in the results of operations, cash flows and financial positions discussed in this Draft Red Herring Prospectus, if the relevant financial statements were prepared in accordance with IFRS or U.S. GAAP instead of Indian GAAP. The significant accounting policies applied in the preparation of these financial statements are as set forth in notes to the audited financial statements included in this Draft Red Herring Prospectus. Prospective investors should review the accounting policies applied in the preparation of these financial statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP and how they might affect the financial information contained in this Draft Red Herring Prospectus.

**70) *The Company's failure to successfully adopt IFRS effective from April 2011 could have a material adverse effect on the price of its Equity Shares.***

ICAI, the accounting body that regulates the accounting firms in India, has announced a road map for the adoption of, and convergence with the IFRS pursuant to which all public companies in India will be required to prepare their annual and interim financial statements under IFRS beginning with fiscal period commencing April 1, 2011. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw on forming judgments regarding its implementation and application, the Company has not determined with any degree of certainty the impact that such adoption will have on its financial reporting. There can be no assurance that the Company's financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under IFRS than under Indian GAAP. As the Company make its transition to IFRS reporting, it may encounter difficulties in the ongoing process of implementing and enhancing its management information systems. Moreover, there is increasing competition for the small number of IFRS experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that the Company's adoption of IFRS will not adversely affect its reported results of operations or financial condition and any failure to successfully adopt IFRS by April 2011 could have a material adverse effect on the price of the Equity Shares.

**71) *Foreign investors are subject to foreign investment restrictions under Indian law.***

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents 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 is not in compliance with such pricing guidelines or reporting requirements or fall under any of the exceptions, 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 or a tax clearance certificate from the income tax authority. The Company cannot assure you that any required approval from the RBI or any other Government agency can be obtained on any particular terms or at all. For details, please see the section “Restrictions on Foreign Ownership of Indian Securities” beginning on the page 259 of this Draft Red Herring Prospectus.

**72) *Currency exchange rate fluctuations may affect the value of the Equity Shares.***

The exchange rate between the Rupee and other foreign currencies, including the U.S. Dollar, the British Pound, the Euro, the Emirati Dirham, the Hong Kong Dollar, the Singapore Dollar and the Japanese Yen, has changed substantially in recent years and may fluctuate substantially in the future. If the investor purchases Rupees to purchase the Equity Shares, fluctuations in the exchange rate between the foreign currency with which the investor purchased the Rupees may affect the value of the investor’s investment in the Equity Shares. Specifically, if there is a change in relative value of the Rupee to a foreign currency, each of the following values will also be affected:

- the foreign currency equivalent of the Rupee trading price of the Equity Shares in India;
- the foreign currency equivalent of the proceeds that the investor would receive upon the sale in India of any of the Equity Shares; and
- the foreign currency equivalent of cash dividends, if any, on the Equity Shares, which will be paid only in Rupees.

The investor may be unable to convert Rupee proceeds into a foreign currency of its choice or the rate at which any such conversion could occur could fluctuate. In addition, the Company’s market valuation could be seriously harmed by the devaluation of the Rupee if investors in jurisdictions outside India analyze the Company’s value based on the Rupee equivalent of such other currency and the financial condition and results of operations of the Company converted into such foreign currency.

**73) *Investors in the Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and may be diluted in their ownership position of the Company.***

Investors in the Equity Shares may be restricted in their ability to exercise pre-emptive rights under Indian law and may be diluted in their ownership position of the Company. Under the Companies Act, 1956, a company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages before the issuance of any new equity shares, unless the pre-emptive rights have been waived by adoption of a special resolution by holders of three-fourths of the equity shares which are voted on the resolution or unless such Company has obtained Government approval to issue equity shares without such rights. Moreover, if the law of the jurisdiction of an investor does not permit the exercise of such investors’ pre-emptive rights without the company filing an offering document or registration statement with the applicable authority of such jurisdiction, such investor will be unable to exercise its pre-emptive rights unless the Company makes such a filing. To the extent that investors are unable to exercise pre-emptive rights granted in respect of the Equity Shares, their proportional interest in the Company may be reduced.

**74) *Trade deficits could have a negative effect on the Company’s business and the trading price of the Equity Shares.***

India’s trade relationships with other countries can influence Indian economic conditions. If India’s trade deficit increase or become unmanageable, the Indian economy, and consequently the Company’s business, future financial performance and the trading price of the Equity Shares could be adversely affected.

- 75) ***An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on the Company's business and results of operations.***

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern such as swine influenza around the world could have a negative impact on economies, financial markets and business activities worldwide, which could have a material adverse effect on the Company's business. Although the Company has not been adversely affected by such outbreaks, there can be no assurance that a future outbreak of an infectious disease or any other serious public health concern will not have a material adverse effect on its business.

### **Risks Related to the Issue**

- 76) ***The price of the Equity Shares may be volatile, and investors may be unable to resell their Equity Shares at or above the Issue Price, or at all.***

There has been no public market for the Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in the Company's operating results, market conditions specific to the textile industry in India, developments relating to India and volatility in the BSE and the NSE and securities markets elsewhere in the world.

- 77) ***Investors will not be able to sell immediately on an Indian stock exchange any of the Equity Shares they purchase in the Issue until the Issue receives the appropriate trading approvals.***

The Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by NSE and the BSE. Thereafter, upon receipt of final approval from the NSE and the BSE, trading in the Equity Shares is expected to commence within 12 Working Days from the Bid/Issue Closing Date. The Company cannot assure investors that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above. Any delay in obtaining the approvals would restrict the investor's ability to sell the Equity Shares.

- 78) ***There can be no assurance that the Company's securities will continue to be listed on the Stock Exchanges.***

Pursuant to the listing of the Company's securities on the Stock Exchanges, the Company shall be required to comply with certain regulations and/or guidelines as prescribed by SEBI and the Stock Exchanges. However, in the event that the Company fails to comply with any of the aforesaid regulations and/or guidelines, the Company cannot warrant that its securities will continue to be listed on the Stock Exchanges.

- 79) ***There may not be an active or liquid market for the Company's Equity Shares, which may cause the price of the Equity Shares to fall and may limit an investor's ability to sell the Equity Shares.***

The price at which the Equity Shares will trade after this Issue will be determined by the marketplace and may be influenced by many factors, including:

- the Company's financial results and the financial results of the companies in the businesses it operates in;
- the history of, and the prospects for, the Company's business and the sectors and industries in

which it competes;

- the valuation of publicly traded companies that are engaged in business activities similar to the Company's;
- significant developments in India's economic liberalisation and deregulation policies.

In addition, the Indian stock market has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of Indian companies. As a result, investors in the Equity Shares may experience a decrease in the value of the Equity Shares regardless of the Company's operating performance or prospects.

**80) *Any future issuance of Equity Shares by the Company may dilute an investor's shareholding and adversely affect the trading price of the Equity Shares.***

Any future issuance of Equity Shares by the Company may dilute an investor's shareholding, adversely affect the trading price of the Equity Shares and the Company's ability to raise capital through an issue of securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares. Additionally the disposal, pledge or encumbrance of the Equity Shares by any of the Company's major shareholders, or the perception that such transactions may occur may affect the trading price of the Equity Shares. No assurance may be given that the Company will not issue Equity Shares or that such shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

Also, under the Securities Contract (Regulation) Rules, 1957, as amended ("SCRR"), listed companies are required to maintain public shareholding of at least 25% of their issued share capital. Pursuant to the Securities Contracts (Regulation) (Amendment) Rules, 2010, notified on June 4, 2010 and the notification of the Ministry of Finance, Government of India dated August 9, 2010, the SCRR were amended to define 'public shareholding' to refer to persons other than a company's promoter and promoter group and subsidiaries and associates, and excluding shares held by a custodian against which depository receipts have been issued overseas. Companies, such as ours, whose post issue paid up Equity Share capital would be more than Rs. 40,000 million, are allowed to list with a less than 25% but more than 10% public shareholding on the condition that the public shareholding shall be increased to 25% within three years from the date of listing of the Company's Equity Shares on the Stock Exchanges. Failure to comply with the minimum public shareholding provision would require a listed company to delist its shares and may result in penal action being taken against the listed company pursuant to the SEBI Act. This may require the Company to issue additional Equity Shares or require the Promoter or Promoter Group to sell their Equity Shares, which may adversely affect the Company's trading price.

**81) *Investors may be subject to Indian taxes arising out of capital gains.***

Under current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realized on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("STT") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realized on the sale of equity shares in an Indian company held for more than 12 months which are sold to an Indian resident other than on a recognized stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares. In addition, changes in the terms of tax treaties or in their interpretation, as a result of renegotiations or otherwise, may affect the tax treatment of capital gains arising from a sale of Equity Shares.

- 82) ***There may be less information available on the Company in Indian securities markets than in securities markets in developed countries.***

There is a difference between the level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants and that of markets in the European Union, the United States and other developed economies. SEBI is responsible for approving disclosure and other regulatory standards for the Indian securities markets. SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in developed economies. Consequently, an investment in an Indian company, such as the Company, may be riskier than an investment in a European or American company if investors assume that Indian markets are subject to the same level of regulation and make available the same level of information as Western markets.

- 83) ***A third party could be prevented from acquiring control of the Company because of anti-takeover provisions under Indian law.***

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of the Company. Under the takeover regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of the Company. Consequently, even if a potential takeover of the Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to its shareholders, such a takeover may not be attempted or consummated because of Indian takeover regulations.

- 84) ***Volatile conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.***

The Indian securities markets are smaller and can be more volatile than securities markets in more developed economies. The Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

- 85) ***There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell the Equity Shares.***

The Equity Shares may be subject to a daily "circuit breaker" imposed by all stock exchanges in India, 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 the circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may 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.

- 86) ***The Company does not have a fixed dividend policy and the dividends paid out in the past are not an indication of the Company's dividend policy in the future.***

The Company does not have a fixed dividend policy and the dividends paid out in the past are not an indication of its dividend policy in the future. The Company's ability to declare dividends in relation to its Equity Shares will also depend on the Company's future financial performance which, in turn, depends on the successful implementation of its strategy and on financial, competitive, regulatory, and other factors, general economic conditions, demand and fares, costs of materials and other factors specific to the textile industry, many of which are beyond the Company's control. Volatile conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

## Prominent Notes

1. The Company was incorporated on April 19, 2000. For details, please see the section titled “History and Certain Corporate Matters” beginning on page 98 of this Draft Red Herring Prospectus.
2. The average cost of acquisition of Equity Shares by the Promoter is Rs. 4 per Equity Share.
3. Public Issue of [●] Equity Shares for cash at a price of Rs. [●] per Equity Share (including a share premium of Rs. [●] per Equity Share) aggregating to Rs. [●] million consisting of a Fresh Issue of [●] Equity Shares aggregating up to Rs. 5,000 million and an Offer for sale of 11,964,218 Equity Shares by S. Kumars Nationwide Limited and 2,991,055 Equity Shares by Indivest Pte Ltd. The Issue also includes a reservation of up to [●] Equity Shares of Rs. 10 each aggregating of Rs. [●] million for the Eligible Employees. The Issue will constitute [●]% of the fully diluted post issue paid up equity capital of the Company. The Net Issue will constitute [●]% of the post-Issue paid up Equity Share capital of the Company.
4. The Company’s net worth as at September 30, 2010 was Rs. 14,054.2 million.
5. The net asset value per Equity Share was Rs. 104.4 as at September 30, 2010 as per the Company’s restated financial statements.
6. For details of related party transactions entered into by the Company, please see the section titled “Financial Statements” beginning on page 139 of this Draft Red Herring Prospectus.
7. There has been no financing arrangement whereby the Promoter Group, the directors of the Promoter, the Directors and their relatives have financed the purchase by any other person of securities of the Company other than in normal course of the business of the financing entity during the period of six months immediately preceding the date of filing of the Draft Red Herring Prospectus.
8. The Promoter is interested in the Company by virtue of its shareholding in the Company. See “Capital Structure”, “Management” on page 25 and 106 of the Draft Red Herring Prospectus. For further details in relation to the interest of the Promoter, please see section “Promoter and Promoter Group” on page 121 of the Draft Red Herring Prospectus.
9. Investors may contact the GCBRLMs and BRLMs for complaints, information or clarifications pertaining to the Issue.

## SECTION III: INTRODUCTION

### SUMMARY OF INDUSTRY

In 2009, world apparel production stood at US\$140 billion, with 71% of production accounted for by Asian countries. The developed nations/regions such as US and European Union (“EU”) accounted for 11% and 14% of global production respectively. Being a matured industry, growth rate of the Global Textile and Apparel industry is in sync with the growth rate in global GDP. Of the total apparel retail market valued at approximately US\$500 billion in 2009, the developed nations/regions like US and EU accounted for 33% and 30% respectively.

The Indian textile and apparel industry is estimated by CARE Research to be worth Rs. 2,700 billion in fiscal year 2010. It has been estimated on the basis of industry interactions. Approximately 65% of the total textile and apparel production (wholesale price level) is consumed domestically. India’s domestic textiles and apparel consumption is estimated by CARE Research at Rs. 1,750 billion (wholesale price level), of which apparels account for approximately 71%. India exported US\$20 billion worth of textiles and apparel of which 45% are apparel exports.

The textile and apparel industry is one of the largest and the most important sectors in the Indian economy in terms of output, foreign exchange earnings and employment. It contributes approximately 14% to India’s industrial production, 4% to the country’s GDP and 17% to the country’s export earnings. It provides direct employment to over 35 million people and is the second largest provider of employment after the agricultural sector. Thus the development of this sector has an overall impact on the economy. The Indian textile and apparel industry contributes approximately 4% to the global textile and apparel market. Since the textile industry has such economic importance, it has always attracted the Government’s attention. Therefore, the Government has introduced policies such as the Technology Upgradation Fund Scheme (“TUFSS”), Scheme for Integrated Textile Parks (“SITP”), low excise duty, high import duty (to discourage imports) and National Textile Policy to develop the textile sector.

#### **Indian Apparel Industry**

CARE Research estimates (based on industry interactions) that the Indian apparel market grew at a CAGR of 6.5% from Rs. 1,225 billion in fiscal year 2005 to Rs. 1,675 billion in fiscal year 2010 (wholesale level). The Indian apparel market comprises domestic apparel consumption and exports. The domestic market is estimated to be worth Rs. 1,250 billion in fiscal year 2010 (at wholesale level). Spending on domestic retail apparel has grown at a high rate of approximately 13–14%. The apparel market size at the retail level is estimated by CARE Research at Rs. 2,000 billion in fiscal year 2010. According to CARE Research, the retail purchases on apparels is expected to double to approximately Rs. 4,000 billion by fiscal year 2015, a CAGR of approximately 15%. Factors expected to contribute to the growth of the Indian apparel industry include:

- Rising levels of disposable income;
- Growing preference for ready-to-wear apparels;
- Increasing penetration of organised retail;
- Changing consumer habits;
- Increasing trend towards urbanization; and
- A comparatively younger populace.

#### ***Menswear***

According to CARE Research, men’s apparel is the largest segment in the Indian apparel market. CARE Research estimates its approximate value at Rs. 519 billion in fiscal year 2010 and expects it to grow at a CAGR of 6.8% to Rs. 720 billion by fiscal year 2015. The market penetration of organised manufacturers and brands is greatest in this segment of the domestic apparel market. Shirts, trousers and suits contribute almost 71.2% to the domestic apparel market and are expected to maintain their market share in future. The t-shirt market is expected to experience the



highest growth over the next five years. Other men's garments include casual and leather jackets, nightwear, woollens and dhotis/lungis. Mensware brands have the highest brand loyalty factor in the apparel market, especially in the premium and super premium segments.

### **Worsted Fabrics**

Worsted fabric is a blended form of fabric in which one of the components is wool. The wool can be blended with both, man-made or cotton fibers to form a worsted fabric.

According to CARE Research estimates based on industry interactions, 45 million meters of worsted fabric was produced in fiscal year 2009. There has been minimal growth over the past five years. The industry is expected to produce approximately 52 million meters of worsted fabric in fiscal year 2014. Future growth can be attributed to the rising income levels, reducing price gap of competing fabrics and increasing preference for wool blended fabric among Indian consumers due to its grace and style. The average price for worsted fabric is approximately Rs. 450 per meter. Worsted fabrics are used primarily in the premium, super premium and luxury segments. The industry has a total installed capacity of 0.604 million spindles as of 2009. Major players in the worsted fabric business are Raymond, Reid and Taylor, Digjam, Dinesh and Vimal. Though Raymond is the market leader in the worsted fabric business, Reid and Taylor has managed to increase its market share over the last few years.

### **U.S. Apparel Market**

The U.S. apparel industry is large and mature. It is characterized by slow volume growth. Its per capita consumption stands at 35 meters of textile per annum. As per the U.S. Census Bureau, apparel production has declined at a sharp pace during the last three years. It stood at US\$5.6 billion in 2009. A gradual increase in imports has substituted for the high cost domestic production. Currently, 90% of its apparel consumption (by volume) is met through imports. As per the office of textiles commissioner, U.S. apparel imports were worth US\$63.1 billion in 2009. South-East Asian countries are the key exporters of apparels to the U.S. The shift of apparel manufacturing from western countries to eastern nations can be attributed to the abolition of quotas in 2005 thereby leading to a gradual increase in exports from relatively cheaper Asian, Latin American and other countries to the western nations.

## SUMMARY OF BUSINESS

### Overview

The Company is a vertically integrated, premium clothing provider and fashion company, which manufactures and sells the internationally recognized licensed brands 'Reid & Taylor' and 'Stephens Brothers'. These two brands target the premium and super premium segments of the Indian fabric and ready-to-wear garment markets.

The Company's flagship brand, 'Reid & Taylor', was founded in Scotland in 1839 by weaver Alexander Reid and financier Joseph Taylor. Since that time, the 'Reid & Taylor' has won many awards for creating fine woollen cloths. The customers of Reid & Taylor's fabrics include several well-known fashion brands. 'Reid & Taylor' has become a widely recognized brand in India and received the title of "Superbrand" from the Economic Times Survey in 2009. The Company licenses the brand in India and certain other countries under a license agreement signed in July 2008, which became retroactively effective from January 1, 2008 and is valid in perpetuity. For further details on the 'Reid & Taylor' brand license agreement, see "Business – The License Agreements" on page 90 of this Draft Red Herring Prospectus. The Company has expanded the brand beyond the textile to ready-to-wear garments.

The 'Stephens Brothers' brand is a heritage British brand owned by Austin Reed Limited UK. The brand was first established in Great Britain in 1919 and has since become recognized for fine English style clothing for men and women. The Company entered into a license agreement (through a novation agreement and guarantee in October 2008) with Austin Reed Limited for use of the 'Stephens Brothers' brand name and the processes it employs to manufacture its products for a term of five years from September 1, 2006 to December 31, 2011, which can be renewed for a further period of five years. For further details on the 'Stephens Brothers' brand license agreement, see "Business – The License Agreements" on page 90 of this Draft Red Herring Prospectus.

The Company's brands target specific premium segments of the Indian apparel market, so as to compliment and not compete with one another. The 'Reid & Taylor' brand covers premium and super premium fabrics, such as worsted, all-wool and wool polyester blended suitings, which cater to the premium and super premium markets, as well as ready-to-wear garments that focus on the formal wear part of the premium segment. 'Stephens Brothers' targets the super premium segment and specialises in men's and women's ready-to-wear formal wear. Both the 'Reid & Taylor' and 'Stephens Brothers' brands are part of the Company's "Total Wardrobe Solutions", which was launched by SKNL in 2004. This concept was conceived to provide customers with clothing solutions from belts to trousers and shirts, all under the same brand name and at the same location. The 'Reid & Taylor' brand has been consciously extended from fabrics to ready-to-wear garments in order to leverage its existing brand equity and thereby optimizing brand building costs. In addition, the Company intends to launch its first Company-owned brand in the fourth quarter of fiscal 2011. This new brand will serve as the Company's casual clothes brand in the premium segment. The Company believes this targeted approach gives it a distinct advantage over its competitors.

The Company uses a mix of multi-brand outlets and exclusive brand outlets to distribute its products across a broad geographic area. Through its relationship with Brandhouse Retail Limited ("BHRL"), the Company intends to increase the number of BHRL-leased exclusive brand outlets in the near term. In addition, the Company intends to supplement this model with Company-leased exclusive brand outlets. The new Company-leased exclusive brand outlets will be managed by BHRL, thereby allowing the Company to leverage BHRL's extensive retailing experience while capturing a greater share of the product margins.

In the fiscal year ended March 31, 2010, CARE Research estimates that the Company captured a market share of approximately 7.5% in the premium suiting segment and 24% of the worsted fabrics market. The Company's sales and services charges for the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010 were Rs. 6,526.0 million, Rs. 9,849.4 million and Rs. 5,665.5 million, respectively. The Company's EBITDA for the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010 were Rs. 2,196.4 million, Rs. 3,242.2 million and Rs. 1,894.8 million, respectively.

### Strengths

The Company believes its principal strengths consist of the following:

### ***Presence in the highest growth segments***

The Company's brands are present in the highest growth segments in India, namely, the premium and super premium segments. According to CARE Research, the combined market share of these two segments for shirts and trousers is expected to increase from 13.0% and 23.9%, respectively, in 2010 to 14.8% and 28.0%, respectively, by 2015, while the market share for suits is expected to grow from 10.5% in 2009 to 11.2% by 2014. Growth in these segments is driven by an increasing proportion of India's working population as well as increased brand consciousness among India's youth. The Company also believes that the increasing affluence of the Indian middle class will be characterised by material social awareness and competition, resulting in premium and super premium brands being viewed as symbols of wealth and status. As a result, these two segments are expected to see greater growth in the medium term as compared to the economy and mid-price market segments. The Company believes it is well-positioned to take advantage of the high growth rates expected from these market segments.

### ***Established brands and market positioning***

The Company's existing brands are well established in both the Indian and international markets. 'Reid & Taylor' received the title of "Superbrand" from the Economic Times Survey in 2009. The Company has brands at two price-points, 'Reid & Taylor' in the premium segment and 'Stephens Brothers' in the super premium segment as well as a soon to be launched brand in the casual premium segment. The Company has consciously extended the 'Reid & Taylor' brand from fabrics to the ready-to-wear garment segment in order to leverage its existing brand equity and thereby optimize brand building costs. 'Reid & Taylor' has been endorsed by Indian and international celebrities.

The Company maintains an aggressive growth-oriented advertising and brand building strategy. The Company's branding strategy has been an essential element of this brand's growth. The Company engages in a multi-faceted branding strategy that includes celebrity endorsements of its products, including under the slogan "Bond with the Best". The Company believes that associating its 'Reid & Taylor' products with Indian celebrities provides instant credibility and brand recognition. The Company attempts to make the brand highly identifiable through the use of unique graphics and colour schemes. The Company engages in high impact advertising through national television, daily newspapers and magazines in all major languages. In addition, the Company promotes the visibility of its 'Reid & Taylor' brand through advertising at widely followed events such as cricket matches and reality shows.

### ***Strong distribution network***

The Company believes it has an extensive distribution network that includes wholesale dealers and retail outlets spread across India. The Company is a supplier of premium and super premium textiles to certain major corporates in India. BHRL operates a nationwide network of exclusive brand outlets that market and sell the Company's products under a franchise agreement. In the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010, sales to BHRL represented 39.9%, 37.2% and 29.6%, respectively, of the Company's total sales. The Company believes BHRL's exclusive brand outlets reinforce its already strong retail multi-brand distribution network and have helped to create a geographically diverse retail network which allows the Company's products to reach certain areas of India that have historically been underserved by the retail clothing industry. In addition, the Company intends to supplement this model with Company-leased exclusive brand outlets that will be managed by BHRL. The Company is also exploring the possibility of taking advantage of HMX LLC's extensive North American distribution network to introduce its brands into the North American market in the future.

### ***Vertically integrated operations***

The Company maintains a vertically integrated business model which is responsible for managing the key supply chain functions from theme and product design (for ready-to-wear), sourcing of raw materials and merchandising, outsourcing the production of certain types of clothing products and product parts, critical assembly and finishing of product parts, to marketing and promotion, and sales and distribution of its products. This provides the Company with significant operational flexibility, direct access to end customers and a greater ability to control access to raw materials and product parts as well as the cost, quality and delivery time of such raw materials and product parts.

### ***High-quality fabric provider with significant manufacturing capabilities***

The Company has established a manufacturing infrastructure that is vertically integrated, giving the Company a presence in the entire value chain, from yarn spinning to ready-to-wear garments. The Company has made significant investments in technology and equipment at its manufacturing facility in Mysore. The Company believes its manufacturing facility in Mysore is fully integrated and automated. These modern production facilities enable the Company to provide a wider variety of designs and better quality products. The Company routinely upgrades its existing facilities in an effort to employ the most productive technologies in textile manufacturing. The Company's Mysore facility is ISO 9001 quality management certified. The Company also plans to expand its overall manufacturing capacity through the establishment of a new suit stitching factory in Bengaluru to meet increased demand for its products as well as to possibly cater to some of SKNL's overseas subsidiaries in the future. Modern manufacturing processes and automation are supplemented by labour cost advantages inherent to Indian manufacturing and allows the Company to maintain cost efficient operations. Additionally, the Company's vertically integrated manufacturing operations help to ensure that the final products meet the Company's high quality control standards. The Company believes its vertically integrated manufacturing model gives it a significant competitive advantage.

### ***Effective outsourcing model***

The Company has adopted a business model of partnering with other manufacturers to outsource certain aspects of its production while focussing on branding and marketing. This enables the Company to take advantage of excess production capacity in the industry without incurring the large capital expenditure necessary for in-house production. The Company has historically relied on outsourcing certain products related to polyester-viscose fabrics and the ready-to-wear garments because converters may be contracted at competitive rates without affecting the quality of the products. As part of this strategy, the Company provides its outsourcing converters with the design specifications and oversees all aspects of quality control through on-site personnel and periodic quality audits. As demand fluctuates, the Company believes its outsourcing model allows it to increase or decrease its production in a timely and cost efficient manner. As demand for the Company's products grows, the Company intends to seek out additional outsourcing opportunities in order to continue to operate at flexible production levels. The Company may seek to add outsourcing partners if it believes it can maintain consistency in the quality of the output through in-house quality control initiatives. The Company believes that its outsourcing model allows the Company to focus on its core competencies and higher value-added processes in order to maximise operational efficiency and product quality, and improve margins by reducing its cost base and capital at risk.

### ***Strong shareholder support***

The Company's promoter, SKNL, is one of India's leading textile manufacturing companies. This relationship allows the Company to draw on the extensive business network and in-depth business knowledge, relationships and expertise of SKNL as well as to use SKNL's pool of experienced managers and personnel. In addition, GICSI, through its affiliate Indinvest Pte Ltd, became a shareholder of the Company in 2008, providing the Company with the financial strength it needs to grow its business in the future.

### ***Experienced management team***

The Company believes that its qualified and experienced management team has contributed to the growth of its brand image and competitiveness. The Company's management team consists of individuals having significant experience in the textile industry. The Company's Managing Director and Executive Director, Nitin Kasliwal, has 32 years of experience in the textile industry. The management team has worked together to implement several successful business initiatives and are responsible for the Company's day to day operations and future expansion plans. The management team is supported by an experienced and technically qualified execution team that includes brand managers focused on developing each of the Company's licensed brands. The Company believes that the market experience and knowledge that its brand managers possess has been, and will continue to be, an integral part of the Company's ability to promote synergies both within the Company and with SKNL, as well as contribute to the Company's overall success.

### **Strategy**

### ***Launch new brands in the premium market segment***

In the fourth quarter of fiscal year 2011, the Company intends to launch its first Company-owned brand. The new brand will include casual men's wear targeted at the casual premium segment. This brand will compliment the Company's other premium market brand, 'Reid & Taylor', which has traditionally been viewed as a formal wear brand. The brand will target the 21 to 40 year old age group and will be promoted with a focused media campaign that will include leading newspaper dailies, magazines and hoardings. The Company intends to sell this new brand through traditional multi outlet stores as well as BHRL and Company-leased exclusive brand outlets. The Company will continue to explore other expansion opportunities by launching new Company-owned brands or by licensing additional international brands for the Indian market.

### ***Optimize the Company's mix of exclusive brand outlets and multi-brand outlets***

The Company has, in the past, primarily relied on multi-brand outlets to account for the majority of its domestic sales. With rising per capita incomes and as Indian consumers develop more sophisticated tastes, the Company believes exclusive brand outlets will play a more prominent role in the Indian retail market. The Company believes it has been at the forefront of the exclusive brand outlet model through its relationship with BHRL. The Company intends to work with BHRL in order to increase the number of BHRL-leased exclusive brand outlets in the near term. In addition, the Company intends to supplement this model with Company-leased exclusive brand outlets that will be managed by BHRL. The Company intends to set up 100 outlets for the 'Reid & Taylor' brand, 30 outlets for the 'Stephens Brothers' brand and 30 outlets for the Company's new casual premium brand during fiscal year 2012. For details, please see the section "Objects of the Issue" on page 32 of this Draft Red Herring Prospectus. The Company believes the expansion of its exclusive brand outlet model will complement its already strong multi-brand outlet network by allowing the Company to capture a greater share of the overall margin while leveraging BHRL's retailing expertise.

### ***Leverage synergies with SKNL's international operations***

The Company believes that it is in a strong position to leverage the existing synergies with SKNL to expand its customer base and sales revenue. With SKNL's acquisitions of the assets of Hartmarx Corporation USA in North America as well as the signing of a license agreement with 'DKNY', the Company believes there are promising opportunities for it to supply high quality textile products to SKNL's overseas business units. For example, the Company believes that the existing North American distribution network of HMX LLC provides the Company with a platform through which it could supply fabric and garments for use in HMX LLC brands. Similarly, the Company believes that with rising income levels in India coupled with a more sophisticated taste in fashion, there is an opportunity to launch several of the premium and super premium HMX LLC brands in India through the Company's well established pan-Indian distribution network. As production quality continues to improve within India and as high quality apparel and textile customers are increasingly willing to accept products manufactured in India, SKNL may seek to shift a portion of its North American production to the Company's high quality, low cost manufacturing facilities in India.

### ***Increase production capacity to cater to growing domestic and international demand and add new brands***

Management has formulated a cohesive business strategy for growing its business and capitalizing on the significant opportunities available in the growing domestic and international textile markets. In line with its continuing growth strategy, the Company has undertaken two major growth plans. The first, which was achieved in 2009, was the expansion of its weaving and spinning capacity at its Mysore facility from 4.8 million meters per annum of fabric to 8.4 million meters per annum to cater to both the domestic and international markets for premium and super premium textiles. The Company believes this expansion has provided it with the capacity it needs to meet the expected increase in demand for premium suiting fabrics. The Company intends to further strengthen this facility and de-bottleneck the production process by adding balancing equipment for dyeing, finishing and processing as well as purchase additional machinery. The second is the establishment of a new facility for designing and producing suits in Bengaluru, which is set to be completed in fiscal year 2011. The new facility is expected to produce high-quality men's outerwear ready-to-wear garments, such as jackets, suits and trousers. The total cost estimated for setting up the new manufacturing unit is Rs. 645.7 million. The Company also intends to work with

SKNL to find opportunities for the Company to source SKNL's overseas subsidiaries with production from its new Bengaluru facility.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from the audited restated financial statements as of and for the nine months period ended September 30, 2010 and the year ended March 31, 2008, 2009 and 2010. The summary statement of restated assets and liabilities derived from the audited restated financial statements has been provided as of and for the nine months period ended September 30, 2010 and the year ended March 31, 2006, 2007 2008, 2009 and 2010. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and presented under the section "Financial Statements" on page 139 of this Draft Red Herring Prospectus. The summary financial information presented below should be read in conjunction with the restated financial statements, the notes thereto and the sections "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 178 of this Draft Red Herring Prospectus.

### SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

Sr. No.	Particulars	As at					
		30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
<b>A.</b>	<b>Fixed Assets</b>						
	Gross Block	1,193.66	1,159.43	1,134.63	785.64	-	-
	Less: Depreciation / Amortisation	350.76	309.48	225.87	69.47	-	-
	Net Block	<b>842.90</b>	<b>849.95</b>	<b>908.76</b>	<b>716.17</b>	-	-
	Less: Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	<b>842.90</b>	<b>849.95</b>	<b>908.76</b>	<b>716.17</b>	-	-
	Capital Work- in- Progress (including Capital Advances)	2,248.44	2,186.65	586.31	129.86	-	-
		<b>3,091.34</b>	<b>3,036.60</b>	<b>1,495.07</b>	<b>846.03</b>	-	-
<b>B.</b>	<b>Investments</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	-	-	-
<b>C.</b>	<b>Deferred Tax Assets</b>	-	-	<b>1.10</b>	<b>6.23</b>	-	-
<b>D.</b>	<b>Current Assets, Loans and Advances</b>						
	Inventories	3,438.97	2,848.03	1,584.85	969.37	-	-
	Receivables	5,377.92	4,863.52	2,927.97	1,908.87	-	-
	Cash & bank balances	617.21	701.30	600.62	27.81	0.01	0.01
	Loans and advances	9,934.24	8,365.84	6,852.03	954.50	0.48	0.48
	<b>Total Current Assets</b>	<b>19,368.34</b>	<b>16,778.69</b>	<b>11,965.47</b>	<b>3,860.55</b>	<b>0.49</b>	<b>0.49</b>
<b>E.</b>	<b>Liabilities &amp; Provisions</b>						
	Secured loans	4,834.54	4,239.28	2,221.23	3,333.40	-	-
	Unsecured loans	-	-	-	-	-	-
	Deferred Tax Liabilities	16.18	15.25	-	-	-	-
	Current Liabilities	952.39	621.62	595.15	517.04	0.05	0.05
	Provisions	2,602.39	2,027.61	890.74	193.19	-	-
	<b>Total Liabilities &amp; Provisions</b>	<b>8,405.50</b>	<b>6,903.76</b>	<b>3,707.12</b>	<b>4,043.63</b>	<b>0.05</b>	<b>0.05</b>
<b>E.</b>	<b>Net Worth (A+B+C+D-E)</b>	<b>14,054.19</b>	<b>12,911.54</b>	<b>9,754.53</b>	<b>669.18</b>	<b>0.44</b>	<b>0.44</b>
	<b>Represented by:</b>						

Sr. No.	Particulars	As at					
		30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
	SHAREHOLDERS FUNDS						
	Share Capital	1,345.97	538.39	520.35	400.50	0.50	0.50
	Share Application Money	-	-	-	-	-	-
	RESERVES & SURPLUS	12,708.22	12,373.15	9,234.18	268.68	-	-
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	12,708.22	12,373.15	9,234.18	268.68	-	-
	Less: Miscellaneous Expenditure not written off	-	-	-	-	0.06	0.06
		12,708.22	12,373.15	9,234.18	268.68	(0.06)	(0.06)
	<b>Net Worth</b>	<b>14,054.19</b>	<b>12,911.54</b>	<b>9,754.53</b>	<b>669.18</b>	<b>0.44</b>	<b>0.44</b>



**SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS**

(Rs. in Millions)

Particulars	For the Financial Year ended			
	30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08
<b>INCOME</b>				
Income from Operations				
- Fabrics	4,338.48	7,613.56	5,296.86	1,209.56
- Garments	1,327.03	2,235.82	1,229.17	219.68
<b>Total Income from Operations</b>	<b>5,665.51</b>	<b>9,849.38</b>	<b>6,526.03</b>	<b>1,429.24</b>
Other income	220.99	562.85	388.57	8.08
Increase / (decrease) in Inventories	436.99	1,089.84	219.21	(73.54)
<b>Total Income (A)</b>	<b>6,323.49</b>	<b>11,502.07</b>	<b>7,133.81</b>	<b>1,363.78</b>
<b>EXPENDITURE</b>				
Raw Materials Consumed	3,302.84	6,059.35	2,996.17	497.96
Manufacturing Expenses	298.82	470.73	429.41	99.41
Payment to & Provision for Employees	185.59	321.27	281.79	48.38
Administrative Expenses	81.05	133.34	124.27	29.23
Selling and Distribution Expenses	339.41	711.21	717.20	120.67
Restructured Financial Costs Amortised / Miscellaneous Expenditure written off	10.99	21.98	10.99	1.99
Interest and Finance Charges	356.06	514.42	271.20	62.24
Depreciation and Amortisation	44.33	85.60	158.54	69.47
<b>Total Expenditure (B)</b>	<b>4,619.09</b>	<b>8,317.90</b>	<b>4,989.57</b>	<b>929.35</b>
<b>Profit before tax, extraordinary items and prior period items (C) = (A) - (B)</b>	<b>1,704.40</b>	<b>3,184.17</b>	<b>2,144.24</b>	<b>434.43</b>
<b>PROVISION FOR TAXATION</b>				
Income tax	571.80	1,131.58	688.79	164.61
Deferred tax Liability/ (Assets)	0.93	16.35	5.13	(6.23)
Wealth Tax	-	0.11	0.11	0.17
Fringe Benefits Tax	-	-	6.53	1.17
Taxation for earlier years	-	6.74	3.77	-
<b>Total Tax Expense / (Credit) (D)</b>	<b>572.73</b>	<b>1,154.78</b>	<b>704.33</b>	<b>159.72</b>
<b>Net profit after tax &amp; before extraordinary items and prior period items (E) = (C) - (D)</b>	<b>1,131.67</b>	<b>2,029.39</b>	<b>1,439.91</b>	<b>274.71</b>
Prior period (Incomes) / Expenses	1.10	-	2.20	0.06
Extraordinary Items	-	-	-	-
<b>Net profit after extraordinary items and prior period items, before restatement</b>	<b>1,130.57</b>	<b>2,029.39</b>	<b>1,437.71</b>	<b>274.65</b>
<b>Adjustments made on account of Restatement (Refer Note 16 of Notes to Accounts)</b>				
Restructured Financial Costs	-	-	252.73	-
Restructured Financial Costs Amortised	(10.99)	(21.98)	(10.99)	-
Prior Period Expenses / Incomes	(1.10)	1.10	(2.20)	2.20
Taxation for earlier years reversed	-	(6.74)	(3.77)	-
Additional Taxes for the year	-	-	6.74	3.77

Particulars	For the Financial Year ended			
	30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08
<b>Total Adjustments</b>	<b>(12.09)</b>	<b>(27.62)</b>	<b>242.51</b>	<b>5.97</b>
Tax impact on adjustments	-	-	-	-
<b>Total Adjustments, net of tax impact</b>	<b>(12.09)</b>	<b>(27.62)</b>	<b>242.51</b>	<b>5.97</b>
<b>Net Profit, as Restated</b>	<b>1,142.66</b>	<b>2,057.01</b>	<b>1,195.20</b>	<b>268.68</b>
<b>Balance brought forward from previous year</b>	<b>3,520.89</b>	<b>1,463.88</b>	<b>268.68</b>	<b>-</b>
Appropriations	-	-	-	-
<b>Balance carried to Balance Sheet</b>	<b>4,663.55</b>	<b>3,520.89</b>	<b>1,463.88</b>	<b>268.68</b>

**Note:** Summary Statement of Restated Profit & Loss for the year ended March 31, 2007 and March 31, 2006 have not been prepared as the company had not commenced commercial operations during those years.

**SUMMARY STATEMENT OF RESTATED CASH FLOWS**

(Rs. in Millions)

Particulars	For the Financial Year ended			
	30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08
<b>A. Cash Flow from Operating Activities</b>				
Profit before Tax and Extra Ordinary Items	1,715.39	3,206.15	1,902.50	434.43
<b>Adjustments for :</b>				
Depreciation/Amortization	44.33	85.60	158.54	69.47
Miscellaneous Expenditure Written Off	-	-	-	1.99
Interest Expense	356.06	514.42	523.93	62.24
Interest Income	(207.71)	(525.10)	(363.52)	(0.07)
(Profit) / Loss on Sale of Fixed Assets	1.14	0.54	0.09	-
Sundry Balances written off	-	-	-	(0.03)
<b>Operating Profit / (Loss) before Working Capital Changes</b>	<b>1,909.21</b>	<b>3,281.61</b>	<b>2,221.54</b>	<b>568.03</b>
<b>Adjustments for :</b>				
(Increase)/Decrease in Sundry Debtors	(514.40)	(1,935.55)	(1,019.10)	(1,908.87)
(Increase)/Decrease in Loans and Advances	(1,568.39)	(1,513.80)	(5,897.53)	(962.18)
(Increase)/Decrease in Inventories	(590.94)	(1,263.18)	(615.48)	(969.37)
Increase/(Decrease) in Current Liabilities & Provisions	704.53	411.41	247.96	546.71
<b>Cash Generated from / (Used in) Operations</b>	<b>(59.99)</b>	<b>(1,019.51)</b>	<b>(5,062.61)</b>	<b>(2,725.68)</b>
Direct Taxes Paid (Net)	(370.78)	(379.76)	(174.47)	-
<b>Cash Flow from / (Used in) before Prior Period items</b>	<b>(430.77)</b>	<b>(1,399.27)</b>	<b>(5,237.08)</b>	<b>(2,725.68)</b>
Prior Period Adjustments (gross)	-	1.10	-	(2.26)
<b>Net Cash Flow from / (Used in) Operating Activities</b>	<b>(430.77)</b>	<b>(1,400.37)</b>	<b>(5,237.08)</b>	<b>(2,727.94)</b>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets	(102.19)	(1,630.73)	(845.79)	(915.49)
Purchase of Investments	-	-	(0.01)	-
Sale of Fixed Assets	1.97	3.05	38.12	-
Interest Received	207.71	525.10	363.52	0.07
<b>Net Cash Flow from / (Used in) Investing Activities</b>	<b>107.49</b>	<b>(1,102.58)</b>	<b>(444.16)</b>	<b>(915.42)</b>
<b>C. Cash Flow from Financing Activities</b>				
Procurement of Secured Loans	604.74	2,023.60	1,204.52	3,333.40
Repayment of Secured Loans	(9.49)	(5.55)	(2,316.69)	-
Procurement of Unsecured Loans	-	-	-	-
Repayment of Unsecured Loans	-	-	-	-
Interest Expense	(356.06)	(514.42)	(523.93)	(62.24)
Proceeds from issue of Share Capital	-	1,100.00	7,890.15	400.00
<b>Net Cash Flow from/(Used in) Financing Activities</b>	<b>239.19</b>	<b>2,603.63</b>	<b>6,254.05</b>	<b>3,671.16</b>
<b>D. Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(84.09)</b>	<b>100.68</b>	<b>572.81</b>	<b>27.80</b>
<b>E. Cash and Cash Equivalents at start of the period</b>	<b>701.30</b>	<b>600.62</b>	<b>27.81</b>	<b>0.01</b>
<b>F. Cash and Cash Equivalents at close of the period</b>	<b>617.21</b>	<b>701.30</b>	<b>600.62</b>	<b>27.81</b>
<b>Components of Cash &amp; Cash Equivalents:</b>				
Cash and Cheques on Hand	0.21	0.27	0.17	0.11
Balances with Schedules Banks				
- On Current Accounts	600.96	465.46	26.71	24.13
- On Margin Money Accounts	16.04	235.57	573.74	3.57
- On Deposit Accounts	-	-	-	-

**Note:** Cash Flow Statement for the years ended March 31, 2007 and March 31, 2006 have not been prepared as the requirement of reporting as per AS - 3 Cash Flow Statement was not applicable in those financial years.

## THE ISSUE

Issue of Equity Shares <i>of which</i>	[●] Equity Shares
i) Fresh Issue by the Company	[●] Equity Shares aggregating up to Rs. 5,000 million
ii) Offer for Sale by the Selling Shareholders <sup>(1)</sup>	14,955,273 Equity Shares
Employee Reservation Portion	[●] Equity Shares
Net Issue to the Public <i>of which</i>	[●] Equity Shares
A) QIB portion <sup>(2)</sup> <i>Of which</i>	Not more than [●] Equity Shares
<i>Of which:</i>	
Available for allocation to Mutual Funds only (5% of the QIB Portion (excluding the Anchor Investor Portion))	[●] Equity Shares
Balance for all QIBs including Mutual Funds	[●] Equity Shares
B) Non-Institutional Portion <sup>(3)</sup>	Not less than [●] Equity Shares
C) Retail Portion <sup>(3)</sup>	Not less than [●] Equity Shares
Equity Shares outstanding prior to the Issue	134,597,453 Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
<b>Use of Net Proceeds</b>	Please see the section “Objects of the Issue” on page 32 of this Draft Red Herring Prospectus for information about the use of the Net Proceeds. The Company will not receive any proceeds from the Offer for Sale.

Allocation to all categories, except the Anchor Investor Portion, if any, shall be made on a proportionate basis.

- <sup>(1)</sup> *The Equity Shares offered by the Selling Shareholders in the Issue have been held by them for more than a period of one year as on the date of this Draft Red Herring Prospectus.*
- <sup>(2)</sup> *The Company and the Selling Shareholders may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors. For details, please see the section “Issue Procedure” on page 229 of this Draft Red Herring Prospectus.*
- <sup>(3)</sup> *Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, in any category, would be allowed to be met with spill over from any other category or combination of categories at the discretion of the Company, the Selling Shareholders in consultation with the GCBRLMs, the BRLMs and the Designated Stock Exchange. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue Portion. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post-Issue capital of the Company.*

## GENERAL INFORMATION

### Registered Office of the Company

Marathon Innova IT Park  
B2/501 and C-501, 5<sup>th</sup> Floor  
off Ganpatrao Kadam Marg, Lower Parel  
Mumbai 400 013  
Tel: (91 22) 2493 0180  
Fax: (91 22) 2493 1685  
CIN: U17114MH2000PLC126018  
Website: <http://www.bondwiththebest.com>

### Address of the RoC

The Company is registered with the Registrar of Companies, Mumbai, Maharashtra, which is situated at the following address:

Registrar of Companies  
Everest, 5th Floor  
100 Marine Drive  
Mumbai 400 002  
Maharashtra

### Board of Directors of the Company

The Board of Directors consists of:

Name and Designation	DIN	Address
<b>Dr. A. C. Shah</b> Non-Executive Chairman, Independent Director	00022612	C-1/2, Lloyds Garden, Appasahaeb Marathe Marg, Prabha Devi Mumbai 400 025
<b>Nitin S. Kasliwal</b> Managing Director and Executive Director	00022630	Flat No 1, Kanta, Little Gibbs Road, Maalabar Hill, Mumbai 400 026
<b>Anil Kumar Channa</b> Non-Executive Director	01359682	71, Sagar Tarang co-operative housing society, 15 K, Abdul Gafur Khan Road, Worli, Mumbai 400 018
<b>Kunnasagaran Chinniah</b> Non-Executive Director	01590108	12, Countryside Grove, Singapore 789 967
<b>Dara P. Mehta</b> Non-Executive, Independent Director	00041164	10, Southlands, 177 Colaba Road, Mumbai 400 005
<b>Pradip P. Shah</b> Non-Executive, Independent Director	00066242	72A Embassy Apartments 7 <sup>th</sup> Floor, Napean Sea Road Mumbai 400 006

For further details of the Directors, please see the section “Management” on page 106 of this Draft Red Herring Prospectus.

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

Nihar R. Avasare is the company secretary and the compliance officer of the Company. His details are as follows:

#### **Nihar R. Avasare**

2<sup>nd</sup> Floor, Inga Complex  
Mahakali Caves Road, Andheri (East)  
Mumbai 400 093  
Tel: (91 22) 2825 0797  
Fax: (91 22) 2826 5628  
Email: nihar.avasare@reidntaylor.co.in

**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 the non-receipt of letters of allocation, credit of Allotted Equity Shares in the respective beneficiary account and refund orders.**

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of applicant, application number, number of Equity Shares applied for, amount paid on application and designated branch or the collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the SCSBs, giving full details such as name, address of applicant, application number, number of Equity Shares applied for, amount paid on application and designated branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

### **Global Coordinators and Book Running Lead Managers**

#### **JM Financial Consultants Private Limited**

141, Maker Chamber-III  
Nariman Point  
Mumbai 400021  
Tel: (91 22) 6630 3030  
Fax: (91 22) 2204 2137  
E-mail: rtil.ipo@jmfinancial.in  
Investor Grievance Email: grievance.ibd@jmfinancial.in  
Website: www.jmfinancial.in  
Contact Person: Lakshmi Lakshmanan  
SEBI Registration No.: INM000010361

#### **UBS Securities India Private Limited**

2/F, 2 North Avenue  
Maker Maxity  
Bandra Kurla Complex,  
Bandra (East),  
Mumbai 400051  
Tel: (91 22) 6155 6000  
Fax: (91 22) 6155 6300  
E-mail: customercare@ubs.com  
Investor Grievance Email: customercare@ubs.com  
Website: www.ubs.com/Indianoffers  
Contact Person: Ashish Mukkirwar  
SEBI Registration No.: INM000010809

#### **J.P. Morgan India Private Limited**

J.P. Morgan Tower  
Off C.S.T. Road, Kalina  
Santacruz (East),  
Mumbai 400 098  
Tel: (91 22) 6157 3000  
Fax: (91 22) 6157 3911  
E-mail: project\_bond@jpmorgan.com  
Investor Grievance Email: investorsmb.jpmpipl.com  
Website: www.jpmpipl.com  
Contact Person: Ranjan Sharma  
SEBI Registration No.: INM000002970

#### **Religare Capital Markets Limited**

GYS Infinity, Paranjpe ‘B’ Scheme, Subhash Road  
Vile Parle (East),  
Mumbai 400 057  
Tel: (91 22) 6766 3400  
Fax: (91 22) 6766 3600  
E-mail: rtil.ipo@religare.in  
Investor Grievance Email: grievance.ibd@religare.in  
Website: www.religarecapitalmarkets.com  
Contact Person: Kunur Bavishi  
SEBI Registration No: INM000011062

## **Book Running Lead Managers**

### **Antique Capital Markets Private Limited**

6th Floor, Nirmal Building, Nariman Point  
Mumbai 400 021  
Tel: (91 22) 4031 3300  
Fax: (91 22) 2202 2691  
E-mail: rtil.ipo@antiquelimited.com  
Investor Grievance Email:  
investors@antiquelimited.com  
Website: www.antiquelimited.com  
Contact Person: Ankur Joshi  
SEBI Registration No.: INM000011385

### **Edelweiss Capital Limited\***

14th Floor, Express Towers  
Nariman Point  
Mumbai 400 021  
Tel: (91 22) 4086 3535  
Fax: (91 22) 4086 3610  
E-mail: rtil.ipo@edelcap.com  
Investor Grievance Email:  
customerservice.mb@edelcap.com  
Website: www.edelcap.com  
Contact Person: Neetu Ranka/Viral Shah  
SEBI Registration No.: INM0000010650

*\*In compliance with the proviso to Regulation 21A(1) and explanation (iii) to Regulation 21A(1) of SEBI (Merchant Bankers) Regulations, 1992, read with Regulation 110 and Schedule XX of the SEBI Regulations, Edelweiss Capital Limited would be involved only in the marketing of the Issue.*

### **HSBC Securities and Capital Markets (India) Private Limited**

52/60 Mahatma Gandhi Road  
Fort, Mumbai 400 001  
Tel: (91 22) 2268 5555  
Fax: (91 22) 2263 1984  
E-mail: rtil.ipo@hsbc.co.in  
Investor Grievance Email: investorgrievance@hsbc.co.in  
Website:  
<http://www.hsbc.co.in/1/2/corporate/equitiesglobalinvestment>  
Contact Person: Sumit Roy  
SEBI Registration No.: INM000010353

### **IDBI Capital Market Services Limited**

5<sup>th</sup> Floor, Mafatlal Centre  
Nariman Point  
Mumbai 400 021  
Tel: (91 22) 4322 1212  
Fax: (91 22) 2283 8782  
E-mail: rtil.ipo@idbicapital.com  
Investor Grievance Email:  
redressal@idbicapital.com  
Website: www.idbicapital.com  
Contact Person: Kartik Shah/ Subodh Mallaya  
SEBI Registration No.: INM000010866

## **Legal Advisors to the Issue**

### **Domestic Legal Counsel to the Company**

#### **Amarchand & Mangaldas & Suresh A. Shroff & Co.**

5<sup>th</sup> Floor, Peninsula Chambers  
Peninsula Corporate Park  
Ganpatrao Kadam Marg, Lower Parel  
Mumbai 400 013  
Tel: (91 22) 2496 4455  
Fax: (91 22) 2496 3666

### **Domestic Legal Counsel to the Underwriters**

#### **AZB & Partners**

23<sup>rd</sup> Floor, Express Towers  
Nariman Point, Mumbai 400 021  
Tel: (91 22) 6639 6880  
Fax: (91 22) 6639 6888



**International Legal Counsel to the Underwriters**

Allen & Overy  
9th Floor, Three Exchange Square  
Central  
Hong Kong  
Tel: (852) 2974 7000  
Fax: (852) 2974 7292

**Syndicate Members**

[●]

**Auditors to the Company****Haribhakti & Co., Chartered Accountant**

701, Leela Business Park,  
Andheri Kurla Road,  
Andheri (East), Mumbai 400 059  
Tel: (91 22) 6672 9999  
Fax: (91 22) 6672 9777  
Email: rakesh.rathi@bdoharibhakti.co.in  
Membership no. of Rakesh Rathi (Partner): 45228  
Firm Registration No.: 103523W

**Registrar to the Issue****Bigshare Services Private Limited**

E-2, Ansa Industrial Estate  
Sakivihar Road, Sakinaka  
Andheri (East)  
Mumbai 400 072  
Tel: (91 22) 4043 0200  
Fax: (91 22) 2847 5207  
Email: ipo@bigshareonline.com  
Investor Grievance Email: rtil\_ipo@bigshareonline.com  
Website: www.bigshareonline.com  
Contact Person: Ashok Shetty  
SEBI Registration No.: IN 000001385

**IPO Grading Agency**

This Issue has been graded by [●] as [●], indicating [●]. The rationale furnished by the grading agency for its grading will be updated at the time of filing the Red Herring Prospectus with the RoC.

**Experts**

Except the report of [●] in respect of the IPO grading of this Issue, the Company has not obtained any expert opinions.

**Bankers to the Issue and Escrow Collection Banks**

[●]

## **Bankers to the Company**

### **Bank of India**

Bullion Exchange Branch  
185 Sheikh Memon Street  
Zevari Bazar  
Mumbai 400 002  
Tel: (91 22) 6744 3301  
Fax: (91 22) 2343 7073  
Email: anil.verma@bankofindia.co.in  
Website: <http://www.bankofindia.com/>

### **IDBI Bank**

IDBI Tower, WTC Complex  
Cuffe Parade, Colaba  
Mumbai 400 005  
Tel: (91 22) 6655 2204  
Fax: (91 22) 2218 1195  
Email: h.biswas@idbi.co.in  
Website: <http://www.idbi.com/>

### **Punjab National Bank**

PNB House, Sir P M Road, Fort  
Mumbai 400 001  
Tel: (91 22) 2262 7555  
Fax: (91 22) 2267 8515  
Email: pnbhousemumbai@rediffmail.com  
Website: <http://www.pnbindia.in/>

### **The Jammu & Kashmir Bank Limited**

79-A, Mehta House  
Bombay Samachar Marg, Fort  
Mumbai 400 001  
Tel: (91 22) 2261 0056  
Fax: (91 22) 6659 5975  
Email: altaf.mehboob@jkmail.com  
Website: <http://jkbank.net/>

### **Self Certified Syndicate Banks**

The list of banks that have been notified by SEBI to act as a SCSB for the ASBA process are 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 ASBA Bid Cum Application Forms, please refer to the above mentioned link.

### **Monitoring Agency**

The Company has appointed [●] as the Monitoring Agency. The appointment of the Monitoring Agency will be pursuant to Regulation 16 of the SEBI Regulations.

### **Inter Se Allocation of Responsibilities between the GCBRLMs and the BRLMs**

The following table sets forth the *inter se* allocation of responsibilities for various activities among the GCBRLMs and the BRLMs for the Issue:

### **Export Import Bank of India**

Centre One Building, Floor 21  
World Trade Centre Complex  
Cuffe Parade  
Mumbai 400 005  
Tel: (91 22) 2218 2420  
Fax: (91 22) 2218 3238  
Email: mukul@eximbankindia.in  
Website: <http://eximbankindia.com/>

### **Indian Overseas Bank**

Elphinstone Building  
2/10 Veer Nariman Road, Fort  
Mumbai 400 023  
Tel: (91 22) 2204 5078  
Fax: (91 22) 2204 5669  
Email: fortbr@mummrco1.iobnet.co.in  
Website: <http://www.iob.in/>

### **State Bank of India**

# 7, MRN Signature  
Vishva Manava Double Road  
Saraswathipuram  
Mysore 570 009  
Tel: (91 821) 2417122  
Fax: (91 821) 2417128  
Email: sbi.0461@sbi.co.in  
Website: <http://www.statebankofindia.com/>

Sr. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with relative components and formalities such as type of instruments, etc.	JM Financial, UBS, J. P. Morgan, Religare, Antique, HSBC and IDBI	JM Financial
2.	Due diligence of the Company operations/ management / business plans/ legal etc. Drafting and design of the red herring prospectus including memorandum containing salient features of the prospectus.  The GCBRLMs and the BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI including finalisation of the Prospectus and RoC filing	JM Financial, UBS, J. P. Morgan, Religare, Antique, Edelweiss*, HSBC and IDBI	JM Financial
3.	Drafting and approval of all statutory advertisements	JM Financial, UBS, J. P. Morgan, Religare, Antique, HSBC and IDBI	JM Financial
4.	Drafting and approval of all publicity materials other than statutory advertisements as mentioned in 3 above, including corporate advertising, brochures, etc.	JM Financial, UBS, J. P. Morgan, Religare, Antique, HSBC and IDBI	Religare
5.	Appointment of other intermediaries including, Registrars, printers, advertising agency and Bankers to the Issue	JM Financial, UBS, J. P. Morgan, Religare, Antique, HSBC and IDBI	Religare
6.	Preparation of road show presentation	JM Financial, UBS, J. P. Morgan, Religare, Antique, HSBC and IDBI	UBS
7.	International institutional marketing strategy <ul style="list-style-type: none"> <li>• Finalising the list and division of investors for one to one meetings in consultation with the Company, and</li> <li>• Finalising the international road show schedule and investor meeting schedule</li> </ul>	JM Financial, UBS, J. P. Morgan, Religare, Antique, Edelweiss, HSBC and IDBI	UBS

Sr. No.	Activities	Responsibility	Co-ordinator
8.	Domestic institutions/ banks/ mutual funds/ marketing strategy <ul style="list-style-type: none"> <li>• Finalising the list and division of investors for one to one meetings, institutional allocation in consultation with the Company;</li> <li>• Finalising the list and division of investors for one to one meetings; and</li> <li>• Finalising investor meeting schedules</li> </ul>	JM Financial, UBS, J. P. Morgan, Religare, Antique, Edelweiss, HSBC and IDBI	JM Financial
9.	Non-institutional and Retail marketing of the Issue, which will cover, <i>inter alia</i> : <ul style="list-style-type: none"> <li>• Formulating marketing strategies, preparation of publicity budget;</li> <li>• Finalising media, marketing and public relations strategy;</li> <li>• Finalising centre for holding conferences for press and brokers; and</li> <li>• Follow-up on distribution of publicity and Issue material including forms, the prospectus and deciding on the quantum of Issue material</li> </ul>	JM Financial, UBS, J. P. Morgan, Religare, Antique, Edelweiss, HSBC and IDBI	JM Financial
10.	Co-ordination with the Stock Exchanges for book building software, bidding terminals and mock trading	JM Financial, UBS, J. P. Morgan, Religare, Antique, HSBC and IDBI	Religare
11.	Finalisation of Pricing in consultation with the Company	JM Financial, UBS, J. P. Morgan, Religare, Antique, HSBC and IDBI	UBS
12.	Post-Bidding activities including management of escrow accounts, coordination of non-institutional allocation, intimation of allocation and dispatch of refunds to bidders etc. <p>The post Issue activities for the Issue involving essential follow up steps, which include the finalisation of trading and dealing of instruments and demat of delivery of shares, with the various agencies connected with the work such as the Registrar's to the Issue and Bankers to the Issue and the bank handling refund business. The GCBRLMs and the BRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company</p>	JM Financial, UBS, J. P. Morgan, Religare, Antique, HSBC and IDBI	J. P. Morgan

\*In compliance with the proviso to Regulation 21A(1) and explanation (iii) to Regulation 21A(1) of SEBI (Merchant Bankers) Regulations, 1992, read with Regulation 110 and Schedule XX of the SEBI Regulations, Edelweiss Capital Limited would be involved only in the marketing of the Issue.

## **Credit Rating**

As the Issue is of Equity Shares, there is no credit rating for this Issue.

## **Trustees**

As the Issue is of Equity Shares, the appointment of trustees is not required.

## **Book Building Process**

Book Building Process, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band, which will be decided by the Company in consultation with the GCBRLMs and the BRLMs and advertised at least two working days prior to the Bid/Issue Opening Date. The Issue Price is finalised after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. The Selling Shareholders;
3. The GCBRLMs;
4. The BRLMs;
5. The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the GCBRLMs and the BRLMs;
6. The SCSBs;
7. The Registrar to the Issue; and
8. The Escrow Collection Banks.

This being an Issue for less than 25% of post issue paid-up equity share capital of the Company, the SEBI Regulations read with Rule 19(2)(b) of the SCRR, permit an issue of securities to the public through the 100% Book Building Process, wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to QIBs. Out of the QIB Portion (excluding the Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Regulations, QIB Bidders are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details, please see the section "Terms of the Issue" on page 222 of this Draft Red Herring Prospectus.

The Company shall comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, the Company has appointed the GCBRLMs and the BRLMs to manage the Issue and procure subscriptions to the Issue.

The Book Building Process under the SEBI Regulations is subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to making a Bid or application in the Issue.

**Illustration of Book Building Process and Price discovery process** *(Investors should note that this example is*

*solely for illustrative purposes and is not specific to the Issue; it excludes bidding by Anchor Investors or ASBA process)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per equity share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book below shows the demand for the equity shares of the issuer company at various prices which is collated from bids received from various investors.

<b>Bid Quantity</b>	<b>Bid Amount (Rs.)</b>	<b>Cumulative Quantity</b>	<b>Subscription</b>
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the GCBRLMs and the BRLMs, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for Bidding:

1. Check eligibility for making a Bid (please see “Who Can Bid?” in the section “Issue Procedure” on page 230 of this Draft Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. Except for Bids on behalf of the Central or State Governments and the officials appointed by the courts, for Bid of all values, ensure that you have mentioned your PAN, Client ID and DP ID in the Bid cum Application Form. In accordance with the SEBI Regulations, PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction (please see “Permanent Account Number or PAN” in the section “Issue Procedure” on page 248 of this Draft Red Herring Prospectus). However Bidders residing in the State of Sikkim are exempted from mandatory requirement of PAN. The exemption is subject to Depository Participants verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address;
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form or ASBA Bid cum Application Form;
5. Bids by QIBs (including Anchor Investors) will only have to be submitted to the GCBRLMs and the BRLMs and/or their affiliates, other than Bids by QIBs who Bid through ASBA process, who shall submit the Bids to the Designated Branches of the SCSBs; and
6. ASBA Bidders will have to submit Bids (physical form) to the Designated Branches. ASBA Bidders should ensure that the ASBA Account has adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Bid cum Application Form is not rejected.

### **Underwriting Agreement**

After the determination of the Issue Price but prior to the filing of the Prospectus with the RoC, the Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement,

the GCBRLMs and the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfil their underwriting obligations. The underwriting shall be to the extent of the Bids uploaded by the Underwriters including through its respective Syndicate Member/sub-syndicate. The Underwriting Agreement is dated [●].

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

*This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC.*

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (in Rs. million)
[●]	[●]	[●]

The above mentioned is indicative underwriting and this will be finalised after determination of the Issue Price and actual allocation.

In the opinion of the Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). The Board of Directors, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of the Company. SKNL and Indinvest, have by their board resolution dated [●] and [●] respectively, accepted and entered into the Underwriting Agreement.

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments.

Notwithstanding the table above, the GCBRLMs, the BRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure subscriptions for/subscribe to Equity Shares to the extent of the defaulted amount.

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) final listing and trading approvals of the Stock Exchanges, which the company shall apply for after Allotment, and (ii) the final approval of the RoC after the Prospectus is filed with the RoC.

## CAPITAL STRUCTURE

The share capital of the Company as at the date of this Draft Red Herring Prospectus is set forth below:

*(In Rs. except share data)*

		Aggregate Value at Face Value	Aggregate Value at Issue Price
<b>A</b>	<b>AUTHORISED SHARE CAPITAL</b>		
	150,000,000 Equity Shares	1,500,000,000	
<b>B</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE</b>		
	134,597,453 Equity Shares	1,345,974,530	
<b>C</b>	<b>PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS</b>		
	[●] Equity Shares aggregating to Rs. [●] million	[●]	[●]
	<i>of which</i>		
	Fresh Issue of [●] Equity Shares aggregating up to Rs. 5,000 million <sup>(1)</sup>	[●]	[●]
	Offer for Sale of 14,955,273 Equity Shares aggregating to Rs. [●] million <sup>(2)</sup>	[●]	[●]
	<i>of which</i>		
	Employee Reservation of up to [●] Equity Shares	[●]	[●]
	Net Issue to the Public of [●] Equity Shares	[●]	[●]
<b>E</b>	<b>EQUITY CAPITAL AFTER THE ISSUE</b>		
	[●] Equity Shares	[●]	[●]
<b>F</b>	<b>SECURITIES PREMIUM ACCOUNT</b>		
	Before the Issue	8,054,577,897	
	After the Issue	[●]	

<sup>(1)</sup> The Fresh Issue has been authorized by a resolution of the Board dated September 27, 2010 and by a special resolution passed pursuant to section 81(1A) of the Companies Act, at the EGM of the shareholders of the Company held on September 27, 2010.

<sup>(2)</sup> The Offer for Sale of 11,964,218 Equity Shares by S. Kumars Nationwide Limited, the Promoter has been authorized by a resolution of the board of directors of S. Kumars Nationwide Limited dated September 27, 2010. The Offer for Sale of 2,991,055 Equity Shares by Indivest Pte Ltd has been authorized by a resolution of the board of directors of Indivest Pte Ltd dated September 27, 2010.

### Changes in the Authorised Share Capital

- The initial authorised share capital of Rs. 500,000 divided into 50,000 Equity Shares of Rs. 10 each was increased to Rs. 500,000,000 divided into 50,000,000 Equity Shares of Rs. 10 each, pursuant to resolution of shareholders passed at the EGM held on November 27, 2007.
- The authorised share capital of Rs. 500,000,000 divided into 50,000,000 Equity Shares of Rs. 10 each was increased to Rs. 581,000,000 divided into 55,000,000 Equity Shares of Rs. 10 each and 1,550,000 preference shares of Rs. 20 each, pursuant to resolution of shareholders passed at the EGM held on June 2, 2008.
- The authorised share capital of Rs. 581,000,000 divided into 55,000,000 Equity Shares of Rs. 10 each and 1,550,000 preference shares of Rs. 20 each was reclassified to Rs. 581,000,000 divided into 58,100,000 Equity Shares of Rs. 10 each, consequent to the reclassification of 1,550,000 preference shares of Rs. 20 each aggregating Rs. 31,000,000 to 3,100,000 equity shares of Rs. 10 each, pursuant to resolution of the



shareholders passed at the EGM held on August 19, 2010.

4. The authorised share capital of Rs. 581,000,000 divided into 58,100,000 Equity Shares of Rs. 10 each was increased to Rs. 1500,000,000 divided into 150,000,000 Equity Shares of Rs.10 each, pursuant to resolution of shareholders passed at the EGM held on August 19, 2010.

## Notes to the Capital Structure

### 1. Share Capital History of the Company

- (a) The following is the history of the equity share capital and securities premium account of the Company:

Date of allotment of the Equity Shares	No. of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Consideration (cash, other than cash etc)	Cumulative No. of Equity Shares	Cumulative paid-up Equity capital (Rs.)	Cumulative securities premium (Rs.)
April 19, 2000	7	10	10	Cash	7	70	Nil
December 10, 2002	49,993	10	10	Cash	50,000	500,000	Nil
February 15, 2008	40,000,000	10	10	Cash	40,050,000	400,500,000	Nil
September 22, 2008	1,517,045 <sup>(1)</sup>	10	659.18	Cash	41,567,045	415,670,450	984,835,273
September 22, 2008	10,467,614	10	659.18	Cash	52,034,659	520,346,590	7,770,300,930 <sup>(2)</sup>
January 29, 2010	1,804,322	10	609.65	Cash	53,838,981	538,389,810	8,852,262,617
September 10, 2010	80,758,472	10	-	Bonus issue in the ratio of 3:2	134,597,453	1,345,974,530	8,054,577,897 <sup>(3)</sup>

<sup>(1)</sup> The Company allotted 1,517,045 Equity Shares to Indivest pursuant to conversion of 1,517,045 compulsorily convertible preference shares of Rs. 20 each.

<sup>(2)</sup> Net of issue expenses of approximately Rs. 9,900,000.

<sup>(3)</sup> The securities premium accounts was utilised towards bonus issue of Equity Shares.

- (b) The following is the history of preference share capital of the Company:

Date of allotment of the preference shares	No. of preference shares	Face value (Rs.)	Issue price per preference share (Rs.)	Consideration (cash, other than cash etc)	Cumulative No. of preference shares	Cumulative paid-up preference share premium (Rs.)
July 14, 2008	1,517,045	20	659.18	Cash	1,517,045	969,664,823
September 22, 2008	(1,517,045) <sup>(1)</sup>	20	Nil	-	0	Nil

<sup>(1)</sup> On September 22, 2008 the Company allotted 1,517,045 Equity Shares pursuant to conversion of 1,517,045 compulsorily convertible preference shares of Rs. 20 each.

- (c) Issue of Equity Shares for consideration other than cash:

Date of allotment of the Equity Shares	No. of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Consideration (cash, other than cash etc)
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Date of allotment of the Equity Shares	No. of Equity Shares	Face value (Rs.)	Issue price (Rs.)	Consideration (cash, other than cash etc)
September 10, 2010	80,758,472	10	-	Bonus Issue in the ratio of 3:2

## 2. History of the Equity Share Capital held by the Promoter

(a) *Details of the build up of the Promoters' shareholding in the Company:*

Date of Allotment/ Transfer	No. of Equity Shares allotted/ transferred	Face Value (Rs.)	Issue/ Acquisition Price (Rs.)	Nature of consideration (Cash, gift, etc.)	Nature of transaction	% of pre-Issue Capital	% of post-Issue Capital
<b>S. Kumars Nationwide Limited</b>							
December 10, 2007	50,000	10	10	Cash	Transfer	0.04%	
February 15, 2008	40,000,000	10	10	Cash	Allotment	29.72%	
September 10, 2010	60,075,000	10	-	Bonus Issue in the ratio of 3:2	Allotment	44.63%	[●]*

\* To be finalised after determination of Issue Price.

The Promoter had initially pledged 13,529,012 Equity Shares of the Company with ICICI Bank Limited as security for a term loan of Rs. 2,750 million availed by the Promoter. Subsequently, pursuant to issue of bonus Equity Shares on September 10, 2010, the Promoter has further pledged 21,466,326 Equity Shares with ICICI Bank Limited in accordance with the terms of the financing arrangement between the Promoter and ICICI Bank Limited. Accordingly, an aggregate of 34,995,338 Equity Shares have been pledged by the Promoter to ICICI Bank Limited.

(b) *Details of Promoter's contribution and Lock-in:*

Date of Acquisition and when made fully paid-up	Nature of Allotment/Transfer	Number of Equity Shares locked in	Nature of Consideration (Cash)	No. of Equity Shares	Face Value (Rs.)	Issue/Acquisition Price per Equity Share (Rs.)	Percentage of post-Issue paid-up equity share capital
<b>S. Kumars Nationwide Limited</b>							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]

The figures to be provided in this table shall be finalised upon determination of the Issue Price and the number of Equity Shares to be issued in the Fresh Issue, consequent to the Book Building Process.

The minimum Promoters' contribution has been brought to the extent of not less than the specified minimum lot and from the persons defined as Promoters under the SEBI Regulations. The Promoters' contribution constituting not less than 20% post-Issue paid-up equity share capital shall be locked-in for a period of three years from the date of Allotment in the Issue.

The Equity Shares that are being locked-in are not ineligible for computation of Promoters' contribution in terms of Regulation 33 of the SEBI Regulations.

The Company has obtained specific written consent from the Promoter for inclusion of the Equity Shares held by them in the minimum Promoters' contribution subject to lock-in. Further, the Promoter has given an undertaking to the effect that it shall not sell/transfer/dispose of in any manner, Equity Shares forming part of the minimum Promoters' contribution from the date of filing the Draft Red Herring Prospectus till the date of commencement of lock-in in accordance with the SEBI Regulations.

(c) *Details of pre-Issue Equity Share capital locked-in for one year:*

In addition to the 20% of the post-Issue paid-up equity shareholding of the Company held by the Promoters and locked-in for three years as specified above and other than 14,955,273 forming part of the Offer for Sale portion, the entire pre-Issue equity share capital will be locked-in for a period of one year from the date of Allotment of the Equity Shares in this Issue. Further, 8,993,604 Equity Shares held by Indivest Pte Ltd, an FVCI, for a period of at least one year as on the date of this Draft Red Herring Prospectus will not be subject to lock-in.

(d) *Other requirements in respect of lock-in:*

The Equity Shares held by the Promoter that are locked-in for a period of three years can be pledged only with any scheduled commercial bank or public financial institution as collateral security for loans granted by such banks or institution. Further, such pledge can be created only if the loan has been granted by such scheduled commercial bank or public financial institution for financing one or more of the objects of the Issue and the pledge of the Equity Shares is one of the terms of sanction of the loan.

The Equity Shares held by the Promoter that are locked-in for a period of one year can be pledged with any scheduled commercial bank or public financial institution as collateral security for loans granted by such bank or financial institution, provided that the pledge of the Equity Shares is one of the terms of sanction of the loan.

The Equity Shares held by the Promoter and locked-in may be transferred to and amongst the Promoter Group or to a new promoter or persons in control of the Company, subject to the continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable.

The Equity Shares held by persons other than the Promoter and locked-in for a period of one year from the date of allotment in the Issue may be transferred to any other person holding Equity Shares which are locked-in, subject to the continuation of the lock-in in the hands of transferees for the remaining period and compliance with the Takeover Code.

(e) *Lock-in of Equity Shares to be issued, if any, to the Anchor Investor*

Any Equity Shares Allotted to Anchor Investors shall be locked-in for a period of 30 days from the date of Allotment of Equity Shares in the Issue.

### 3. Shareholding Pattern of the Company

(a) The table below presents the shareholding pattern of Equity Shares before the proposed Issue and as adjusted for the Issue:

	Pre-Issue		Post-Issue <sup>(2)</sup>	
	No. of Equity Shares	Percentage of Equity Share capital	No. of Equity Shares	Percentage of Equity Share capital
<b>Promoter</b>				
SKNL	100,125,000 <sup>(1)</sup>	74.39	[•]	[•]
<b>Sub Total (A)</b>	<b>100,125,000</b>	<b>74.39</b>	<b>[•]</b>	<b>[•]</b>
<b>Promoter Group (B)</b>	-	-	-	-
<b>Total Holding of Promoter and Promoter</b>	<b>100,125,000</b>	<b>74.39</b>	<b>[•]</b>	<b>[•]</b>

	Pre-Issue		Post-Issue <sup>(2)</sup>	
	No. of Equity Shares	Percentage of Equity Share capital	No. of Equity Shares	Percentage of Equity Share capital
<b>Group (C=A + B)</b>				
<b>Others (D)</b>			[●]	[●]
Indivest	34,472,453	25.61	[●]	[●]
<b>Public (pursuant to the Issue) (E)</b>	-	-	[●]	[●]
<b>Total (A+B+C+D+E)</b>	<b>134,597,453</b>	100.00	[●]	100.00

(1) S Kumars. Nationwide limited jointly holds one share each with Ganesh Pai, L.N. Somani, Nimesh Shah, Ramesh Ladha, Naresh Maheshwari and Jagadeesh Shetty.

(2) The figures to be provided in this table shall be finalised upon determination of the Issue Price and the number of Equity Shares to be issued in the Fresh Issue, consequent to the Book Building Process.

4. **The list of top ten shareholders of the Company and the number of Equity Shares held by them is as under:**

(a) As of the date of the Draft Red Herring Prospectus:

Sr. No.	Name of the shareholders	No. of Equity Shares held	Percentage
1.	SKNL	100,124,994	74.39
2.	Indivest	34,472,453	25.61
3.	SKNL jointly with Ganesh Pai	1	0.00
4.	SKNL jointly with L.N. Somani	1	0.00
5.	SKNL jointly with Nimesh Shah	1	0.00
6.	SKNL jointly with Ramesh Ladha	1	0.00
7.	SKNL jointly with Naresh Maheshwari	1	0.00
8.	SKNL jointly with Jagadeesh Shetty	1	0.00

(b) As of 10 days prior to the date of the Draft Red Herring Prospectus:

Sr. No.	Name of the shareholders	No. of Equity Shares held	Percentage
1.	SKNL	100,124, 994	74.39%
2.	Indivest	34,472,453	25.61%
3.	SKNL jointly with Ganesh Pai	1	0.00
4.	SKNL jointly with L.N. Somani	1	0.00
5.	SKNL jointly with Nimesh Shah	1	0.00
6.	SKNL jointly with Ramesh Ladha	1	0.00
7.	SKNL jointly with Naresh Maheshwari	1	0.00
8.	SKNL jointly with Jagadeesh Shetty	1	0.00

(c) As of two years prior to the date of the Draft Red Herring Prospectus:

Sr. No.	Name of the shareholders	No. of Equity Shares held	Percentage
1.	SKNL	40,049,994	76.96%

Sr. No.	Name of the shareholders	No. of Equity Shares held	Percentage
2.	Indivest	11,984,659	23.03%
3.	SKNL jointly with Ganesh Pai	1	0.00
4.	SKNL jointly with L.N. Somani	1	0.00
5.	SKNL jointly with Nimesh Shah	1	0.00
6.	SKNL jointly with Ramesh Ladha	1	0.00
7.	SKNL jointly with Naresh Maheshwari	1	0.00
8.	SKNL jointly with Jagadeesh Shetty	1	0.00

5. The Company, the Directors, the GCBRLMs and the BRLMs have not entered into any buy-back arrangement and/or safety net facility for the purchase of Equity Shares from any person.
6. None of the GCBRLMs, the BRLMs or their associates hold any Equity Shares of the Company.
7. The Company has not raised any bridge loans against the Issue Proceeds.
8. Except as stated in the section “Management” on page 106 of this Draft Red Herring Prospectus, none of the Directors or key management personnel hold any Equity Shares in the Company. Further, none of the directors of the Promoter hold any Equity Shares in the Company.
9. None of the Promoter, directors of the Promoter, Promoter Group, the Directors and their immediate relatives have purchased or sold any Equity Shares during a period of six months preceding the date on which this Draft Red Herring Prospectus is filed with SEBI.
10. Except as stated below, the Company has not made any issue of Equity Shares during a period of one year preceding from the date of this Draft Red Herring Prospectus, at a price which may be lower than the Issue price:

Date of allotment of Equity Shares	Number of Equity Shares	Issue price (in Rs.)	Nature of Payment	Reasons for allotment of Equity Shares
January 29, 2010	1,804,322	609.65	Cash	Preferential allotment to Indivest

11. 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 Bidder.
12. Not more than 50% of the Net Issue shall be available for allocation to QIBs on a proportionate basis. 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price. Under-subscription, if any, in any of these categories, the unsubscribed portion may be added to one of the other categories at the discretion of the Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs and the Designated Stock Exchange. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue portion.
13. A total of up to [●] Equity Shares aggregating to Rs. [●] million, have been reserved for allocation to Eligible Employees, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in this portion being Rs. 200,000. Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion. Eligible Employees may Bid in the Net Issue as well and

such Bids shall not be treated as multiple Bids.

14. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
15. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearer multiple of minimum allotment lot.
16. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into the Equity Shares.
17. There will be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed.
18. The Company presently does not intend or propose to alter the capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or issue of bonus or rights or further public issue of specified securities or qualified institutions placement or otherwise. However, if the Company enters into acquisitions, joint ventures or other arrangements, the Company may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisitions or participation in such joint ventures.
19. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. The Company has eight members as of the date of filing of this Draft Red Herring Prospectus.
21. The Company has not issued any Equity Shares out of revaluation reserves.
22. All Equity Shares will be fully paid-up at the time of Allotment failing which no Allotment shall be made.
23. There have been no financial arrangements whereby the Promoter Group, the Directors and their relatives have financed the purchase by any other person of securities of the Company, other than in the normal course of the business of the financing entity during a period of six months preceding the date of filing of this Draft Red Herring Prospectus.

## OBJECTS OF THE ISSUE

The Issue comprises a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholders.

### Offer for Sale

The Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

### Objects of the Fresh Issue

The Company proposes to utilise the funds which are being raised through the Fresh Issue towards funding the following objects:

1. To set up 160 exclusive brand outlets (“EBOs”);
2. To set up a manufacturing unit at Bengaluru for ready-made garments and suits;
3. To purchase machinery at the Mysore facility;
4. To fund the launch of a new brand in the casual premium segment;
5. To implement an ERP System (“ERP”);
6. Towards pre-payment and/or re-payment of certain loans; and
7. For general corporate purposes;

The main objects clause of the Company’s Memorandum of Association enables the Company to undertake the activities for which funds are being raised through this Issue. Further, the Company confirms that the activities which it has been carrying out until now are in accordance with the objects clause of its Memorandum of Association.

### Issue Proceeds and Net Proceeds

The details of the proceeds of the Issue are summarised below:

(in Rs. million)

Particular	Estimated Amount
Gross Proceeds of the Issue	[●]
Issue related expenses*	[●]
Offer for Sale portion (to the Selling Shareholders)	[●]
Net Proceeds of the Fresh Issue (to the Company) (the “Net Proceeds”)	[●]

\*Other than listing fees, which will be paid by the Company, all expenses with respect to the Issue will be shared between the Selling Shareholders and the Company, in the proportion to the Equity Shares offered for sale or issued, as the case may be in the Issue.

### Requirement of Funds

The fund requirements for the objects of the Fresh Issue as described below are based on management estimates and the Company’s current business plan and have not been independently appraised by any bank or financial institution. The fund requirements described below are proposed to be entirely funded from the Net Proceeds. Accordingly, the Company confirms that there is no requirement to make firm arrangements of finance under Regulation 4(g) of the SEBI Regulation through verifiable means towards atleast 75% of the stated means of finance, excluding the amount to be raised through the Issue.

The Company proposes to utilize the Net Proceeds as set forth in the table below:

(in Rs. million)

S. No.	Particulars	Total Estimated Cost	Expenditure incurred as of November 15, 2010	Proposed schedule for deployment of the Net Proceeds		
				fiscal year 2011	fiscal year 2012	fiscal year 2013
1.	Setting up 160 EBOs	928.7	Nil	Nil	928.7	Nil
2.	To set up a manufacturing unit at Bengaluru for ready-made garments and suits	645.7	85.9*	559.8	Nil	Nil
3.	To purchase machinery at the Mysore facility	839.8	33.1**	Nil	806.7	Nil
4.	To fund the launch of a new brand in the casual premium segment	436.6	Nil	82.3	354.3	Nil
5.	Implementation of ERP System	127.0	Nil	73.00	54.00	Nil
6.	Towards pre-payment and on re-payment of certain loans	1,072.0	Nil	1,072.0	Nil	Nil
7.	General Corporate Purposes	[●]	Nil	[●]	[●]	[●]
	<b>Total</b>	[●]	<b>119.0</b>	[●]	[●]	[●]

\* Ramalinga Athithan & Co, Chartered Accountant, through their letter dated November 30, 2010 have certified that Rs. 85.9 million has been deployed as of November 15, 2010 towards acquiring the land for setting up the manufacturing unit at Bengaluru for ready-made garments.

\*\* Ramalinga Athithan & Co, Chartered Accountant, through their letter dated November 30, 2010 have certified that Rs. 33.1 million has been deployed as of November 15, 2010 towards installation of a transformer and a transmission line at the Mysore facility.

In view of the dynamic and competitive environment of the industry in which the Company operates, the Company may revise its business plan from time to time and consequently its capital requirements may also change. The Company may have to revise its estimated costs, fund allocation and fund requirements owing to factors such as economic and business conditions, increased competition, and other external factors which may not be within the control of the Company's management and may entail rescheduling and revising the planned expenditure and fund requirements and increasing or decreasing the expenditure for a particular purpose from the planned expenditure.

In case of any increase in the actual utilisation of funds earmarked for the objects below, such additional funds for a particular activity will be met by way of means available to the Company, including from internal accruals, additional equity and/or incremental debt. If the actual utilisation towards any of the aforesaid objects is lower than the proposed deployment as indicated above, such balance will be used for future growth opportunities, including funding existing objects, if required, general corporate purposes and/or any other project, activity or initiative that the Company may undertake.

#### Details of the activities to be financed from the Net Proceeds

##### 1. *Setting up 160 EBOs*

The Company follows the franchisee model to sell its products to consumers and currently does not sell its products directly to customers. The Company proposes to set up and operate 160 EBOs. The Company proposes to set up these EBOs in fiscal 2012.

The Company proposes to set up 100 EBOs for the 'Reid & Taylor' brand, 30 EBOs for the 'Stephens Brothers' brand and 30 EBOs for a new brand that the Company proposes to launch in the casual premium wear segment.



These EBOs as mentioned above would be set up across cities in India as indicated in the table below. The Company has estimated that the area per EBO for the 'Reid & Taylor' brand to be approximately 1,400 square feet ("Sq.ft") and the area per EBO for the 'Stephens Brothers' and the new casual premium wear brand to be approximately 1,200 Sq.ft. The Company proposes to lease various properties to set up its EBOs. Accordingly, the Company would be required to pay security deposits upon entering into relevant lease agreements with property owners. These security deposits are estimated to range between six months and one year's rent paid in advance.

*Methodology for computation of estimated cost of establishment of EBOs*

The estimated cost for establishment of these EBOs primarily comprises of (i) expenses towards payment of security deposit, (ii) expenses towards interiors such as furniture and fixtures ("**Interior Expenses**"), and (iii) expenses towards computers, signages, mannequins and visual merchandising ("**Outlet Expenses**"). The Company estimates that Interior Expenses and Outlet Expenses would be similar across EBOs proposed to be set up in various locations. However, payments towards security deposit may vary based on various factors including location and size of the EBO.

*Break-up for the costs for setting up EBOs*

The break-up of estimated costs for setting up the above mentioned EBOs are as follows:

*(in Rs. million)*

<b>Particulars</b>	<b>Estimated Cost</b>
Security Deposit	295.0
Interior Expenses	485.9
Outlet Expenses	19.2
Pre-operative Expenses	128.6
<b>Total</b>	<b>928.7</b>

The Company's business requires a dynamic appraisal of the market conditions based on which precise locations of EBOs are determined by the Company. Accordingly, the Company may need to modify its plans which could have an impact on the estimated expenditure towards setting up of these EBOs. The Company currently does not have firm arrangements in relation to properties for its EBOs.

If any changes are required to be made to the locations of the EBOs, the actual expenditure incurred for establishing such EBOs may differ from the current estimates.

The Company has not incurred any expenditure on setting up of EBOs as of November 30, 2010. In the event the Company incurs any expenditure, the Company proposes to recoup such costs from the Net Proceeds.

*Expenses towards security deposit*

The total expenditure proposed to be incurred towards security deposit is estimated to be approximately Rs. 295.0 million. For certain EBOs proposed to be located at Mumbai, Chennai, Bengaluru, National Capital Region- Delhi, Pune, Kolkata, Ahmedabad and Hyderabad, the estimate for security deposit payable in such regions has been derived from a report titled "Market Beat" by Cushman and Wakefield for the third quarter of calendar year 2010. For other locations and cities, the amounts are based on the quotations from Purple Patch Consulting and CSI Real Estate Professionals, each dated September 25, 2010.

The city-wise details of EBOs are set forth below along with estimated expenditure towards security deposit:

Sr. No	City	No. of EBOs	Total Area (in Sq.ft)	Security Deposit (calculated at six months' rent to be paid in advance) (Rs.)
1	Ahmedabad	1	1,400	756,000
2	Ajmer	1	1,400	546,000
3	Akola	1	1,400	588,000
4	Aligarh	1	1,400	630,000
5	Allahabad	1	1,400	756,000
6	Amritsar	1	1,400	1,050,000
7	Aurangabad	1	1,400	840,000
8	Bengaluru	14	18,200	21,906,000
9	Bareilly	1	1,400	756,000
10	Belgaum	1	1,400	840,000
11	Bhilai	1	1,400	630,000
12	Bhopal	1	1,400	1,218,000
13	Bilaspur	1	1,400	630,000
14	Chandigarh	4	4,800	12,960,000
15	Chennai	11	14,600	13,842,000
16	Cochin	1	1,200	1,332,000
17	Coimbatore	1	1,400	1,092,000
18	Cuttack	1	1,400	630,000
19	Delhi	26	34,600	77,202,000
20	Dhanbad	1	1,400	630,000
21	Durgapur	1	1,400	546,000
22	Gurgaon	2	2,400	6,480,000
23	Hyderabad	9	11,600	8,754,000
24	Jabalpur	1	1,400	630,000
25	Jaipur	2	2,600	2,880,000
26	Jalandhar	1	1,400	1,260,000
27	Jammu	1	1,400	1,260,000
28	Jamshedpur	1	1,400	840,000
29	Jhansi	1	1,400	756,000
30	Jodhpur	1	1,400	1,050,000
31	Kanpur	1	1,400	1,134,000
32	Kolhapur	1	1,400	1,050,000
33	Kolkata	10	13,000	20,748,000
34	Lucknow	3	4,000	5,160,000
35	Ludhiana	1	1,200	1,080,000
36	Madurai	1	1,400	714,000
37	Mangalore	1	1,400	1,050,000
38	Meerut	1	1,400	1,260,000
39	Mumbai	23	29,800	66,030,000
40	Nagpur	1	1,400	840,000
41	Nanded	1	1,400	588,000
42	Noida	2	2,400	4,680,000
43	Panjim	1	1,400	1,470,000
44	Patiala	1	1,400	588,000
45	Pondicherry	1	1,400	756,000
46	Pune	10	12,800	15,576,000

Sr. No	City	No. of EBOs	Total Area (in Sq.ft)	Security Deposit (calculated at six months' rent to be paid in advance) (Rs.)
47	Raipur	1	1,400	630,000
48	Ranchi	1	1,400	840,000
49	Saharanpur	1	1,400	630,000
50	Shimla	1	1,400	2,100,000
51	Surat	1	1,400	924,000
52	Trichy	1	1,400	714,000
53	Udaipur	1	1,400	840,000
54	Ujjain	1	1,400	630,000
55	Varanasi	1	1,400	840,000
56	Vijayawada	1	1,400	840,000
	<b>Total</b>	160	212,000	295,002,000

#### *Outlet and Interior Expenses*

An estimate of Interior Expenses proposed to be incurred for each EBO for a particular brand is set forth below:

Interiors	Reid & Taylor	Stephens Brothers	New casual premium wear brand
<b>Total cost (per Sq.ft) (in Rs.)</b>	<b>2,355.1</b>	<b>2,133.0</b>	<b>2,207.0</b>
Estimated area per EBO (in Sq.ft)	1,400.0	1,200.0	1,200.0
Number of EBOs	100.0	30.0	30.0
Total Cost (in Rs. million)	329.7	76.8	79.4
<b>Total (in Rs. million)</b>			<b>485.9</b>

The cost estimates for Interior Expenses of EBOs for 'Reid & Taylor' and 'Stephens Brothers' brands are based on quotations received from M/s Mayank Shah, Architect, dated October 15, 2010 and September 29, 2010, respectively. The cost estimates for Interior Expenses of the EBOs for the new casual premium wear brand are based on quotations received from M/s Architheque, Architect, dated September 20, 2010.

In addition to security deposits and Interior Expenses, the Company would also need to incur certain Outlet Expenses amounting to Rs. 19.2 million and pre-operative expenses such as costs towards obtaining licenses, legal costs, staff salary, brokerage and opening day launch expenses amounting to 128.6 million. The estimates for the Outlet Expenses and Pre-operative Expenses are based on management estimates.

## **2. *To set up a manufacturing unit at Bengaluru for ready-made garments and suits.***

The Company proposes to establish a manufacturing unit in Bengaluru for ready-made garments and suits. The garment unit would produce outerwear for men and women such as suits, jackets and trousers. For further details in relation to this proposed facility, please see the section "Business" on page 79 of this Draft Red Herring Prospectus.

The total estimated cost for setting up the manufacturing unit is Rs. 645.7 million. The break-down of the estimated costs are set forth below:

*(in Rs. million)*

Particulars	Amount deployed as on November 15, 2010*	Amount to be funded from the Net Proceeds	Expected Date of Completion
Land	85.9	Nil	November 2010
Building, Civil Works and Interiors	Nil	249.9	February 2011
Machinery	Nil	223.0	March 2011
Utilities	Nil	55.0	March 2011
Pre-operative expenses	Nil	31.9	N.A.
<b>Total</b>	<b>85.9</b>	<b>559.8</b>	

\* The Company has incurred Rs. 85.9 million towards establishment of this manufacturing unit as certified by Ramalinga Athithan & Co, Chartered Accountant through their letter dated November 30, 2010.

a. *Land*

The total requirement for land for constructing the manufacturing unit is estimated to be 10 acres. The Company has received a letter of allotment dated July 7, 2010 from the Karnataka Industrial Areas Development Board in relation to allotment of 10 acres of land in plot No. 75 to 80 of Bidadi Industrial Area, 2<sup>nd</sup> phase, 2<sup>nd</sup> sector. The allotment of land is on a lease-cum-sale basis for a period of 10 years. The lease arrangement shall be converted into a sale of the land to the Company at the end of 10 years subject to fulfillment of certain terms and conditions. The consideration payable for the land under the letter of allotment was Rs. 85.9 million. The Company has paid the entire amount of Rs. 85.9 million as on date.

b. *Building, Civil Works and Interiors*

The Company estimates to incur an expenditure of approximately Rs. 249.9 million towards costs for constructing the building, civil works and interiors. These estimates are based on quotations dated October 4, 2010 received from Spacemast, Architects. These costs would primarily comprise of costs incurred towards civil works, construction costs towards buildings, drains, roads and walls, electric fittings, furniture and fixtures and amenities for fire safety.

c. *Machinery*

The Company estimates to incur an expenditure of approximately Rs. 223.0 million towards purchasing machinery for the factory, which would primarily comprise of machines for sewing, ironing and pressing.

The details of quotations received from various vendors for machinery proposed to be purchased for this manufacturing unit is set forth below:

Sr. No	Date of quotation	Name of the vendor	Department	Quantity	Cost (In Rs. million)
1	September 23, 2010	AMF Reece	Sewing	13	4.6*
2	June 29, 2010	Durkopp Adler	Sewing	171	30.9*
3	June 29, 2010	Durkopp Adler	Sewing	280	11.4**
4	April 15, 2010	Wenzhou Import & Export United Company Limited	Sewing	10	1.7**

Sr. No	Date of quotation	Name of the vendor	Department	Quantity	Cost (In Rs. million)
5	July 10, 2010	Loiva Intech Private Limited	Sewing	831	4.6**
6	September 13, 2010	Japsew Corporation	Sewing	30	1.9**
7	July 11, 2010	Harichand Anand and Company	Sewing	1	2.3***
8	September 3, 2010	IIGM Private Limited	Sewing	71	8.4**
9	September 3, 2010	IIGM Private Limited	Sewing	15	0.7**
10	September 5, 2010	IIGM Private Limited	Sewing	21	1.0*
11	September 5, 2010	PFAFF	Sewing	490	54.1*
12	September 5, 2010	IIGM Private Limited	Sewing	7	7.4**
13	September 3, 2010	Macpi HK Limited	In-line and final ironing, spreading, fusing and bundling	240	44.5*
14	August 25, 2010	E.H. Turel & Company	Sewing	37	14.4*
15	September 25, 2010	Strobel Spezialmaschinen	Sewing	33	16.7*
				<b>Total</b>	<b>204.6</b>

\*The quotations are denominated in Euro. The Company has used an exchange rate of Rs. 61.9500 which is the prevailing exchange rate on October 21, 2010 (Source: www.rbi.org.in).

\*\*The quotations are denominated in USD. The Company has used an exchange rate of Rs. 44.3600 which is the prevailing exchange rate on October 21, 2010 (Source: www.rbi.org.in).

\*\*\* The quotations are denominated in Japanese Yen (JPY). The Company has used an exchange rate of Rs. 0.5478 which is the prevailing exchange rate on October 21, 2010 (Source: www.rbi.org.in).

In addition to the above expenses, the Company expects to incur expenses towards payment of custom duty of approximately 3% amounting to Rs. 6.1 million and clearing and installation charges of approximately 6% amounting to Rs. 12.3 million. The Company does not propose to utilise the Net Proceeds of the Issue to procure any “second-hand” equipment or machinery for the Bengaluru facility.

d. *Utilities*

The Company estimates to incur an expenditure of approximately Rs. 55.0 million towards setting up certain utilities such as vaccum units, boilers, water filtration and softening units, air compressor system, diesel generators for the manufacturing unit and electrical systems. This amount includes expenses towards customs duty and installation charges. The Company has obtained certain quotations from various third parties for an amount aggregating approximately to Rs. 47.1 million for utilities such as vaccum units, air compressor systems, water filtration and softening units, boilers and electrical systems. The balance cost of Rs. 7.9 million is based on Company’s estimates for diesel generators.

e. *Pre-operative expenses*

The Company estimates to incur an expenditure of approximately Rs. 31.9 million towards pre-operative expenses such as trial-run expenses, project management expenses and engineering and consultancy fees.

### 3. *To purchase machinery at the Mysore facility*

The Company owns a manufacturing facility in Mysore, in the state of Karnataka. The facility produces premium worsted suiting fabrics. In the fiscal year ended March 31, 2009, the Company increased the Mysore facility's installed capacity to 8.4 million metres per annum from 4.8 million metres per annum in the prior year. This increase was primarily made in the weaving departments. This facility produces substantially all of the Company's premium suiting material. For further details on this manufacturing facility, please see the section "Business" beginning on page 79 of this Draft Red Herring Prospectus.

The Company's existing dyeing, finishing and processing, departments for this unit are facing capacity constraints on account of expansion made to the weaving departments. The Company proposes to de-bottleneck the production process in order to improve this facility's efficiency and serve customers demand. Accordingly, the Company proposes to add balancing equipment to its dyeing, finishing and processing departments and incur certain expenditure towards purchasing machinery at this facility and towards civil works.

#### *Break up of costs*

Based on the above, the break-up of the project cost for de-bottlenecking of existing manufacturing facilities, expenditure towards machinery and for civil works is as under:

*(In Rs.million)*

Particulars	Amount Deployed as on November 15, 2010*	Estimated Cost
Balancing equipments towards de-bottlenecking of the Mysore facility including installation charges and customs duty	-	411.9
Expenditure on machinery including installation charges and customs duty	33.1	328.5
Civil works	-	66.3
<b>Total</b>	<b>33.1</b>	<b>806.7</b>

\* The Company has incurred Rs. 33.1 million towards installation of a transformer and a transmission line at the Mysore facility as certified by Ramalinga Athithan & Co, Chartered Accountant through their letter dated November 30, 2010.

#### *a. Balancing equipment for dyeing, finishing and processing*

The Company estimates to incur an expenditure of approximately Rs. 411.9 million towards purchasing balancing equipment for dyeing, finishing and processing. The Company has obtained quotations from various third parties for an amount aggregating approximately to Rs. 409.1 million. The balance cost of Rs. 2.8 million is based on Company's estimates.

The table below sets forth details of machinery which the Company proposes to purchase along with the details of the quotations received from various vendors:

Sr. No	Date of Quotation	Name of Party	Type of Machines	Quantity	Estimated Cost (in Rs. million)
1.	September 8, 2010	Corino Machine	Automatic Weft Straightener	1	2.5*
2.	September 19, 2010	Monforts Texfilmaschinon	Stenter Frame Range	1	21.4*

Sr. No	Date of Quotation	Name of Party	Type of Machines	Quantity	Estimated Cost (in Rs. million)
		GMBH			
3.	September 3, 2010	Santex Group	Continuous Decatising Machine	1	33.6*
4.	February 12, 2010	Santex Group	Steaming Machine	1	12.6*
5.	September 21, 2010	Biella Shrunk Process SAS	Cloth Pressing Machine	1	24.4*
6.	September 21, 2010	Biella Shrunk Process SAS	Permanent Finishing and Setting Machine	1	21.2*
7.	September 1, 2010	Zonco Federico & Figlio S.p.A.	High Speed Rope Scouring Machine	1	25.1*
8.	September 22, 2010	Zonco Federico & Figlio S.p.A.	Combined Milling and Scouring Machine	1	10.3*
9.	September 22, 2010	Zonco Federico & Figlio S.p.A.	High Speed Machine to Scour, Soften and Dry Fabrics	1	12.3*
10.	September 15, 2010	CIMI S.p.A.	Lavanova Ecosystem 48	1	35.6*
11.	September 20, 2010	Biella Shrunk Process SAS	Continuous Steaming and Shrinking Machine	1	10.0*
12.	September 3, 2010	TMT Manenti s.r.l.	Kier Decatising Permanent Finishing Machine	1	18.7*
13.	September 2, 2010	TMT Manenti s.r.l.	New Continuous Multi Finishing DOLPHIN line	1	34.0*
14.	September 14, 2010	CIMI S.p.A.	Rotodry 12	1	24.5*
15.	September 4, 2010	Deeco Mechatron Marketing Private Limited	Cut Convertor, Chain grill and Spare Parts	1	54.2*
16.	September 28, 2010	Stafi Engineers Private Limited	Radio Frequency Textile Yarn Dryer	1	6.3
			<b>Total</b>		346.7

\* The quotations are denominated in Euro. The Company has used an exchange rate of Rs. 61.9500 which is the prevailing exchange rate on October 21, 2010 (Source: [www.rbi.org.in](http://www.rbi.org.in)).

In addition to the above expenses, the Company expects to incur expenses towards payment of custom duty of approximately 12% amounting to Rs. 41.6 million and clearing and installation charges of approximately 6% amounting to Rs. 20.8 million.

In the event, the Company incurs any expenditure on the aforementioned machinery or on account of the above charges, the Company will recoup the costs from the Net Proceeds. The Company does not propose to utilise the Net Proceeds of the Issue to procure any second-hand equipment or machinery.

*b. Expenditure on other machinery*

The Company estimates to incur an expenditure of approximately Rs. 361.6 million towards

capital expenditure on other machinery. The Company has obtained quotations from various third parties for an amount aggregating approximately to Rs. 331.8 million. The balance cost of Rs. 29.8 million is based on Company's estimates.

Sr. No	Name of Supplier	Date of Quotation	Type of Machines	Quantity	Estimated Cost (in Rs. million)
1.	UTG Textile Technology	August 25, 2010	Humidification plant (local equipment)	1	3.3**
2.	UTG Textile Technology	August 25, 2010	Humidification plant (imported equipment)	1	0.4
5.	Shakti Textile Engineers Private Limited	September 20, 2010	Fabric dyeing machine	2	2.2
6.	Benninger Co. Ltd.	August 26, 2010	High speed section wrapping machine	2	34.8*
7	Sepcon Systems Private Limited	September 15, 2010	Electromechanical equipments for combined effluent treatment plant of 500 KLD to 1,000 KLD	1	6.0
8.	Sussen	May 31, 2010	Compact sets for Fiomax Ring Frames	29	73.7**
9.	Venus Textiles Service	September 14, 2010	Fiomax 2000 ring spinning frames for spindles	29	1.0
10.	Y. R. Industries	January 4, 2010	Elitwist creel conversion for pipes, holders and brackets	40	4.5
11.	Staubli	January 13, 2010	Computerised pattern maker	82	29.2**
12.	Staubli	January 13, 2010	Beam knotting machine and tying frame type	3	1.7*
13.	Dornier	September 13, 2010	Conversion parts for weaving machines.	18	3.1**
14.	Xorella AG	September 8, 2010	Vacuum conditioning and steaming system (Contexxor)	1	9.1*
15.	SSM Vertriebs AG	August 1, 2010	24 Spindles - assembly winding machine (model TW2-D)	1	3.8*
16.	SSM Vertriebs AG	August 1, 2010	96 Spindles - assembly winding machine (model TW2-W)	1	11.4*
17.	USTER Technologies (India) Private Limited	April 20, 2010	Digital testing machine	1	4.8*
18.	Santex Group	August 27, 2010	Crabbing machine MOD FIXA	1	46.3**
19.	Seimens Limited	January 29, 2010	68 KV switch yard	-	35.6
20.	Thermax Limited	August 21, 2010	Biomass boiler	-	8.7
21.	Thermax Limited	August 21, 2010	Thermic fluid heater	-	1.7



Sr. No	Name of Supplier	Date of Quotation	Type of Machines	Quantity	Estimated Cost (in Rs. million)
				<b>Total</b>	281.3

\*The quotations are denominated in CHF. The Company has used an exchange rate of Rs. 45.9360 which is the prevailing exchange rate on October 21, 2010 (Source: www.xe.com- rates at noon eastern time on October 21, 2010).

\*\*The quotations are denominated in Euro. The Company has used an exchange rate of Rs. 61.9500 which is the prevailing exchange rate on October 21, 2010 (Source: www.rbi.org.in).

In addition to the above expenses, the Company expects to incur expenses towards payment of customs duty of approximately 12% amounting to Rs. 33.7 million and clearing and installation charges of approximately 6% amounting to Rs. 16.8 million.

In the event, the Company incurs any expenditure on the aforementioned machinery on account of the above charges / duties, the Company will recoup the costs from the Net Proceeds. The Company does not propose to utilise the Net Proceeds of the Issue to procure any second hand machinery.

The Company also expects to incur costs towards civil works amounting to Rs. 66.3 million at the Bengaluru facility. The Company has obtained quotations from Citiline Constructions in this regard.

#### 4. *To fund the launch of the Company's new brand in the casual premium wear segment*

The Company intends to launch a new brand in the casual premium wear segment. This brand will target young professionals within the age group of 21 to 40 years. For further details, please see the section "Business" beginning on page 79 of this Draft Red Herring Prospectus. The brand would be promoted with a focused media campaign covering leading newspaper dailies, magazines and hoardings.

The Company proposes to launch this brand by advertisements in the following medium:

(in Rs. million)

Medium	Total
Print	164.4
Television	148.2
Outdoor hoardings	59.5
Digital (internet, mailers and social networking sites)	19.5
Radio	0.7
Other mediums	21.9
Photo shoot for print advertisements	3.5
Marketing kits	1.9
Production charges for television advertisements	15.0
Product placement charges	2.0
<b>Total</b>	<b>436.6</b>

The above costs towards print, television, outdoor hoardings, digital and radio advertisements are based on quotations received from a third party.

For further details on the products which are proposed to be offered under this brand, please see the section "Business – The Future Casual Premium Brand" beginning on page 86 of this Draft Red Herring Prospectus.

#### 5. **Implementation of ERP System**

The Company plans to develop and implement an ERP system to facilitate the integration of various business processes of the Company.

This ERP system will assist in improving the transparency of production processes, enable optimum use of manufacturing facilities, meet customers' requirements, streamline business processes and operations, shorten delivery time and improve control over inventory and shipment.

The Company estimates that it will incur an expenditure of Rs. 127.0 million towards the establishment of this ERP system. The table below sets forth details of the proposed expenditure and price quotations received from various vendors:

Sr. No.	Particular	Quotation Received from	Date	Amount (In Rs. million)
1	ERP licenses and implementation cost	Infinite Computer Solutions	July 15, 2010	85.0
2	Leased lines to connect different locations	Tata Communications	July 6, 2010	5.0
3	Servers	IBM	May 12, 2010	26.0
4	Oracle R- Database Management System	Redington	Sept 29, 2010	11.0
			<b>Total</b>	<b>127.0</b>

In the event that the Company incurs any expenditure in relation to implementation of the ERP System, the Company will recoup such costs from the Net Proceeds.

## 6. Pre-payment and/or re-payment of certain loans

### A. Working Capital Facilities:

The Company has entered into a working capital consortium agreement dated January 6, 2009, which was subsequently amended by a first supplemental working consortium agreement dated July 27, 2009. Bank of India, State Bank of Indore, IDBI Bank Limited, Jammu & Kashmir Bank, Export Import Bank of India and State Bank of India are the members of this working capital consortium. For further details in relation to the agreement for working capital, please see the section titled "Financial Indebtedness" on page 191 of this Draft Red Herring Prospectus.

The Company proposes to utilise Rs. 322.0 million from the Net Proceeds towards pre-payment and/or re-payment of a portion of the outstanding amount with respect to certain lenders in the working capital consortium, as follows:

#### a. Working capital facility from IDBI Bank Limited:

Sr. No.	Lender	Nature of Borrowing	Total amount outstanding as at December 4, 2010 <sup>1</sup> (In Rs million)	Total amount proposed to be utilised from Net Proceed (In Rs. million)	Rate of interest per annum	Re-payment schedule	Minimum notice period for Pre-payment	Prepayment penalty
1.	IDBI Bank Limited	Cash Credit Facility	1,138.6	101.7	BPLR minus 50 basis points	Repayable on demand	N.A.	Nil. prepayment permitted after

Sr. No.	Lender	Nature of Borrowing	Total amount outstanding as at December 4, 2010 <sup>1</sup> (In Rs million)	Total amount proposed to be utilised from Net Proceed (In Rs. million)	Rate of interest per annum	Re-payment schedule	Minimum notice period for Pre-payment	Prepayment penalty
					p.a.			obtaining prior consent of the lender.

<sup>1</sup>The amount outstanding as of December 4, 2010 has been certified by Ramalinga Athithan & Co., Chartered Accountants vide their certificate dated December 6, 2010.

b. Working capital facility from Jammu and Kashmir Bank:

Sr. No.	Lender	Nature of Borrowing	Total amount outstanding as at December 4, 2010 <sup>1</sup> (In Rs million)	Total amount proposed to be utilised from Net Proceed (In Rs. million)	Rate of interest per annum	Re-payment schedule	Minimum notice period for Pre-payment	Prepayment penalty
1.	Jammu and Kashmir Bank	Cash Credit Facility	220.3	220.3	PLR + 1% p.a. (present rate 13.75% p.a.)	Repayable on demand	NA	Nil. Prepayment permitted after obtaining prior consent of the lender.

<sup>1</sup>The amount outstanding as of December 4, 2010, has been certified by Ramalinga Athithan & Co., Chartered Accountants vide their certificate dated December 6, 2010.

In event the Company repays a portion of the above mentioned loans before the completion of this Issue, the Company will then recoup such costs from the Net Proceeds.

**B. Term Loan:**

The Company intends to utilise Rs. 750 million from the Net Proceeds towards pre-payment and/or re-payment the term loan availed from IDBI Bank Limited, the details of which are as follows:

a. Term loan agreement dated December 30, 2009 between IDBI Bank Limited and the Company:

Sr. No.	Lender	Nature of Borrowing	Purpose of utilisation	Total amount outstanding <sup>1</sup> (In Rs million)	Total amount proposed to be utilised from Net Proceed (In Rs. million)	Rate of interest per annum	Re-payment schedule	Minimum notice period for Pre-payment	Prepayment penalty
1	IDBI Bank Limited	Term Loan	For part financing capital expenditure and brand launch/building expense	750.0 (amount sanctioned is Rs. 800.0 million)	750.0	12.75%	In eight equal quarterly instalments of Rs. 100 million to be paid from December 31, 2010	30 days prior notice	Prepayment premium of 1% per annum or such other amount as may be decided by the lender

<sup>1</sup>The amount outstanding as of December 4, 2010 has been certified by Ramalinga Athithan & Co., Chartered Accountants vide their certificate dated December 6, 2010.

In event the Company repays a portion of the above mentioned loans before the completion of this Issue, the Company will then recoup such costs from the Net Proceeds.

For further details in relation to security charged and negative covenants, please see the section titled “Financial Indebtedness” on page 191 of this Draft Red Herring Prospectus.

## 7. General Corporate Purposes

The Net Proceeds will be first utilized towards the objects mentioned above. The remaining balance is proposed to be utilized for general corporate purposes, including strategic initiatives, brand building exercises and strengthening of the Company’s marketing capabilities. The Company’s management, in accordance with the policies of the Board of Directors, will have flexibility in utilizing any surplus amount.

### Interim use of funds

The management of the Company, in accordance with the policies established by the Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, the Company may invest the funds in high interest bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration or for reducing overdrafts. Such investments would be in accordance with investment policies approved by the Board from time to time. The Company confirms that, pending utilization of the Net Proceeds, it shall not use the funds for any investments in equity markets.

### Issue Related Expenses

The expenses for this Issue include lead management fees, co-lead management fees, underwriting commission, brokerage and selling commission, registrar’s fees, advertisement and marketing expenses, printing and distribution expenses, IPO Grading expenses, legal fees, bidding software expenses, depository charges and listing fees to the Stock Exchanges and other expenses.

The estimated Issue related expenses are as under:

Activity	Amount (Rs. million)	% of the Issue Expenses	% of total Issue Size
Lead management fees, underwriting commission and selling commission (including commission to SCSBs for ASBA applications)	[●]	[●]	[●]
Registrar’s fees	[●]	[●]	[●]
Advertisement and marketing expenses	[●]	[●]	[●]
Printing and distribution expenses	[●]	[●]	[●]
Advisors	[●]	[●]	[●]
Bankers to the Issue	[●]	[●]	[●]
IPO grading expenses	[●]	[●]	[●]
Others (bidding software expenses, depository charges, listing fees, other expenses etc.)	[●]	[●]	[●]
<b>Total</b>	[●]	[●]	[●]

Other than listing fee which will be borne only by the Company, all expenses relating to the Issue as mentioned above will be shared between the Company and the Selling Shareholder in proportion to the Equity Shares offered for sale or issued, as the case may be in the Issue.

### Bridge Financing Facilities

The Company has not raised any bridge loan against the proceeds of this Issue.

### **Working Capital Requirement**

The Net Proceeds will not be used to meet the Company's working capital requirements. The Company expects to meet the Company's working capital requirements in the future through internal accruals, drawdown from existing debt facilities or availing new lines of credit.

### **Monitoring Utilization of Funds**

In terms of Regulation 16 of the SEBI Regulations, the Company has appointed [●] as the monitoring agency to monitor the utilization of the Net Proceeds. The Company in accordance with clause 49 of the Listing Agreement undertakes to place the report(s) of the Monitoring Agency on receipt before the Audit Committee without any delay. The Company will disclose the utilisation of the Net Proceeds, including interim use under a separate head in its balance sheet for such fiscal periods as required under the SEBI Regulations, the Listing Agreements with the Stock Exchanges and any other applicable laws or regulations, clearly specifying the purposes for which the Net Proceeds have been utilized. The Company will also, in its balance sheet for the applicable fiscal periods, provide details, if any, in relation to all such Net Proceeds that have not been utilized, if any, of such currently unutilized Net Proceeds.

In accordance with clause 43A of the Listing Agreement, the Company shall furnish to the Stock Exchanges on a quarterly basis a statement including material deviations, if any, in the utilization of the proceeds of the Issue for the objects of the Issue as stated above. This information will also be published in newspapers simultaneously with the interim or annual financial results after placing the same before the Audit Committee. In the event that the Monitoring Agency points out any deviation in the use of Net Proceeds from the objects of the Fresh Issue as stated above, or has given any other reservations about the end use of funds, the Company shall intimate the same to the Stock Exchanges without delay. Further, on an annual basis, the Company shall prepare a statement of funds utilized for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made until such time as the Net Proceeds has been fully spent. The statement shall be certified by the statutory auditors of the Company.

### **Other confirmations**

No part of the Net Proceeds will be paid by the Company as consideration to the Promoter, the Directors, key managerial personnel, associates or the Group Companies.

Except as mentioned in this section, there are no material existing or anticipated transactions with the Promoter, Directors, the members of the Promoter Group, the Group Companies or key managerial personnel in relation to the utilisation of the Net Proceeds.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs on the basis of the assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares of the Company is Rs. 10 each and the Issue Price is [●] times of the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

### Qualitative Factors

Some of the qualitative factors which, for the basis for computing the prices, are set forth below:

- Presence in high growth segments
- Established brands and market positioning
- Strong distribution network
- Integrated operations
- Significant manufacturing capabilities
- Experienced management team

For more details on qualitative factors, refer to section titled “Business” on page 79 of this Draft Red Herring Prospectus.

### Quantitative Factors

#### 1. *Basic and Diluted Earnings per share (EPS)*

Year ended March 31	Basic EPS	Diluted EPS	Weight
2010	15.45	15.45	3
2009	9.61	9.59	2
2008	4.12	4.12	1
<b>Weighted Average</b>	<b>11.62</b>	<b>11.61</b>	

Adjusted EPS (Basic and Diluted) for the half year ended September 30, 2010 (not annulised): Rs. 8.49

#### Note:

- a) As the business of the Company was transferred with effect from January 1, 2008, references to the fiscal year ended March 31, 2008 refer to the period from January 1, 2008 to March 31, 2008.
- b) The Company did not have any subsidiaries for the financial years ending March 31, 2008, March 31, 2009 and March 31, 2010 and for half year ended September 30, 2010.
- c) Earnings per Equity Share and diluted earnings per Equity Share for the year ending March 31, 2010, March 31, 2009 and March 31, 2008 based on the adjusted capital due to bonus issue of Equity Shares issued on September 10, 2010 in the ratio of 2:3.

#### 2. *Price Earnings Ratio (P/E) in relation to the Issue price of Rs. [●] per share*

- a. P/E based on Basic and Diluted EPS for the year ended March 31, 2010: [●] times
- b. Industry P/E
  - a. Highest : 88.7
  - b. Lowest : 7.7
  - c. Industry Composite : 24.8

**Source:** Industry: “Textile Products”, Capital Market, Vol. XXV/19, November 15 – 28, 2010

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

Year ended March 31	RoNW (%)	Weight
2010	15.9	3

Year ended March 31	RoNW (%)	Weight
2009	12.3	2
2008	40.2	1
<b>Weighted Average</b>	<b>18.75</b>	

**Note:**

- As the business of the Company was transferred effective 1 January 2008, references to the fiscal year ended March 31, 2008 refer to the period from January 1, 2008 to March 31, 2008.
- The Company did not have any subsidiaries for the financial years ending 31 March 2008, 31 March 2009 and 31 March 2010.

4. *Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue Basic EPS for the year ended March 31, 2010 is [●]*

5. **Net Asset Value**

NAV as at March 31, 2010 : Rs. 239.82 per Equity Share

NAV as at September 30, 2010 : Rs. 104.42 per Equity Share

Issue price : Rs. [●] per Equity Share

NAV after the Issue : Rs. [●] per Equity Share

**Note:**

- NAV per Equity Share as at March 31, 2010 is on the basis of number of Equity Shares outstanding as at March 31, 2010, without taking into account the bonus issue of Equity Shares on September 10, 2010.

6. **Comparison with Industry peers**

		Face value (Rs.) as at March 31, 2010	EPS (Rs.) For the year ended March 31, 2010	P/E Ratio	RoNW (%) For the year ended March 31, 2010	Book Value Per share (Rs.) As at March 31, 2010
1.	The Company	10	15.45	[●]	15.9	239.82
	<b>Peer Group</b>					
2.	Bombay Rayon Fashions Limited	10	15.5	12.7	11.3	172.4
3.	Zodiac Cloth Co. Limited	10	15.9	27.8	16.4	110.9
4.	Raymond Limited	10	1.6	88.1	0.9	191.1
5.	Nahar Spinning Mills Limited	5	13.9	6.3	10.1	153.8
	Industry Composite			24.8		
	Peer Group Average		11.7	33.7	9.7	157.0

<sup>(1)</sup> As at and for the year ended March 31, 2010, as restated

**Source:** Industry: "Textile Products", Capital Market, Vol. XXV/19, Nov 15 – 28, 2010

**Note:**

- For The Company, book value per Equity Share as at March 31, 2010 is on the basis of number of Equity Shares outstanding as at March 31, 2010, without taking into account the bonus issue of Equity Shares on September 10, 2010

The Issue price will be [●] times of the face value of the Equity Shares. The Company, the Selling Shareholders, the GCBRLMs and the BRLMs believes that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters.

## STATEMENT OF TAX BENEFITS

To,  
The Board of Directors  
Reid & Taylor (India) Limited  
Marathon Innova IT Park,  
B2-501 and C-501,  
Off G. K. Marg,  
Lower Parel (West),  
Mumbai - 400013

Dear Sirs,

**Sub: Certification of statement of Possible Tax Benefits in connection with Initial Public Offering by Reid & Taylor (India) Limited (“the Company”) under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009 (“the Regulations”)**

We, Haribhakti & Co., the statutory auditors of the Company have been requested by the management of the Company having its registered office at the above mentioned address to certify the statement of tax benefits to the Company and its Shareholders under the provisions of the Income Tax Act, 1961, Wealth Tax Act, 1957 and Gift Tax Act, 1958 presently in force in India as of date in connection with the proposed Initial Public Offerings of the Company.

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

The benefits discussed in the enclosed statement are not exhaustive nor are they conclusive. The preparation of the contents stated is the responsibility of the Company’s management. This statement is only intended to provide general information and to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. Further, we have also incorporated the amendments brought out by the Finance Act, 2010, where applicable. We do not express any opinion or provide any assurance as to whether:

- the Company or its Shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits have been / would be met with;
- the revenue authorities/ courts will concur with the views expressed herein.

Our views are based on the existing provisions of law and its interpretations, which are subject to change from time to time. We do not assume responsibility to up-date the views of such changes.



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 Haribhakti & Co.**

*Chartered Accountants*

Firm Registration No. 103523W

**Rakesh Rathi**

Partner

Membership No. 45228

Place: Mumbai

Date: December 1, 2010

## ANNEXURE

### **Statement of Special Tax Benefits:**

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

### **Statement of General Tax Benefits available to the Company & its Shareholder under the Income Tax Act, 1961 (“ITA”) and other Direct Tax Laws presently in force in India:**

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

1. As per Section 10(34) of the ITA, any income by way of dividends referred to in Section 115 – O (i.e. dividends declared, distributed or paid on or after 1st April, 2003 by domestic companies) received on the shares of any company is exempt from tax. Moreover, the company will also be entitled to avail the credit of dividend received by it from its subsidiaries in accordance with the provisions of section 115-O (1A) on which tax on distributed profits has been paid by the subsidiary. Furthermore, the amount of above said dividend shall be reduced by amount of dividend paid to any person for the New Pension System Trust referred to in clause (44) of section 10 of the ITA.

As per Section 10(35) of the ITA, the following income will be exempt in the hands of the Company;

- (a) Income received in respect of the units of a Mutual Fund specified under clause (23D) of Section 10; or
- (b) Income received in respect of units from the Administrator of the specified undertaking; or
- (c) Income received in respect of units from the specified company.

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

For this purpose (i) “Administrator” means the Administrator as referred to in Section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) “Specified Company” means a Company as referred to in Section 2(h) of the said Act.

2. As per Section 2(29A) read with Section 2(42A), shares held in a company or a Unit of a Mutual Fund specified under clause (23D) of Section 10 are treated as long term capital asset if the same are held by the assessee for more than twelve months period immediately preceding the date of its transfer. Accordingly, the benefits enumerated below in respect of long term capital assets would be available if the shares in a company or a Unit of a Mutual Fund specified under clause (23D) of Section 10 are held for more than twelve months.
3. As per Section 10(38) of the ITA, long term capital gains arising to the company from the transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax will be exempt in the hands of the Company.

For this purpose, “Equity Oriented Fund” means a fund –

- i. where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and
- ii. which has been set up under a scheme of a Mutual Fund specified under Section 10(23D) of the ITA. As per Section 115JB, while calculating “book profits” the Company will not be able to reduce the long term capital gains to which the provisions of Section 10(38) of the ITA apply and will be required to pay Minimum Alternate Tax @ 18% (plus applicable surcharge and education

cess) of the book profits.

4. As per Section 54EC of the ITA and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under Section 10(38) of the ITA) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a “long term specified asset” within a period of 6 months after the date of such transfer. It may be noted that investment made on or after April 1, 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lacs.

However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” for making investment under this section on or after 1st April 2007 means any bond, redeemable after three years and issued on or after the 1st April 2007 by:

- (i) National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or
  - (ii) Rural Electrification Corporation Limited, a company formed and registered under The Companies Act, 1956.
5. As per Section 111A of the ITA, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and education cess).
  6. As per Section 112 of the ITA, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds will be charged to tax at the concessional rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of Section 48 of the ITA or at 10% (plus applicable surcharge and education cess) without indexation benefits, at the option of the Company. Under Section 48 of the ITA, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/ improvement.
  7. Under Section 115JAA(1A) of the ITA, credit is allowed in respect of any Minimum Alternate Tax (‘MAT’) paid under Section 115JB of the ITA for any assessment year commencing on or after April 1, 2006. Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the ITA for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 10 years succeeding the year in which the MAT credit is allowable.
  8. The company will be entitled to amortize preliminary expenses being the expenditure incurred on public issue of shares, under Section 35D(2)(c)(iv) of the Act, subject to the limit specified in Section 35D(3) and fulfillment of requirements u/s 35(1) (ii).
  9. Deduction under Section 32: As per provisions of Section 32(1)(iia) of the Act, the company is entitled to claim additional depreciation of 20% of the actual cost of any new machinery or plant which has been acquired and installed after 31st March, 2005 subject to fulfillment of conditions prescribed therein.
  10. Short-term capital loss suffered during the year shall be set off against income if any under the head capital gain; balance loss if any, could be carried forward for set off against capital gains of future years upto eight subsequent assessment years.
  11. Long-term capital loss suffered during the year is allowed to be set-off only against long-term capital gains;

balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gain.

## **II. Tax Benefits available to shareholders of the Company under the Income Tax Act, 1961**

### **A. Resident shareholders**

1. Under Section 10(32) of the IT Act, any income of minor children who is a shareholder of the Company clubbed in the total income of the parent under Section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1,500 per minor child whose income is so included in the income of the parent.
2. The Company is required to pay a 'dividend distribution tax' currently at the rate of 16.60875% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend (interim/final). Under Section 10(34) of the IT Act, income by way of dividend referred to in Section 115-O of the IT Act, received on the shares of the Company is exempt from income tax in the hands of shareholders. However, it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expenses incurred to earn the dividend income are not an allowable expenditure.
3. The characterization of the gains/losses, arising from transfer of shares, as capital gains or business income would depend on the nature of holding (whether for investment or carrying on trading in shares) in the hands of the shareholder and various other factors.
4.
  - (a) The long-term capital gains (under section 2(29B) of the IT Act) accruing to the shareholders of the Company on sale of the Company's shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to securities transaction tax ("STT"), is exempt from tax as per provisions of Section 10(38) of the IT Act.
  - (b) The short-term capital gains (under section 2(42A) of the IT Act) accruing to the shareholders of the Company on transfer of the Company's equity shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, tax will be chargeable at 15% (plus applicable surcharge and education cess) as per provisions of Section 111A of the IT Act. Further no deduction under Chapter VI-A of the IT Act, would be allowed in computing such short term capital gains subjected to tax under Section 111A. In other cases, where the transaction is not subjected to STT, the short term capital gains would be chargeable as a part of the total income and the tax rates would depend on the income slab.
  - (c) As per the provisions of Section 112 of the IT Act, long term gains accruing/ arising to the shareholders of the Company from the transfer of shares/ securities of the Company being listed in recognized stock exchanges, where no security transaction tax is paid then it is chargeable to tax at 10% (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation or chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) after claiming the benefit of indexation, surcharge and education cess, whichever is lower. Under Section 48 of the IT Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition / improvement.
  - (d) Shareholders are entitled to claim exemption in respect of tax on long term capital gains (other than those exempt under Section 10(38) of the IT Act) under Section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds / securities within six months from the date of transfer, subject to the fulfillment of the conditions specified therein. The maximum investment permissible on and after April 1, 2007 for

the purposes of claiming the exemption in the notified bonds, by any person in a financial year, is Rs. 50 lacs. However, according to Section 54EC(2) of the IT Act, if the shareholder transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money.

- (e) Shareholders that are individuals or Hindu undivided families can avail of an exemption under Section 54F of the IT Act, by utilization of the net consideration arising from the transfer of the Company's share held for a period of more than 12 months (which is not exempt under Section 10(38)), for purchase / construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.
5. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.
6. As per section 56 (2) (vii) Where an individual or a Hindu undivided family receives from any person on or after the 1st day of October, 2009, any property, (moveable/immovable property includes shares & securities [being capital asset of the assessee]),
- (i) without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property shall be chargeable to income-tax under the head Income from other sources;
  - (ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration shall be chargeable to income-tax under the head Income from other sources.

Provided that this clause shall not apply to any property received:

- (a) from any relative; or
- (b) on the occasion of the marriage of the individual; or
- (c) under a will or by way of inheritance; or
- (d) in contemplation of death of the payer or donor, as the case may be; or
- (e) from any local authority as defined in the Explanation to clause (20) of Section 10 of the IT Act; or
- (f) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of Section 10 of the IT Act; or
- (g) from any trust or institution registered under Section 12AA of the IT Act.

#### **B.1 Non-resident shareholders – other than Foreign Institutional Investors**

1. Under Section 10(32) of the IT Act, any income of minor children, who is a shareholder of the Company, which is clubbed with the total income of the parent under Section 64(1A) of the IT

Act, will be exempt from tax to the extent of Rs.1,500 per minor child whose income is so included.

2. The Company is required to pay a 'dividend distribution tax' currently at the rate of 16.60875% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend. Dividend (whether interim or final) declared, distributed or paid, under Section 115-O of the IT Act, by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the IT Act. However, it is pertinent to note that Section 14A of the IT Act restricts claim for deduction of expenses incurred in relation to exempt income. Thus, any expenses incurred to earn the dividend income are not an allowable expenditure.
3. The characterization of the gains/losses, arising from transfer of shares, as capital gains or business income would depend on the nature of holding (whether for investment or carrying on trading in shares) in the hands of the shareholder and various other factors.
4. The long-term capital gains accruing/ arising to a shareholder of the Company, being a non-resident, on transfer of the Company's equity shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax as per provisions of Section 10(38) of the IT Act.
5. The short-term capital gains accruing/ arising to a shareholder of the Company on transfer of the Company's equity shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, tax is chargeable at 15% plus applicable surcharge and education cess as per provisions of Section 111A of the IT Act. Further, no deduction under Chapter VI-A and rebate would be allowed in computing such short term capital gains subjected to tax under Section 111A. In other case, i.e. where the transaction is not subjected to STT, the short term capital gains would be chargeable as a part of the total income and the tax rate would depend on the income slab.
6. As per the provisions of Section 112 of the IT Act, long term gains accruing/ arising to the shareholders of the Company from the transfer of shares/ securities of the Company being listed in recognized stock exchanges, where no security transaction tax is paid then it is chargeable to tax at 10% (plus applicable surcharge and education cess) after deducting from the sale proceeds the cost of acquisition without indexation or chargeable to tax at the rate of 20% (plus applicable surcharge and education cess ) after claiming the benefit of indexation surcharge and education cess, whichever is lower.
7. Under the provisions of Section 90(2) of the IT Act, if the provisions of the Double Taxation Avoidance Agreement ("DTAA") between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.
8. The shareholders are entitled to claim exemption in respect of tax on long term capital gains other than those exempt under Section 10(38) of the IT Act under Section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds / securities within six months from the date of transfer subject to the fulfillment of the conditions specified therein. The maximum investment permissible for the purposes of claiming the exemption in the notified bonds by any person in a financial year is Rs. 50 lacs. However, according to Section 54 EC(2) of the IT Act, if the shareholder transfers or converts (otherwise than by transfer) the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted (otherwise than by transfer) into money.
9. Individual shareholders can avail of an exemption under Section 54F by utilization of the net consideration arising from the sale of company's share held for a period more than 12 months (which is not exempt under Section 10(38)), for purchase/construction of a residential house within the specified time period and subject to the fulfillment of the conditions specified therein.

10. As per the first proviso to section 48, capital gains arising from the transfer of shares of the Company, shall be computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer of the capital asset into the same foreign currency as was initially utilised in the purchase of the shares. Cost Indexation benefit will not be available in such a case. The capital gains so computed in such foreign currency shall be reconverted into Indian currency and such manner of computation of capital gains shall be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares of the Company.
11. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.
12. As per section 56 (2) (vii) Where an individual or a Hindu undivided family receives from any person on or after the 1st day of October, 2009, any property, (moveable/immovable property which includes shares & securities [being capital asset of the assessee]),
  - (i) without consideration, the aggregate fair market value of which exceeds fifty thousand rupees, the whole of the aggregate fair market value of such property shall be chargeable to income-tax under the head Income from other sources;
  - (ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration shall be chargeable to income-tax under the head Income from other sources.

Provided that this clause shall not apply to any property received

- (a) from any relative; or
  - (b) on the occasion of the marriage of the individual; or
  - (c) under a will or by way of inheritance; or
  - (d) in contemplation of death of the payer or donor, as the case may be; or
  - (e) from any local authority as defined in the Explanation to clause (20) of Section 10 of the IT Act; or
  - (f) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in clause (23C) of Section 10 of the IT Act; or
  - (g) from any trust or institution registered under Section 12AA of the IT Act.
13. As per Section 115E of the ITA, in the case of a shareholder being a Non-Resident Indian, and subscribing to the shares of the Company in convertible foreign exchange, in accordance with and subject to the prescribed conditions, long term capital gains arising on transfer of the shares of the Company (in cases not covered under Section 10(38) of the ITA) will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit.

14. As per Section 115F of the ITA and subject to the conditions specified therein, in the case of a shareholder being a Non-Resident Indian, gains arising on transfer of a long term capital asset being shares of the Company will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the ITA. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the ITA then such gains would not be chargeable to tax on a proportionate basis. Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
15. As per Section 115G of the ITA, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the ITA, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the ITA.
16. As per Section 115H of the ITA, where Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the ITA to the effect that the provisions of Chapter XIII shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
17. As per Section 115I of the ITA, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under Section 139 of the ITA, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the ITA.

For the purpose of aforesaid clauses “Non-Resident Indian” means an Individual, being a citizen of India or a person of Indian origin who is not a “resident”. A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

## **B.2 Non-resident shareholders – Foreign Institutional Investors**

1. The Company is required to pay a ‘dividend distribution tax’ currently at the rate of 16.60875% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend (interim/final). Under Section 10(34) of the IT Act, income by way of dividend referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders. However it is pertinent to note that Section 14A of the IT Act restricts claim for deduction of expenses incurred in relation to exempt income.
2. The characterization of the gains/losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding (whether for investment or trading in Equity Shares) in the hands of the shareholder and various other factors.
3.
  - (a) The long-term capital gains accruing to the shareholders of the Company on sale of the Company’s shares in a transaction carried out through a recognized stock exchange in India, and where such transaction is chargeable to STT, is exempt from tax as per provisions of Section 10(38).
  - (b) The short-term capital gains accruing / arising to the members of the Company on sale of the Company’s equity shares in a transaction carried out through a recognized stock



exchange in India, and where such transaction is chargeable to STT, tax will be chargeable at 15% plus applicable surcharge and education cess as per provisions of Section 111A. In other case, i.e. where the transaction is not subjected to STT, as per the provisions of Section 115AD of the Act, the short term capital gains would be chargeable to tax at 30% plus applicable surcharge and education cess.

- (c) As per the provisions of Section 115AD of the Act, long term gains accruing to the shareholders of the Company from the transfer of shares of the Company being listed in recognized stock exchanges and purchased in foreign currency, otherwise than as mentioned in point 3(a) above, are chargeable to tax at 10% plus applicable surcharge and education cess. The benefit of indexation and the adjustment with respect to fluctuation in foreign exchange rate would not be allowed to such shareholders. The filing of return under section 139(1) for income computed under Section 115AD is mandatory. Further, where the Gross Total Income (GTI) of the members includes any income on which tax has been paid as per special rates provided under Section 115AD, then the GTI shall be reduced by the amount of such income and deduction under chapter VIA shall be allowed in respect of reduced GTI.
  - (d) The shareholders are entitled to claim exemption in respect of tax on long term capital gains under Section 54EC of the IT Act, if the amount of capital gains is invested in certain specified bonds /securities within six months from the date of transfer subject to the fulfillment of the conditions specified therein. The maximum investment permissible for the purposes of claiming the exemption in the notified bonds by any person in a financial year is Rs. 50 Lacs. However, according to section 54 EC(2) of the IT Act, if the shareholder transfers or converts (otherwise than by transfer) the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted (otherwise than by transfer) into money.
- 4. Under the provisions of Section 90(2) of the IT Act, if the provisions of the DTAA between India and the country of residence of the non-resident are more beneficial, then the provisions of the DTAA shall be applicable.
  - 5. As per Section 74 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' short term as well as long term capital gains. Long-term capital loss suffered during the year is allowed to be set-off against long term capital gains. Balance loss, if any, could be carried forward for eight years for claiming set-off against subsequent years' long-term capital gains.

### **III. Tax Benefits available to the shareholders under the Wealth Tax Act, 1957**

Equity Shares of company held by the shareholder will not be treated as an asset within the meaning of Section 2(ea) of Wealth Tax Act, 1957. Hence no Wealth Tax will be payable on the market value of shares of the Company held by the shareholder of the Company.

### **IV. Tax Benefits available to the shareholders under the Gift Tax Act, 1958**

Gift Tax is not leviable in respect of any gifts made on or after 1st October, 1998. Therefore, any gift of shares of the Company will not attract gift tax.

### **V. Benefits available to Mutual Funds**

As per the provisions of Section 10(23D) of the IT Act, any income of Mutual Funds registered under the SEBI Act, 1992 or regulations made thereunder, Mutual Funds set up by public sector banks or public

financial institutions or Mutual Funds authorised by RBI would be exempt from income tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf. However, Mutual Funds will be liable to pay tax on distributed income to unit holders under Section 115R of the IT Act.

## **VI. Tax Deduction at Source**

No income-tax is deductible at source from income by way of capital gains under the present provisions of the IT Act, in case of residents. However, as per the provisions of section 195 of the IT Act, any income by way of capital gains, payable to non residents (other than long-term capital gains exempt under section 10(38) of the IT Act), may be eligible to the provisions of with-holding tax, subject to the provisions of the relevant tax treaty. Accordingly income tax may have to be deducted at source in the case of a non- resident at the rate under the domestic tax laws or under the tax treaty, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities. As per section 196D, no tax is to be deducted from any income, by way of capital gains arising from the transfer of shares payable to Foreign Institutional Investor.

### **Notes:**

- *The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares;*
- *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.*
- *This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue;*
- *In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile; and*
- *The stated benefits will be available only to the sole/first named holder in case the shares are held by joint share holders.*

## SECTION IV: ABOUT THE COMPANY

### INDUSTRY OVERVIEW

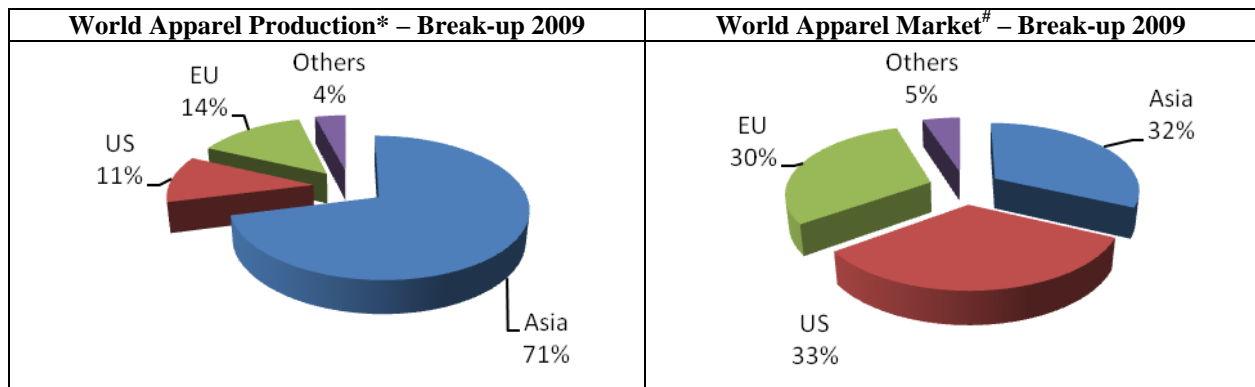
*The information in this section is derived from a combination of various official and unofficial publicly available materials and sources of information. It has not been independently verified by the Company, the Selling Shareholders, the GCBRLMs and the BRLMs or their respective legal or financial advisors, and no representation is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources.*

#### Global Textile and Apparel (T&A) Industry

The removal of quota regime on January 1, 2005 significantly changed the global textiles and apparel trade. The international textile trade between nations saw manifold increases as the manufacturing base shifted to relatively low-cost Asian countries such as China, Bangladesh, India, Indonesia and Malaysia. Asian countries became the key exporters, and the high-cost producers and key consumers like the U.S. and the EU became the key importers.

In 2009, world apparel production stood at US\$140 billion, with 71% of production accounted for by Asian countries. The U.S. and the EU accounted for 11% and 14% of global production respectively.

As a mature industry segment, the growth rate of the global Textile and Apparel industry mirrors the growth rate in global GDP. Of the total apparel retail market valued at approximately US\$500 billion in 2009, the U.S. and the EU accounted for 33% and 30% respectively.



\* Whole-sale level; # Retail level

Source: CARE Research

#### Outlook on Indian economy

India, the world's largest democracy in terms of population had a Gross Domestic Product (GDP) on purchasing power parity basis at approximately US\$3,561 bn in 2009 with India's GDP at 7.4% for FY10 (Source Central Intelligence Agency Factbook 2009 & RBI). This makes it the fourth-largest economy in the world after USA, China and Japan. During the pre-liberalisation period, India was always considered an agrarian economy adhering to socialist policies with more than 70% of the GDP being contributed by agriculture growth. In 1991, the Government of India (GoI) initiated a series of economic reforms to promote industrial growth to bring in economic stability and growth. The new policies (liberal) included opening of international trade and investment, privatisation, tax reforms etc to transform the economy from socialism to capitalism. Due to this, the low annual growth rate of the economy of India which stagnated at about 3.5% from 1950s to 1980s has increased to above 8% average GDP growth from 2004-2009. This makes India one of the fastest growing emerging economies in the world. CARE Research expects the overall GDP to touch the double digit figure by 2015 at 10% led by higher domestic consumption and growth in exports.

GDP Growth Rate - India										
FY	2006	2007	2008	2009	2010	2011(E)	2012(E)	2013(E)	2014(E)	2015(E)
<b>GDP</b>	9.49	9.71	9.22	6.72	7.44	8.50	9.00	9.00	9.50	10.00
<b>Agriculture</b>	5.25	3.68	4.73	1.58	0.22	4.00	3.00	3.00	3.00	4.00
<b>Services</b>	11.10	10.17	10.51	9.75	8.53	10.00	11.00	11.00	11.50	11.50
<b>Industry</b>	9.28	12.75	9.49	3.87	9.27	8.50	9.00	9.50	10.00	10.50

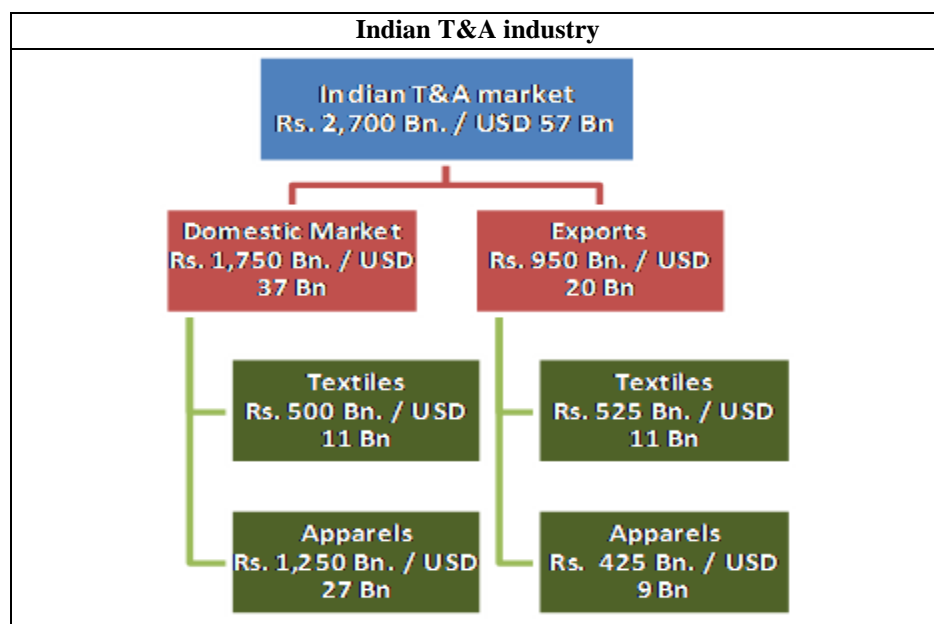
Source: RBI & CARE Research (Economics Cell)

The Index of Industrial Production (IIP), a barometer of the manufacturing activity in the country, has shown a growth of 11.6% in the first quarter of FY11 as against the growth of 3.9% in the same quarter of the FY10. The strong performance of IIP in last few months and the improving business sentiment underscores that the Indian economy is firmly on the recovery path. The recuperating demand conditions on the back of the government stimulus package, improving employment situation, resumption in foreign capital inflows, recovering financial markets and stabilising export demand have supported growth momentum of the Indian economy. GDP growth of 7.4% during FY10 has been one of the highest achieved globally during the difficult times.

According to CARE Rating's Economic Research team, India's GDP growth is expected to accelerate to about 8.5% in FY11 and further increase to 9% in FY12. Robust recovery seen in the last quarter of FY10 is likely to continue the momentum, driven by buoyant performance of the industrial sector, a better performance of the monsoon relative to last year, and sustained resilience of services sector.

### Indian T&A Industry

The Indian T&A industry is estimated on the basis of industry interactions by CARE Research to be worth Rs. 2,700 billion in 2010. It has witnessed robust growth over the last two decades, especially in the period after the abolition of the Quota regime on January 1, 2005, which led to free cross-border textile trade. India is positioned as a key manufacturing destination with inexpensive labor, abundant cotton supplies and healthy designing skills. Approximately 65% of the total T&A production (wholesale price level) is consumed domestically. India's domestic textiles and apparel consumption is estimated by CARE Research at Rs. 1,750 billion (wholesale level), of which apparel accounts for approximately 71%. India exported US\$20 billion worth of textiles and apparel of which 45% are apparel exports.



Note: Exchange Rate: US\$1.00 = Rs. 47

Source: CARE Research, Office of Textile Commissioner

T&A is one of the largest and the most important sectors for the Indian economy in terms of output, foreign exchange earnings and employment. It contributes approximately 14% of India's industrial production, 4% of the country's GDP and 17% of the country's export earnings. It provides direct employment to over 35 million people and is the second largest provider of employment after agriculture. The development of this sector has had a significant overall impact on the economy. Indian T&A makes up approximately 4% of the global T&A market. As an industry with economic importance, the textile industry has always been able to attract the concern of the government. The government has therefore introduced policies such as TUFs, SITP, low excise duty, high import duty (to discourage imports) and NTP to benefit the development of the textile sector.

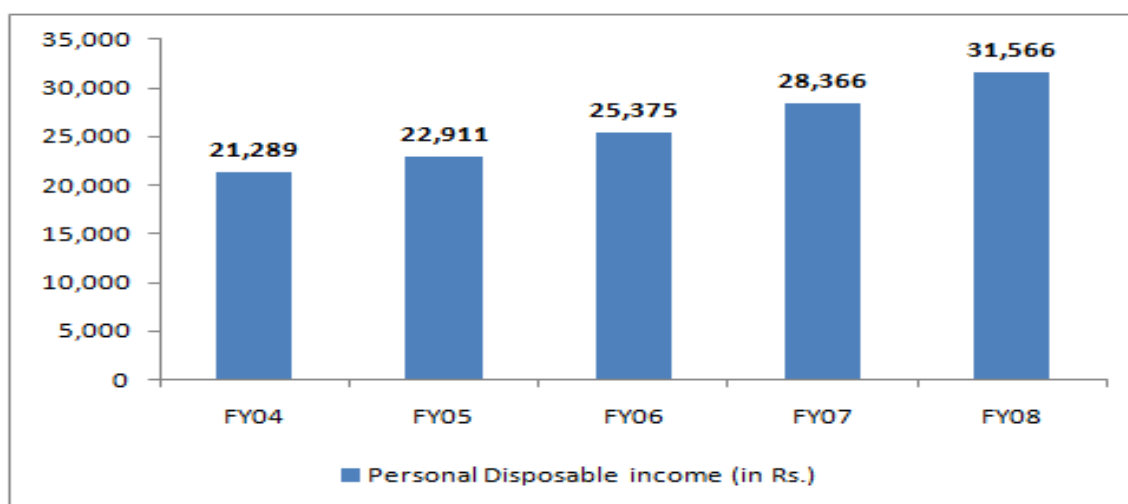
The largest sector of the textile industry is the decentralized power-loom and knitting sector. The major sub-sectors that comprise the textile sector include the organized Cotton/Man-made Fiber Textile Mill Industry, the Man-made Fiber/Filament Yarn Industry, the Wool & Woolen Textile Industry, the Sericulture and Silk Textiles Industry, Handlooms, the Jute & Jute Textiles Industry and Textiles Exports.

A growing economy, rising disposable incomes and the growing aspirations of Indian consumers are expected to continue driving growth in the Indian T&A industry.

### **Indian Apparel Industry**

According to CARE Research estimates (based on industry interactions), the Indian apparel market grew at a CAGR of 6.5% from Rs. 1,225 billion in 2005 to Rs. 1,675 billion in 2010 (wholesale level). The Indian apparel market comprises domestic apparel consumption and exports. The domestic market is estimated to be worth Rs. 1,250 billion in 2010 (at the wholesale level). Domestic retail level spending on apparel has been growing at a rate of around 13 – 14 %. The apparel market size at the retail level is estimated by CARE Research at Rs. 2,000 billion in 2010. According to CARE Research, the retail purchase of apparel is expected to double to approximately Rs. 4,000 billion by 2015, a CAGR of approximately 15%, due in large part to the following factors:

1. **Rising level of disposable income:** According to CMIE data, per capita disposable income grew at a CAGR of close to 13% over the period from 2005 to 2010. This rise in disposable income led to a healthy growth in the consumption of apparel. Per capita disposable income is expected to grow at a similar rate over the next five years, thereby driving growth in the demand for apparel.

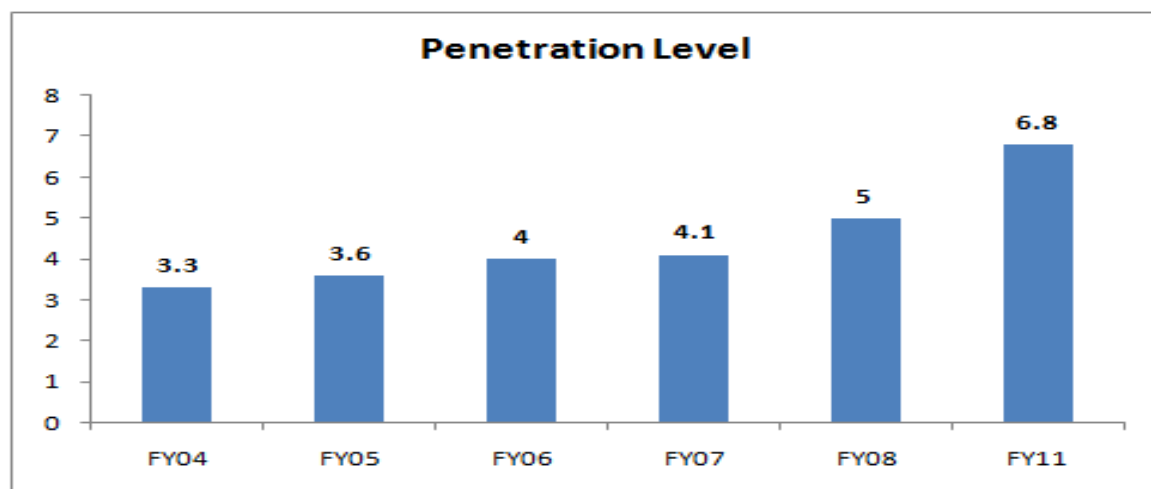


**Source: CARE Research**  
**Source: CMIE**

2. **Growing preference for ready-to-wear apparel:** The rapid shift in preference from tailor-made to ready-to-wear apparel should drive growth in the Indian apparel industry. This is primarily due to the easy availability of ready-to-wear apparel in different sizes, pattern and colors. High pressure work

environments leave the consumer with little time to go to the tailor, leading to an increase in the demand for ready-to-wear apparel.

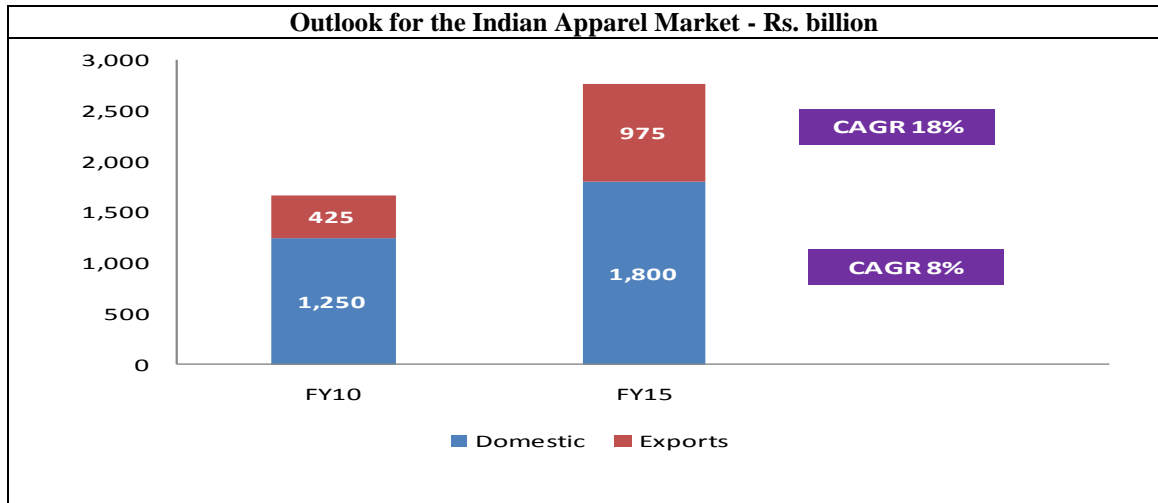
3. **Increasing penetration of organized retail:** The robust growth of the Indian retail market is another driver of the growth of the Indian apparel market. The increasing number of retail outlets should boost growth in the Indian clothing industry. Changing preferences towards a mall-culture of shopping and the related opening of large numbers of new malls, multi-brand outlets, exclusive brand outlets, lifestyle stores, and other retail outlets are driving growth in apparel sales.



Source: CARE Research

4. **Changing consumer habits:** As the lifestyles of India's prosperous urban consumers have evolved, their clothing needs have broadened, reflecting a greater number of occasions for clothing styles. For men, clothing choices once fit into three basic categories: home-wear, work clothes, and special occasion wear. Now, with more "socializing" opportunities, men are buying more sophisticated combinations of outfits: party wear, sportswear, or clothes for going out to the mall. This is also true for women, especially in metropolitan areas and larger towns.
5. **Increasing trend towards urbanization:** The urbanization rate in India was just 28% of the population in 2005. India's urbanization rate is among the lowest in the world, but by 2025, the number of Indians living in cities is expected to grow by 300 million. These new urban dwellers will demand apparel in new styles and fashions to match their new lifestyles.
6. **Comparatively younger populace:** The median age of India's population is 25, which is relatively low in comparison to the global average of around 28 years. A younger population spends more on lifestyle products as compared to an older population thereby driving growth in the Indian fashion apparel market.

Out of the Rs.1,675 billion Indian apparel market (wholesale price), approximately 75% is consumed domestically. The domestic apparel market is expected by CARE Research to grow from Rs. 1,250 billion in 2009 to Rs. 1,800 billion in 2015, a CAGR of 7.6%. Exports are expected by CARE Research to grow at a CAGR of 18% from Rs. 425 billion in 2010 to Rs. 975 billion in 2015.



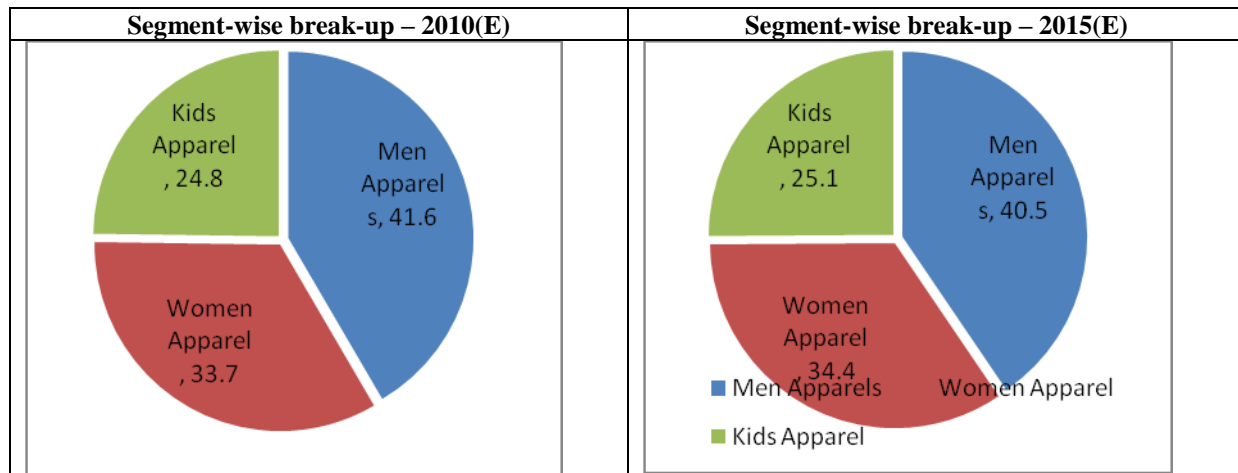
Source: CARE Research

### Domestic Apparel Market

The domestic Indian apparel market can be divided into three segments,

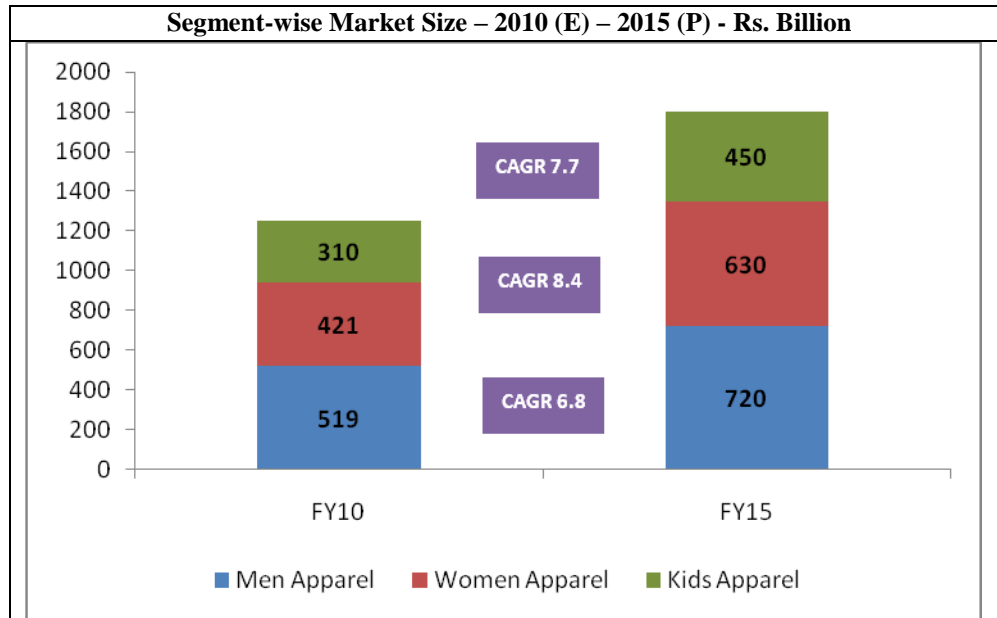
- Men's apparel;
- Women's apparel; and
- Kids' apparel (including uniforms).

Men's apparel is the largest segment of the domestic Indian apparel market, with a 41.5% market share. The level of penetration of organized manufacturers and brands is the most in this segment of the market. The size of the men's apparel segment is expected to grow at a rate of 6.8% from 2010 to 2015, and will continue to enjoy the largest share in the domestic apparel market.



Source: CARE Research

At the wholesale level, CARE Research expects, the domestic apparel market to grow from Rs. 1,250 billion in 2009 to Rs. 1,800 billion in 2015, a CAGR of 7.6%. Men's apparel, the largest segment, is expected to grow at a CAGR of 6.8%, from Rs. 519 billion in 2010 to Rs. 720 billion in 2015.

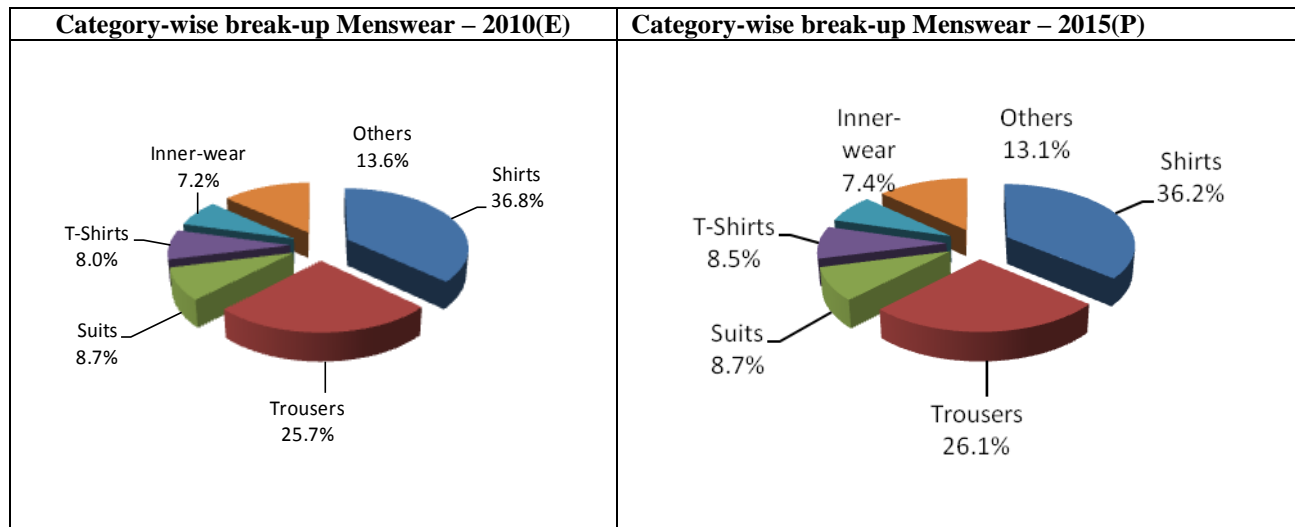


Source: CARE Research

At the retail level, the growth rates are expected to be much higher at 14% – 15% per annum. According to CARE Research, retail purchase of apparel is expected to double from Rs. 2,000 billion in 2010 to approximately Rs. 4,000 billion by 2015, a CAGR of approximately 15%. Retail spending on women’s wear is expected to grow at higher rate.

**Menswear**

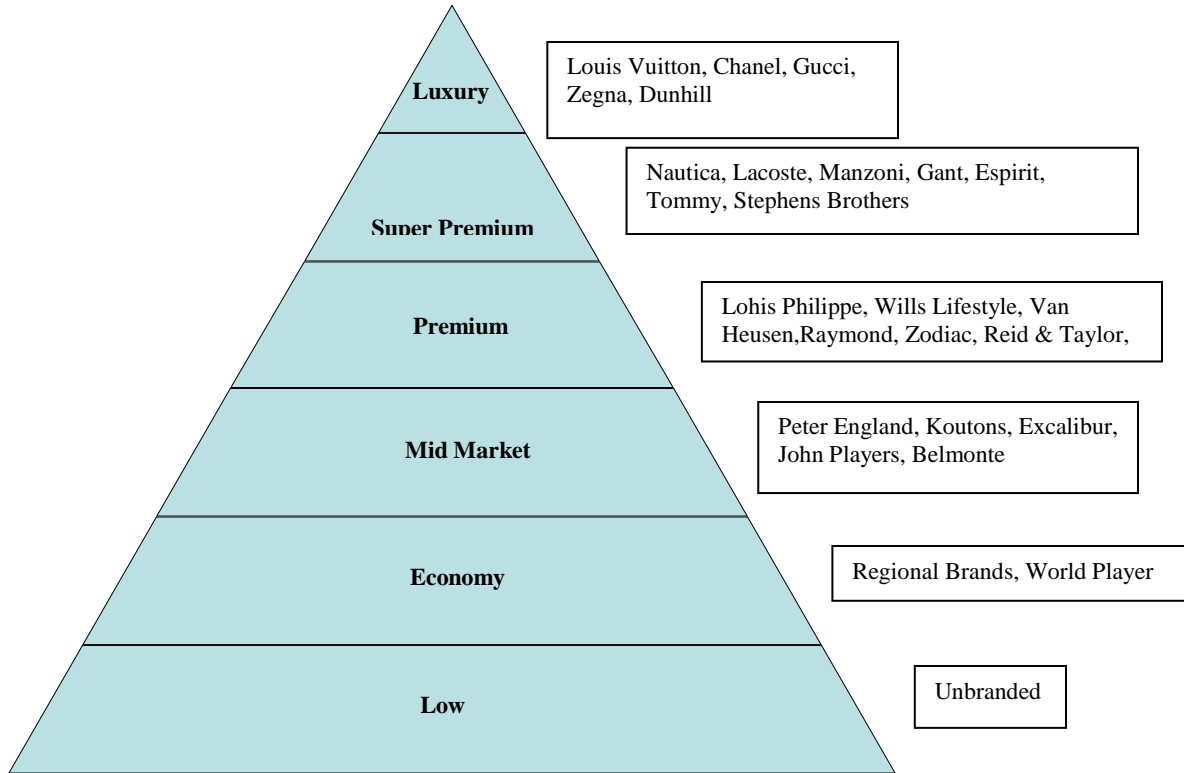
According to CARE Research, men’s apparel is the largest segment in the Indian apparel market. CARE Research estimates the market size at Rs. 519 billion in 2010 and it is expected to grow at a CAGR of 6.8% to Rs. 720 billion in 2015. The level of penetration of organized manufacturers and brands is the most in this segment of the domestic apparel market. Shirts, trousers and suits contribute almost 71.2% to the domestic apparel market and these segments are expected to maintain their market share in the future. The T-shirts market is expected to experience the highest growth over the next 5 years. Other men’s garments include casual and leather jackets, nightwear, woolens and dhotis/lungis. Brand loyalty factor is high amongst the menswear segment, especially in the premium and super premium segment.



Source: CARE Research



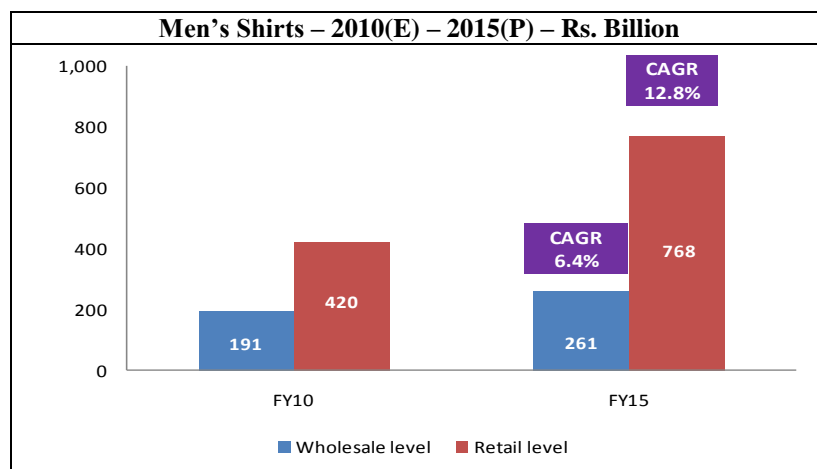
## Key Brands



Source: CARE Research

### *Men's shirts*

CARE Research valued the market in men's shirts at Rs. 191 billion in 2010. Men's shirts, as a single product category, commands the largest market share (36.8%) in the menswear segment with the greatest number of manufacturers and brands competing in the market. This market is expected to grow at a CAGR of 6.4% over the next five years, and is projected to be worth Rs. 261 billion in 2015. The growth in this product category at the retail level is expected to be at a CAGR of 13% from Rs. 420 billion in 2010 to Rs. 770 billion in 2015. Growth can be attributed to the increased penetration of ready-to-wear shirts in the market place, especially in the rural markets, rising income levels and the easy availability of ready-to-wear shirts in various colors, sizes and patterns at malls and local garment retailers.



Source: CARE Research

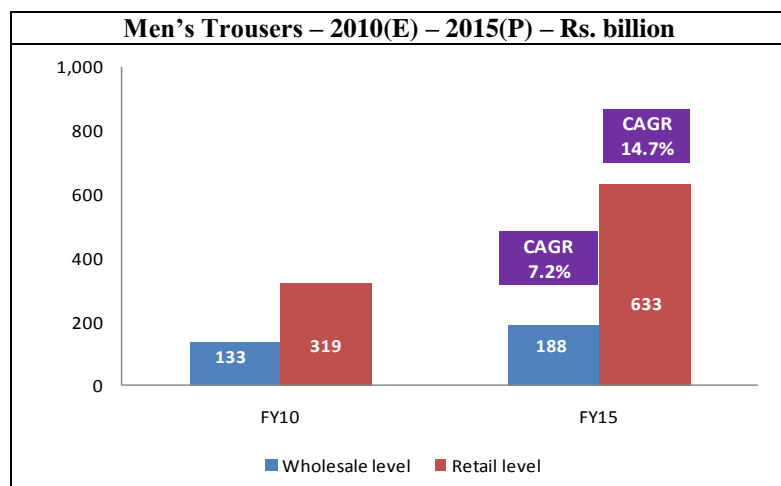
The market for men's shirts can be divided into five categories by price point. Rising income levels, increasing eagerness to buy and the popularization of formal wear at the workplace is driving growth in the super premium, premium and medium shirts category. The highest growth is expected in the super premium category, followed by the premium category. This can also be attributed to the introduction of more domestic and international brands in these categories.

<b>Category-wise breakup of Men's Shirts</b>			
<b>Men's Shirts</b>	<b>2006</b>	<b>2010(E)</b>	<b>2015(P)</b>
Super premium (Rs.1,800-Above)	1.5%	2.2%	2.8%
Premium (Rs.1,200-Rs.1,800)	9.4%	10.8%	12.0%
Medium (Rs. 700 – Rs.1,200)	17.4%	18.5%	20.0%
Economy (Rs. 400 – Rs. 700)	23.5%	23.6%	23.8%
Low (Up to Rs. 400)	48.2%	44.9%	41.4%

Source: Images yearbook business of fashion 2010, Volume VII, No. 1 (Images), CARE Research

### *Men's Trousers*

The trousers category is the second largest category in men's apparel, accounting for 25.7% of the menswear apparel market. The trousers market is expected to grow at a CAGR of 7.1% from Rs. 133 billion in 2010 to Rs. 188 billion in 2015. At present, retail penetration in the men's trousers category is not as high as for men's shirts. However, this is changing, with a growing preference for ready-to-wear trousers on the demand side and the availability of ready-to-wear trousers in various brands, sizes, colors, designs and fabrics on supply side. Growth in this product category at the retail level is expected to be at a CAGR of 14% from Rs. 319 billion in 2010 to Rs. 633 billion in 2015.



**Source: CARE Research**

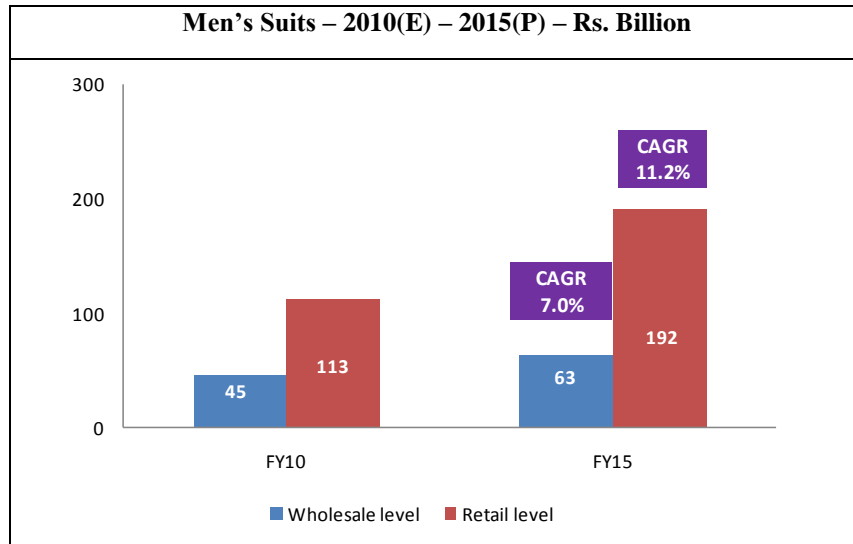
The low priced trouser segment (below Rs. 300) contributed 50% of total trouser sales in 2009. The share of low priced trousers is expected to fall to 45% in 2014 due to an increase in per capita disposable income, enabling buyers to graduate to higher price point categories. The greatest growth has been observed in the premium and super premium categories during the period from 2006 to 2009. These two categories collectively accounted for a 23.9% share in 2009. This share is expected to grow to 28% in 2014. The products in this segment mainly sell through organized retail especially exclusive brand outlets (Raymonds, Reid & Taylor, Cottons) and multi brand outlets (Shoppers Stop, Pantaloons, Lifestyle). Growth in these categories will primarily be driven by the easy availability of luxury brands, rising levels of brand consciousness and formal wear culture at the workplace.

<b>Category-wise breakup of Men's Trousers</b>			
<b>Men's Trousers</b>	<b>FY06</b>	<b>2010(E)</b>	<b>2015(P)</b>
Super premium (Rs. 3,500-Above)	1.8%	2.5%	3.0%
Premium (Rs. 1,500 – Rs. 3, 500)	15.2%	21.4%	25.0%
Medium (Rs 800- Rs. 1500)	15.6%	16.2%	17.0%
Economy (Rs. 300 – Rs. 800)	9.3%	9.6%	10.0%
Low (Up to Rs. 300)	58.1%	50.4%	45.0%

**Source: Images, CARE Research**

### ***Men's Formal Suits***

The current market size of the formal suits, jackets and blazers segment is estimated at Rs. 45 billion. This segment is expected to grow at a CAGR of 7% over the next five years, with a projected worth of Rs. 63 billion in 2015. This growth can be attributed to the rapid shift from tailored to ready-to-wear suits, rising disposable income, the growing service sector and the influence of multinational corporations. Growth in this product category at the retail level is expected to be at a CAGR of 14% from Rs. 319 billion in 2010 to Rs. 633 billion in 2015.



**Source: CARE Research**

Lowest price suits contributed 82% to total suit sales in 2009 in value terms. This segment is expected to shrink over the years as more people graduate to the relatively costlier economy and medium segments. The premium segment is expected to see a growth in its share from 4.8% in 2009 to 6% in 2014. The increase in this category can be attributed to the increasing preference of executives to wear formal attire at office meetings. The premium and super premium category is expected to grow from a 10.5% market share in 2009 to 11.2% in 2014. This would primarily be driven by an increasing number of foreign brands entering into India, rising income levels, increases in the size of the working population and rising brand consciousness amongst the Indian youth. According to CARE Research estimates, Reid & Taylor holds a market share of 7.5% in the premium suiting segment.

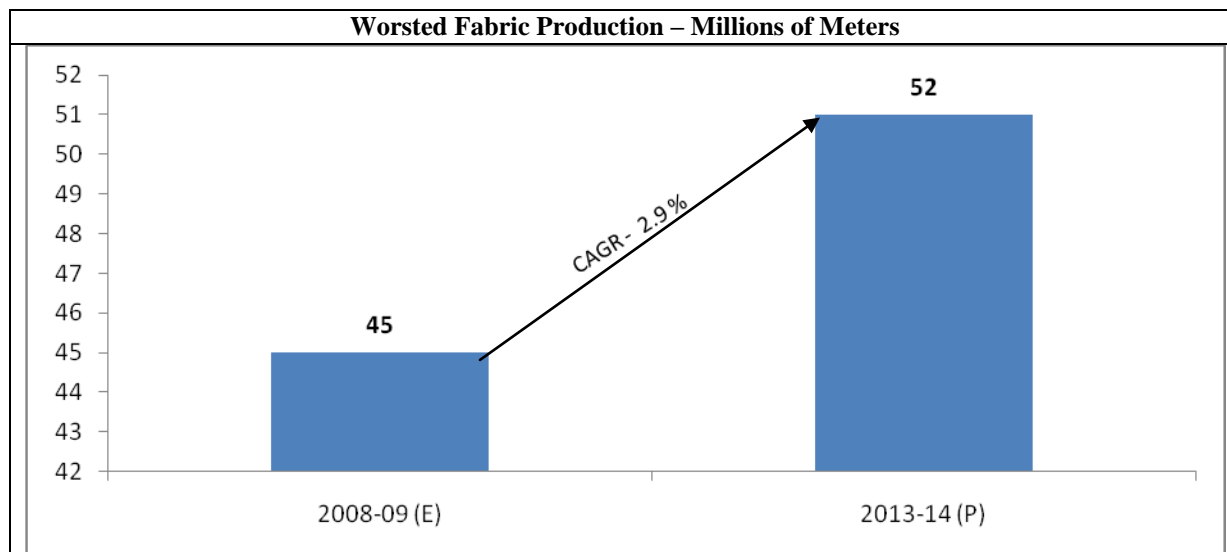
<b>Category-wise breakup of Men's Formal Suits</b>			
<b>Men's Suits</b>	<b>2006</b>	<b>2009(E)</b>	<b>2014(P)</b>
Super premium (Rs.8,000-above)	2.0%	2.5%	3.0%
Premium (Rs.4,500-Rs.8,000)	8.0%	8.0%	8.2%
Medium (Rs.2,500 – Rs. 4,500)	4.0%	4.8%	6.0%
Economy (Rs.1,200-Rs.2,500)	2.5%	2.7%	3.0%
Low (Upto Rs.1,200)	83.5%	82.0%	78.8%

**Source: Images, CARE Research**

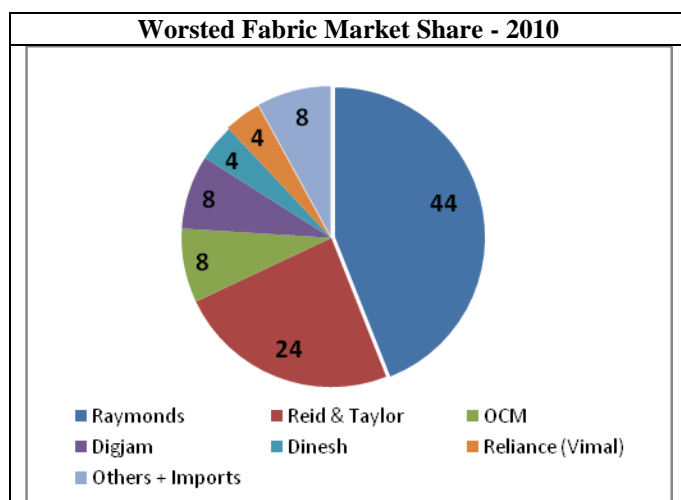
### ***Worsted Fabrics***

Worsted fabric is a blended form of fabric in which one of the components is wool. The wool can be blended with both, man-made or cotton fiber to form a worsted fabric.

According to CARE Research estimates based on industry interactions, 45 million meters of worsted fabric were produced in 2009. There have been minimal additions over the past five years. The industry is expected to produce 52 million meters of worsted fabric in 2014. This projected growth can be attributed to the rising income levels, reductions in the price gap with competing fabrics and increasing preference for wool blended fabric among Indian consumers due to its grace and style. The average price for worsted fabric is approximately Rs.450 per meter and it operates primarily in the premium, super premium and luxury segment. The industry has a total installed capacity of 0.604 million spindles as of 2009. Major players in the worsted fabric business are Raymond, Reid and Taylor, Digjam, Dinesh, OCM and Vimal. Though Raymond is the market leader in the worsted fabric business, Reid and Taylor has managed to increase its market share over the last few years.



Source: CARE Research, Textiles association of India



Source: CARE Research, Textiles Association of India

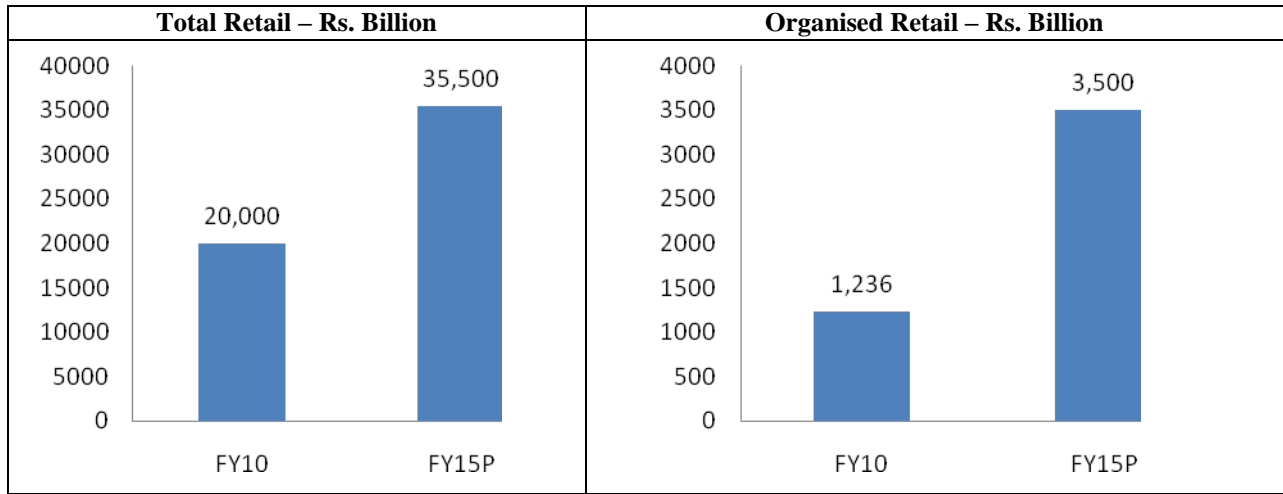
### Indian Retail Industry

According to CARE Research estimates, the Indian retail industry was worth Rs. 20,000 billion in 2008. It is projected to grow at a CAGR of 12% to reach Rs. 35,500 billion in 2015. This growth would primarily be driven by higher disposable incomes and changing customer psyche towards discretionary spending. Rising disposable income, increasing working population, weekend culture, a relatively younger populace and growing urbanization are some of the structural factors which will inject high growth in the retail industry.

The organised retail market size stood at Rs. 1,236 billion in 2010. CARE Research expects it to grow at a CAGR of 23% to reach Rs. 3,500 billion in 2015. It is expected to grow at a pace faster than the overall retail industry thereby taking the penetration levels from 6% in 2010 to 10% in 2015. This growth would be primarily backed by the rising preference for branded apparel, increases in the number of malls in smaller towns and tier II cities and increases in the number of exclusive brand outlets (EBOs). The opening up of specialty stores and specialty malls should also drive growth in the organised retail market.

Compared to developed nations such as the U.S., U.K. and other European countries, organized retailing in India is still in a nascent stage. Considering that emerging nations such as China and Brazil required 15 - 20 years to raise the share of organised retail from 5% in their respective countries to present levels of around 25% and 40%,

respectively, the potential for the organised Indian retailing segment remains significant.



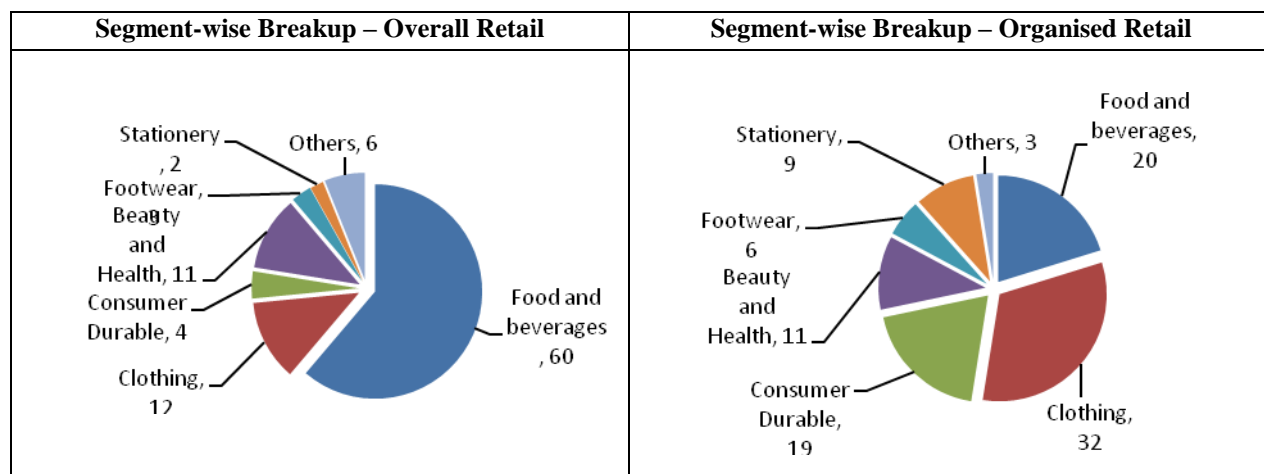
Source: CARE Research

**Retail segments**

The Indian retail market can be classified into the following segments:

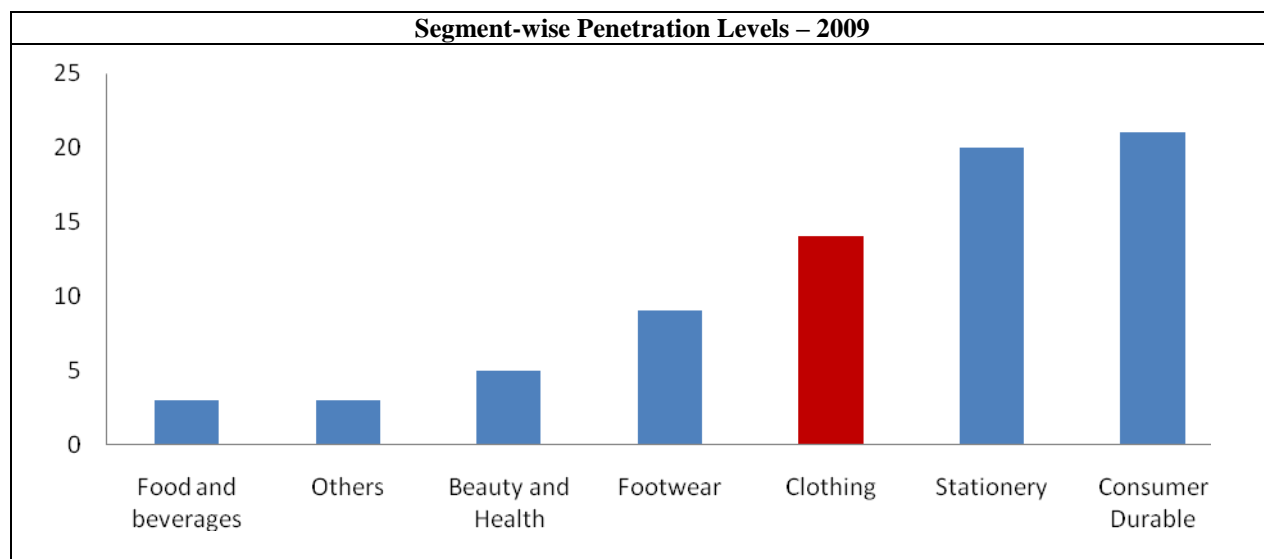
- Food and beverage;
- Clothing and textiles;
- Consumer durables;
- Beauty and healthcare;
- Footwear;
- Paper and stationery; and
- Others – includes communication, home decor and furnishing etc.

Clothing is the second largest segment in the overall retail market, accounting for a 12% share, but has the largest share of the organized retail market at approximately 32%. The organized retail market for apparel stood at Rs. 400 billion in 2010. Apparel retail in India began with manufacturers such as Raymond, Bombay Dyeing, and Arvind Mills opening up their EBOs. EBOs like Color plus, Van Heusen, Louis Philippe, Wills and MBOs like Lifestyle, Shoppers Stop, Pantaloons, Westside, etc. expanded their operations in metropolitan areas and tier 1 and tier 2 cities, thereby bringing a retail boom in the Indian retail market. Today, menswear is the most organized segment in the Indian apparel industry with a large number of organized retail stores in India.



Source: CARE Research

The penetration level of organized retail in apparel was approximately 14% – 15% in 2009. This is expected to increase at a faster pace over the next few years, primarily due to the opening up of EBO's, MBO's and malls in the Tier I and Tier II cities. Rising brand consciousness among Indian consumers and the introduction of foreign brands in India should serve as another growth driver.



Source: CARE Research

### Exports

Apparel exports contribute a significant amount to the top-line of Indian apparel manufacturers, accounting for approximately 25% of total apparel sales by India. Exports are expected to grow at a CAGR of 18% from Rs. 425 billion in 2010 to Rs. 975 billion in 2015. The U.S. and EU are the key markets for Indian apparel exporters. They collectively account for approximately 88% of total apparel exports. While India has an advantage of a strong raw material base and low cost labor, it needs to improve its productivity, modernize its infrastructure and control its power costs in order to remain competitive in the international market.

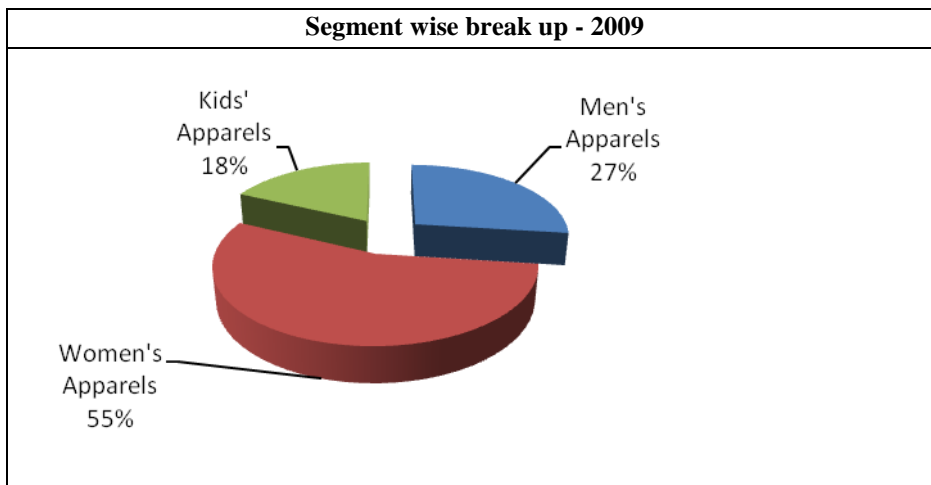
## U.S. Apparel Market

### Overview

The U.S. apparel industry is large and mature, and is characterized by slow growth in volume. Its per capita consumption is 35 meters of textile per annum. According to the U.S. Census Bureau, U.S. domestic apparel production has declined sharply during the last three years, standing at US\$5.6 billion in 2009. A gradual increase in imports has substituted for high cost domestic production. Currently, 90% of apparel consumption (by volume) in the U.S. is met through imports. According to the Office of the Textiles and apparel. U.S. apparel imports were worth US\$63.1 billion in 2009, with Southeast Asian countries being the key exporters of apparel to the U.S. The shift of apparel manufacturing from western countries to the eastern nations can be attributed to the abolition of quotas in 2005, which led to a gradual increase in exports from relatively cheaper Asian, Latin American and other countries to the western nations. U.S. exports accounted for a minor share in the ready-to-wear apparel segment, with exports of apparel from the U.S. worth US\$3.56 billion during 2009.

### Market size and segments

The U.S. apparel market was worth approximately US\$70 billion in 2009 at the wholesale level and US\$170 billion at the retail level. Women's apparel is the largest segment, accounting for a market share of 55% in 2009. Men's apparel accounted 27% of market share, while kids' apparel accounted for a market share of 18%.



Source: CARE Research

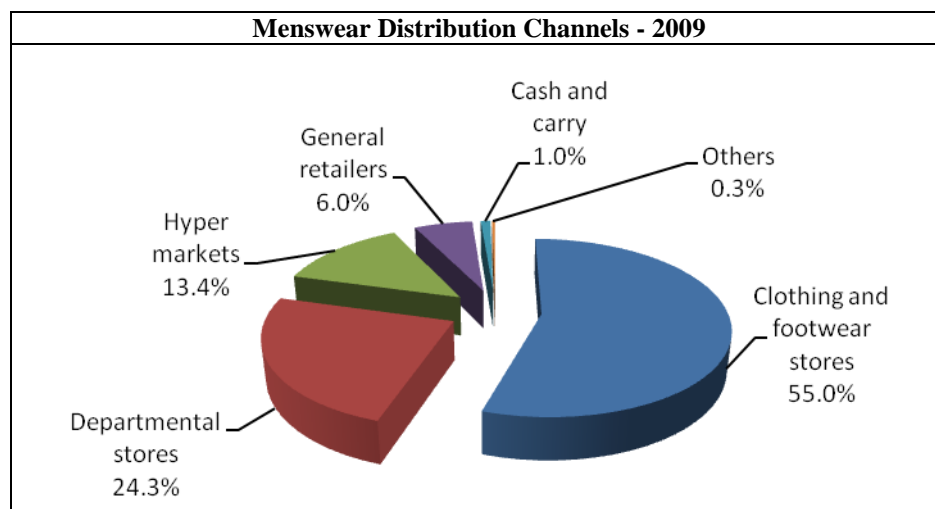
### Menswear Market Analysis:

The U.S. menswear segment accounts for 27% of the total U.S. apparel market, and is expected to grow at a steady rate over the next five years. Ralph Lauren, Nautica and Hartmarx are the key menswear brands in the U.S.

### Sub-segments of the menswear market:

U.S. men's clothing is usually distributed through channels such as clothing and footwear stores, department stores, hypermarkets, supermarkets, general retailers, and cash and carry. Of these, clothing and footwear stores account for the largest share in terms of value of menswear sold, accounting for 55% of revenues.





Source: Datamonitor, US census Bureau

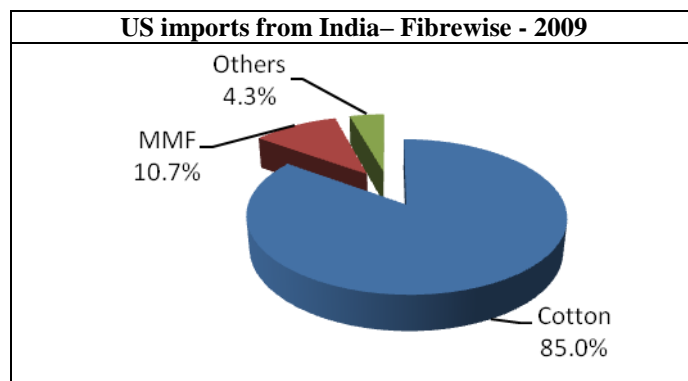
### US Imports

As per the office of textiles commissioner (OTEXA), the United States imported US\$63.1 billion of apparel from India in 2009. U.S. imports fell by 12% to US\$63.1 billion in 2009 from US\$71.6 billion in 2008. The decrease can be attributed to the recession in the U.S. economy. China is the largest apparel exporter to the U.S., accounting primarily for 37% of total U.S. apparel imports. India's share of total U.S. apparel imports increased from 4.3% in 2008 to 4.5% in 2009.

US Apparel Imports						
	2007		2008		2009	
	Value (Bn US\$)	Volume (Bn Sq. Mt.)	Value (Bn US\$)	Volume (Bn Sq. Mt.)	Value (Bn US\$)	Volume (Bn Sq. Mt.)
World	73.9	23.3	71.6	22.7	63.1	21.3
China	22.7	8.0	22.9	7.8	23.5	8.6
India	3.2	0.9	3.1	0.9	2.8	0.9

Source: CARE Research, OTEXA

India is one of the largest producers of cotton in the world. Cotton apparel constituted almost 85% of the total apparel exported by India to the U.S. in 2009. India's exports of cotton-based apparel to U.S. have grown at a CAGR of 8.3% in the period from 2004 to 2009.



Source: CARE Research, OTEXA

## **SWOT Analysis**

### ***Strengths:***

- Resilience in the economy, leading to healthy domestic consumption
- Rising income levels, multiple earning family members and growing urbanization
- Strong raw material and fabric base
- Manufacturer's capability to produce complex designs in small batches
- Changing consumer preferences from tailor-made products to ready-to-wear garments
- Rising levels of brand consciousness amongst the consumers
- Availability of ready-to-wear garments in various colors, sizes and patterns
- Rapid growth in the mall culture across cities
- Rise in the organized sector after abolition of the Small Scale Industries reservation
- Government support schemes such as TUFS and SITP

### ***Weaknesses:***

- Smaller number of large integrated players
- Technological obsolescence
- Stringent labor laws
- High power and transaction costs
- Incidence of state level cess and duties
- Lack of skilled manpower
- Low FDI inflow
- Low capacity utilization
- Lack of large integrated manufacturing units
- Lack of proper infrastructure

### ***Opportunities:***

- Steep rise in the branded apparel market
- Rise in lifestyle expenses by Indian consumers

- Young populace
- Increasing use of credit cards that propel discretionary spending on apparel
- Government promoting policies for FDI investment
- More foreign acquisitions by Indian companies providing access to those markets
- Government initiatives for setting up training and design centers
- Rise in global demand for garments – opportunity for low cost producers such as India
- Growth in the organized retail market

***Threats:***

- Low cost labor available in competing countries
- Competing countries increasing their market share at a rapid pace
- Lower incentives by the Indian government towards exports compared to other Asian economies
- Formation of trade blocks at exclusion of India
- Slowdown in the global and domestic economies

**Government Policies**

***National Textile Policy***

The textile industry is acutely impacted by government policies. The national textiles policy is announced once every ten years by the Ministry of Textiles and governs the Indian textile industry. The policy's key objective is to ensure that the industry is internationally competitive in terms of manufacturing processes and exports. It aims to develop a strong and vibrant industry that produces high quality cloth at affordable prices and thus increasingly contributes to a provision of sustainable employment and the economic growth of the country.

***Objectives***

- Attain and sustain a pre-eminent global standing in the manufacture and export of clothing
- Equip the industry to withstand pressures from import penetration and maintain a dominant presence in the domestic market
- Liberalize controls and regulations to enable the textile industry to perform in a more competitive environment
- Enable the industry to build world class state-of-the-art manufacturing capabilities in conformity with environmental standards
- Develop a strong multi-fiber base with a focus on the upgrading diversification of product lines
- Sustain and strengthen the traditional knowledge, skills and capabilities of the country's weavers and craftspeople

### *Focus Areas*

- Technology upgrades
- Enhancement of productivity
- Quality consciousness
- Strengthening of the raw material base
- Product diversification
- Increase in exports and innovative marketing strategies
- Financing arrangements
- Maximizing employment opportunities
- Integrated human resource development

### *Excise Duty*

The complete cotton textile value chain falls under the optional duty regime and thus is practically duty free. However, there is a mandatory excise duty on the polyester value chain. The cotton T&A manufacturers have the choice of either paying 4% excise duty and avail Cenvat on duty paid or pay no excise duty.

<b>Excise duty on apparels</b>						
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
<b>Cotton Based</b>	*4	*4	*4	*4	*4	*4
<b>MMF Based</b>	8	8	8	8	8	8
<b>Blended</b>	8	8	8	8	8	8

**Source: CARE Research, Industry Information**

### *Customs Duty*

The customs duty on apparels is currently a high rate of 10%. It is kept at a higher level to discourage imports. Imports account for approximately 1-1.5% of the total domestic apparels market. Nepal and China are the key exporters of apparels to India.

<b>Customs duty on apparels</b>						
	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
<b>Cotton Based</b>	20	15	12.5	12.5	12.5	12.5
<b>MMF Based</b>	20	15	12.5	12.5	12.5	12.5
<b>Blended</b>	20	15	12.5	12.5	12.5	12.5

**Source: CARE Research, Industry Information**

### *Technology Up-gradation Fund Scheme (TUFS)*

TUFS was commissioned on April, 1999 initially, for a period of five years with a view to facilitate the modernization and upgrading of the Indian textile industry by providing credit at subsidized rates to both the organized and the unorganized sectors. TUFS has now been extended until 2012. It has encouraged investment of more than Rs. 2,000 billion in the textile industry as of March 31, 2010. The main feature of the TUFS Scheme is a5

% reimbursement on the interest actually charged by certain financial institutions for the upgrading of technology or on foreign exchange fluctuations. The upgrade of technology would ordinarily mean induction of state-of-the-art or near-state-of-the-art technology. It provides for a higher level of assistance to segments that have a larger potential for growth, like garmenting, technical textiles, and processing. It is believed that this will ensure the growth momentum of the sector. The aim is to bridge the quality and cost gap and make Indian textiles globally competitive. The textile ministry wants to expand the fiscal support under TUFS, as the government has suspended the same, since Rs. 80 billion subsidy earmarked under the 11<sup>th</sup> Five Year Plan has already been disbursed.

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

SITP was launched in July 2005 for setting up textile units with world-class infrastructure and facilities on a public private partnership (PPP) model. It aims at consolidating both domestic and foreign industrial units into clusters with high growth potential. It will help in achieving economies of scale and bridging the quality and cost gap compared to competitor countries. So far, 40 textile park projects have been approved by the Ministry of Textiles. It is estimated that SITP will attract an investment of Rs. 195 billion, create employment for 750,000 workers and produce goods worth Rs 335 billion annually. The Government of India's support by way of grant or equity will be limited to 40% of the project cost subject to a ceiling of Rs. 400 million. There has been a lukewarm response to SITP so far due to the global financial crisis. Only two parks, Brandix India Apparel City (BIAC) and Gujarat Eco Textile Park (GETP) have been completed so far using the SITP guidelines. In Brandix, only 4 out of 17 units are operational and in GETP, 10 out of 33 units are operational.

#### ***Export Promotion Capital Goods (EPCG) scheme***

The Export Promotion Capital Goods (EPCG) scheme was introduced in 1990. The scheme allows for the import of capital goods (i.e. plant, machinery, equipment, components and spare parts of the machinery, etc.) at a concessional customs duty of 3% and without a countervailing duty (CVD) or special duty. Presently, most capital goods attract a customs duty of 7.5%. In 2009, Foreign Trade Policy, a zero-duty EPCG Scheme was announced allowing exporters in a number of identified sectors (including textiles) to import capital goods at zero duty. The scheme is operational until the end of 2011. The drawback of the scheme is that it excludes manufacturers subsidized under TUFS from enjoying the zero-duty EPCG scheme. The EPCG scheme is subject to an export obligation equivalent to eight times duty saved on capital goods over eight years (3% duty EPCG scheme) and six times duty saved over six years (zero-duty EPCG scheme). Under the EPCG scheme, there is a provision for proportionate reduction in export obligations in the case of a decline in exports of a product by more than 5%. This provision has been extended for 2010, for exports during 2009.

## BUSINESS

### Overview

The Company is a vertically integrated, premium clothing provider and fashion company, which manufactures and sells the internationally recognized licensed brands 'Reid & Taylor' and 'Stephens Brothers'. These two brands target the premium and super premium segments of the Indian fabric and ready-to-wear garment markets.

The Company's flagship brand, 'Reid & Taylor', was founded in Scotland in 1839 by weaver Alexander Reid and financier Joseph Taylor. Since that time, the 'Reid & Taylor' has won many awards for creating fine woollen cloths. The customers of Reid & Taylor's fabrics include several well-known fashion brands. 'Reid & Taylor' has become a widely recognized brand in India and received the title of "Superbrand" from the Economic Times Survey in 2009. The Company licenses the brand in India and certain other countries under a license agreement signed in July 2008, which became retroactively effective from January 1, 2008 and is valid in perpetuity. For further details on the 'Reid & Taylor' brand license agreement, see "Business – The License Agreements" on page 90 of this Draft Red Herring Prospectus. The Company has expanded the brand beyond the textile to ready-to-wear garments.

The 'Stephens Brothers' brand is a heritage British brand owned by Austin Reed Limited UK. The brand was first established in Great Britain in 1919 and has since become recognized for fine English style clothing for men and women. The Company entered into a license agreement (through a novation agreement and guarantee in October 2008) with Austin Reed Limited for use of the 'Stephens Brothers' brand name and the processes it employs to manufacture its products for a term of five years from September 1, 2006 to December 31, 2011, which can be renewed for a further period of five years. For further details on the 'Stephens Brothers' brand license agreement, see "Business – The License Agreements" on page 90 of this Draft Red Herring Prospectus.

The Company's brands target specific premium segments of the Indian apparel market, so as to compliment and not compete with one another. The 'Reid & Taylor' brand covers premium and super premium fabrics, such as worsted, all-wool and wool polyester blended suitings, which cater to the premium and super premium markets, as well as ready-to-wear garments that focus on the formal wear part of the premium segment. 'Stephens Brothers' targets the super premium segment and specialises in men's and women's ready-to-wear formal wear. Both the 'Reid & Taylor' and 'Stephens Brothers' brands are part of the Company's "Total Wardrobe Solutions", which was launched by SKNL in 2004. This concept was conceived to provide customers with clothing solutions from belts to trousers and shirts, all under the same brand name and at the same location. The 'Reid & Taylor' brand has been consciously extended from fabrics to ready-to-wear garments in order to leverage its existing brand equity and thereby optimizing brand building costs. In addition, the Company intends to launch its first Company-owned brand in the fourth quarter of fiscal 2011. This new brand will serve as the Company's casual clothes brand in the premium segment. The Company believes this targeted approach gives it a distinct advantage over its competitors.

The Company uses a mix of multi-brand outlets and exclusive brand outlets to distribute its products across a broad geographic area. Through its relationship with Brandhouse Retail Limited ("BHRL"), the Company intends to increase the number of BHRL-leased exclusive brand outlets in the near term. In addition, the Company intends to supplement this model with Company-leased exclusive brand outlets. The new Company-leased exclusive brand outlets will be managed by BHRL, thereby allowing the Company to leverage BHRL's extensive retailing experience while capturing a greater share of the product margins.

In the fiscal year ended March 31, 2010, CARE Research estimates that the Company captured a market share of approximately 7.5% in the premium suiting segment and 24% of the worsted fabrics market. The Company's sales and services charges for the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010 were Rs. 6,526.0 million, Rs. 9,849.4 million and Rs. 5,665.5 million, respectively. The Company's EBITDA for the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010 were Rs. 2,196.4 million, Rs. 3,242.2 million and Rs. 1,894.8 million, respectively.

### Promoter Group

The Company is a subsidiary of S. Kumars Nationwide Limited ("SKNL"), a vertically integrated Indian textile company with 47 owned and licensed brands operating in several key markets throughout the world, including North

America, Europe and India. In January 2008, SKNL moved certain assets and liabilities to the Company to house all existing and future premium and super premium textile brands and two licensed, premium, ready-to-wear garment brands. The Company and SKNL have also agreed that SKNL will not compete with the Company in the premium and super premium market segments.

### **Indivest’s Investment**

To help fund the Company’s growth, GICSI, through its affiliate, Indivest Pte Ltd, invested Rs. 9,000 million in the Company between 2008 and 2010, taking a 25.6% stake in the Company.

### **Key Milestones**

The timeline below depicts the major milestones for the Company and its brands over the years:

<b>1839</b>	<b>‘Reid &amp; Taylor’ brand established</b>
<b>1919</b>	<b>‘Stephens Brothers’ brand established</b>
<b>1998</b>	<b>‘Reid &amp; Taylor’ brand introduced to India by SKNL</b>
<b>1999</b>	<b>Mysore plant commenced commercial production</b>
<b>2004</b>	<b>‘Reid &amp; Taylor’ exclusive brand outlets launched</b>
<b>2004</b>	<b>‘Reid &amp; Taylor’ “Total Wardrobe Solutions” launched</b>
<b>2006</b>	<b>‘Stephens Brothers’ brand introduced to India by SKNL</b>
<b>2008</b>	<b>The Company becomes the exclusive ‘Reid &amp; Taylor’ brand licensee in India Indivest makes its initial investment in the Company</b>
<b>2010</b>	<b>Indivest subscribed to equity shares, thus bringing its total interest in the Company to 25.6%</b>

### **Strengths**

The Company believes its principal strengths consist of the following:

#### ***Presence in the highest growth segments***

The Company’s brands are present in the highest growth segments in India, namely, the premium and super premium segments. According to CARE Research, the combined market share of these two segments for shirts and trousers is expected to increase from 13.0% and 23.9%, respectively, in 2010 to 14.8% and 28.0%, respectively, by 2015, while the market share for suits is expected to grow from 10.5% in 2009 to 11.2% by 2014. Growth in these segments is driven by an increasing proportion of India’s working population as well as increased brand consciousness among India’s youth. The Company also believes that the increasing affluence of the Indian middle class will be characterised by material social awareness and competition, resulting in premium and super premium brands being viewed as symbols of wealth and status. As a result, these two segments are expected to see greater growth in the medium term as compared to the economy and mid-price market segments. The Company believes it is well-positioned to take advantage of the high growth rates expected from these market segments.

#### ***Established brands and market positioning***

The Company’s existing brands are well established in both the Indian and international markets. ‘Reid & Taylor’

received the title of “Superbrand” from the Economic Times Survey in 2009. The Company has brands at two price-points, ‘Reid & Taylor’ in the premium segment and ‘Stephens Brothers’ in the super premium segment as well as a soon to be launched brand in the casual premium segment. The Company has consciously extended the ‘Reid & Taylor’ brand from fabrics to the ready-to-wear garment segment in order to leverage its existing brand equity and thereby optimize brand building costs. ‘Reid & Taylor’ has been endorsed by Indian and international celebrities.

The Company maintains an aggressive growth-oriented advertising and brand building strategy. The Company’s branding strategy has been an essential element of this brand’s growth. The Company engages in a multi-faceted branding strategy that includes celebrity endorsements of its products, including under the slogan “Bond with the Best”. The Company believes that associating its ‘Reid & Taylor’ products with Indian celebrities provides instant credibility and brand recognition. The Company attempts to make the brand highly identifiable through the use of unique graphics and colour schemes. The Company engages in high impact advertising through national television, daily newspapers and magazines in all major languages. In addition, the Company promotes the visibility of its ‘Reid & Taylor’ brand through advertising at widely followed events such as cricket matches and reality shows.

### ***Strong distribution network***

The Company believes it has an extensive distribution network that includes wholesale dealers and retail outlets spread across India. The Company is a supplier of premium and super premium textiles to certain major corporates in India. BHRL operates a nationwide network of exclusive brand outlets that market and sell the Company’s products under a franchise agreement. In the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010, sales to BHRL represented 39.9%, 37.2% and 29.6%, respectively, of the Company’s total sales. The Company believes BHRL’s exclusive brand outlets reinforce its already strong retail multi-brand distribution network and have helped to create a geographically diverse retail network which allows the Company’s products to reach certain areas of India that have historically been underserved by the retail clothing industry. In addition, the Company intends to supplement this model with Company-leased exclusive brand outlets that will be managed by BHRL. The Company is also exploring the possibility of taking advantage of HMX LLC’s extensive North American distribution network to introduce its brands into the North American market in the future.

### ***Vertically integrated operations***

The Company maintains a vertically integrated business model which is responsible for managing the key supply chain functions from theme and product design (for ready-to-wear), sourcing of raw materials and merchandising, outsourcing the production of certain types of clothing products and product parts, critical assembly and finishing of product parts, to marketing and promotion, and sales and distribution of its products. This provides the Company with significant operational flexibility, direct access to end customers and a greater ability to control access to raw materials and product parts as well as the cost, quality and delivery time of such raw materials and product parts.

### ***High-quality fabric provider with significant manufacturing capabilities***

The Company has established a manufacturing infrastructure that is vertically integrated, giving the Company a presence in the entire value chain, from yarn spinning to ready-to-wear garments. The Company has made significant investments in technology and equipment at its manufacturing facility in Mysore. The Company believes its manufacturing facility in Mysore is fully integrated and automated. These modern production facilities enable the Company to provide a wider variety of designs and better quality products. The Company routinely upgrades its existing facilities in an effort to employ the most productive technologies in textile manufacturing. The Company’s Mysore facility is ISO 9001 quality management certified. The Company also plans to expand its overall manufacturing capacity through the establishment of a new suit stitching factory in Bengaluru to meet increased demand for its products as well as to possibly cater to some of SKNL’s overseas subsidiaries in the future. Modern manufacturing processes and automation are supplemented by labour cost advantages inherent to Indian manufacturing and allows the Company to maintain cost efficient operations. Additionally, the Company’s vertically integrated manufacturing operations help to ensure that the final products meet the Company’s high quality control standards. The Company believes its vertically integrated manufacturing model gives it a significant competitive advantage.

### ***Effective outsourcing model***



The Company has adopted a business model of partnering with other manufacturers to outsource certain aspects of its production while focussing on branding and marketing. This enables the Company to take advantage of excess production capacity in the industry without incurring the large capital expenditure necessary for in-house production. The Company has historically relied on outsourcing certain products related to polyester-viscose fabrics and the ready-to-wear garments because converters may be contracted at competitive rates without affecting the quality of the products. As part of this strategy, the Company provides its outsourcing converters with the design specifications and oversees all aspects of quality control through on-site personnel and periodic quality audits. As demand fluctuates, the Company believes its outsourcing model allows it to increase or decrease its production in a timely and cost efficient manner. As demand for the Company's products grows, the Company intends to seek out additional outsourcing opportunities in order to continue to operate at flexible production levels. The Company may seek to add outsourcing partners if it believes it can maintain consistency in the quality of the output through in-house quality control initiatives. The Company believes that its outsourcing model allows the Company to focus on its core competencies and higher value-added processes in order to maximise operational efficiency and product quality, and improve margins by reducing its cost base and capital at risk.

### ***Strong shareholder support***

The Company's promoter, SKNL, is one of India's leading textile manufacturing companies. This relationship allows the Company to draw on the extensive business network and in-depth business knowledge, relationships and expertise of SKNL as well as to use SKNL's pool of experienced managers and personnel. In addition, GICSI, through its affiliate Indivest Pte Ltd, became a shareholder of the Company in 2008, providing the Company with the financial strength it needs to grow its business in the future.

### ***Experienced management team***

The Company believes that its qualified and experienced management team has contributed to the growth of its brand image and competitiveness. The Company's management team consists of individuals having significant experience in the textile industry. The Company's Managing Director and Executive Director, Nitin Kasliwal, has 32 years of experience in the textile industry. The management team has worked together to implement several successful business initiatives and are responsible for the Company's day to day operations and future expansion plans. The management team is supported by an experienced and technically qualified execution team that includes brand managers focused on developing each of the Company's licensed brands. The Company believes that the market experience and knowledge that its brand managers possess has been, and will continue to be, an integral part of the Company's ability to promote synergies both within the Company and with SKNL, as well as contribute to the Company's overall success.

## **Strategy**

### ***Launch new brands in the premium market segment***

In the fourth quarter of fiscal year 2011, the Company intends to launch its first Company-owned brand. The new brand will include casual men's wear targeted at the casual premium segment. This brand will compliment the Company's other premium market brand, 'Reid & Taylor', which has traditionally been viewed as a formal wear brand. The brand will target the 21 to 40 year old age group and will be promoted with a focused media campaign that will include leading newspaper dailies, magazines and hoardings. The Company intends to sell this new brand through traditional multi outlet stores as well as BHRL and Company-leased exclusive brand outlets. The Company will continue to explore other expansion opportunities by launching new Company-owned brands or by licensing additional international brands for the Indian market.

### ***Optimize the Company's mix of exclusive brand outlets and multi-brand outlets***

The Company has, in the past, primarily relied on multi-brand outlets to account for the majority of its domestic sales. With rising per capita incomes and as Indian consumers develop more sophisticated tastes, the Company believes exclusive brand outlets will play a more prominent role in the Indian retail market. The Company believes it has been at the forefront of the exclusive brand outlet model through its relationship with BHRL. The Company

intends to work with BHRL in order to increase the number of BHRL-leased exclusive brand outlets in the near term. In addition, the Company intends to supplement this model with Company-leased exclusive brand outlets that will be managed by BHRL. The Company intends to set up 100 outlets for the 'Reid & Taylor' brand, 30 outlets for the 'Stephens Brothers' brand and 30 outlets for the Company's new casual premium brand during fiscal year 2012. For details, please see the section "Objects of the Issue" on page 32 of this Draft Red Herring Prospectus. The Company believes the expansion of its exclusive brand outlet model will complement its already strong multi-brand outlet network by allowing the Company to capture a greater share of the overall margin while leveraging BHRL's retailing expertise.

***Leverage synergies with SKNL's international operations***

The Company believes that it is in a strong position to leverage the existing synergies with SKNL to expand its customer base and sales revenue. With SKNL's acquisitions of the assets of Hartmarx Corporation USA in North America as well as the signing of a license agreement with 'DKNY', the Company believes there are promising opportunities for it to supply high quality textile products to SKNL's overseas business units. For example, the Company believes that the existing North American distribution network of HMX LLC provides the Company with a platform through which it could supply fabric and garments for use in HMX LLC brands. Similarly, the Company believes that with rising income levels in India coupled with a more sophisticated taste in fashion, there is an opportunity to launch several of the premium and super premium HMX LLC brands in India through the Company's well established pan-Indian distribution network. As production quality continues to improve within India and as high quality apparel and textile customers are increasingly willing to accept products manufactured in India, SKNL may seek to shift a portion of its North American production to the Company's high quality, low cost manufacturing facilities in India.

***Increase production capacity to cater to growing domestic and international demand and add new brands***

Management has formulated a cohesive business strategy for growing its business and capitalizing on the significant opportunities available in the growing domestic and international textile markets. In line with its continuing growth strategy, the Company has undertaken two major growth plans. The first, which was achieved in 2009, was the expansion of its weaving and spinning capacity at its Mysore facility from 4.8 million meters per annum of fabric to 8.4 million meters per annum to cater to both the domestic and international markets for premium and super premium textiles. The Company believes this expansion has provided it with the capacity it needs to meet the expected increase in demand for premium suiting fabrics. The Company intends to further strengthen this facility and de-bottleneck the production process by adding balancing equipment for dyeing, finishing and processing as well as purchase additional machinery. The second is the establishment of a new facility for designing and producing suits in Bengaluru, which is set to be completed in fiscal year 2011. The new facility is expected to produce high-quality men's outerwear ready-to-wear garments, such as jackets, suits and trousers. The total cost estimated for setting up the new manufacturing unit is Rs. 645.7 million. The Company also intends to work with SKNL to find opportunities for the Company to source SKNL's overseas subsidiaries with production from its new Bengaluru facility.

**The Brands**

The Company sells fabrics and ready-to-wear garments under two brands, 'Reid & Taylor' and 'Stephens Brothers'. The brands are focused on the premium ('Reid & Taylor') and super premium ('Stephens Brothers') markets. The Company's right to use the above mentioned brands are granted under their respective license agreements. The chart below depicts the Company's sales for each of the years ended March 31, 2008, 2009 and 2010 and the six month period ended September 30, 2010 by brand:

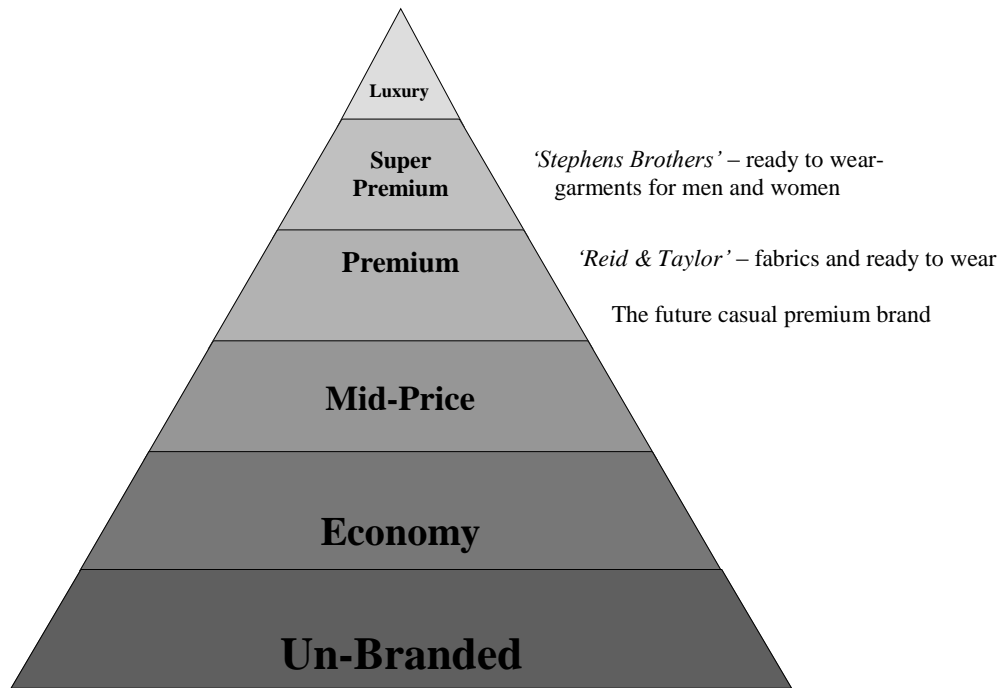
	For the fiscal year ended March 31,			Six month period ended September 30, 2010
	2008 <sup>(1)</sup>	2009	2010	
'Reid & Taylor' fabrics	1,209.6	5,296.9	7,613.6	4,338.5
'Reid & Taylor' and 'Stephens Brothers' ready-to-wear garments	219.7	1,229.2	2,235.8	1,327.0
<b>TOTAL</b>	<b>1,429.2</b>	<b>6,526.0</b>	<b>9,849.4</b>	<b>5,665.5</b>

(1) For January 1 to March 31 only.

### *Market Segmentation*

The Company positions its 'Reid & Taylor' fabrics and ready-to-wear garments in the premium market segment while the 'Stephens Brothers' ready-to-wear garment brand is positioned in the super premium segment. The Company's future casual brand will also be marketed in the premium segment.

The chart below depicts the market segment for the Company's 'Reid & Taylor' and 'Stephens Brothers' products:



For a discussion on the market segmentations mentioned in the chart above, please see "Industry Overview" beginning on page 60 of this Draft Red Herring Prospectus.

### *'Reid & Taylor'*



The Company's flagship brand, 'Reid & Taylor', was founded in Scotland in 1839 by weaver Alexander Reid and financier Joseph Taylor. The 'Reid & Taylor' brand was first brought to India in 1998 through a licensing agreement that allowed SKNL to manufacture and sell luxury suitings. The brand was launched using a multimedia advertising campaign with the slogan "Bond with the Best". The Company believes 'Reid & Taylor' has established itself as a leader among the premium brands in India in a short period of time. According to CARE Research, 'Reid & Taylor' now has approximately a 24% share of the worsted fabrics market in India. Domestic demand for premium textiles is being led by a growing consumer population, rising disposable income levels, increasingly sophisticated tastes and the emergence of a domestic retail industry. The Company has hired an international consultant to design the Company's flagship outlets in India. The Company engages in a multi-faceted branding strategy that includes celebrity endorsements of its 'Reid & Taylor' products. The Company's promotional activities are accomplished

through various outlets such as television, newspapers, magazines, periodicals, radio, hoardings, signboards, internet, posters, banners, calendars, leaflets, shopping bags and pamphlets. In addition, the Company's trade partners, including agents, wholesalers, retailers, franchisees and other associates, also advertise the Company's products at their own expense. The Company actively encourages and supports the promotional activities of its trade partners. The Company believes that promotions for the 'Reid & Taylor' brand are cost effective because they promote both the fabric products and the ready-to-wear garment products.

Products are marketed under the 'Reid & Taylor' brand in accordance with a trademark license agreement with Reid & Taylor (International) Limited, dated July 8, 2008. Under the terms of the trademark license agreement, the Company has the exclusive right to manufacture, distribute and sell textile fabrics, including garments, apparel and accessories, under the 'Reid & Taylor' brand name within certain countries in South Asia and the Middle East. For details on the trademark license agreement, see "Business – The License Agreements" on page 90 of this Draft Red Herring Prospectus.

While this brand is primarily focused on the domestic market, it does have a limited overseas market. Exports accounted for approximately 3.0% of the 'Reid & Taylor' brand's sales in both the fiscal year ended March 31, 2010 and the six month period ended September 30, 2010.

### *Products*

The product portfolio for the 'Reid & Taylor' brand includes worsted fabrics, all-wool and wool-polyester blended suitings and polyester-viscose fabrics. Worsted suiting is a fabric made from 100% merino wool of fine microns or blended with exotic fibres such as cashmere, silk and mohair. The fabrics are characterized by their high degree of wearability, ease of maintenance and superior shape retention and come in plain designs as well as stripes, checks, bird's eye, drills, herringbones, dobbies and jacquards. The fabrics are made from pure wool, pure linen and fine merino fleece blends in high thread counts. In addition, the Company produces superfine polyester-viscose blended fabrics. The Company's products are available in more than 500 designs with certain varieties being available in more than 40 different shades.

Changing patterns in fashion and retailing have increased the popularity of branded garments and apparel in India, particularly among the younger generation. In developed countries, most consumer textile sales are in the form of ready-to-wear garments while fabrics make up only a small percentage of sales. In India, however, the opposite is true, with the majority of Indian consumer textiles sold in the form of fabrics, while garment sales are a smaller portion of the market. The Company believes that as the country continues to develop, more Indians will move away from purchasing fabrics for customised tailoring in favour of the more modern ready-to-wear garments. The Company's decision to extend the 'Reid & Taylor' brand from fabrics to garments is a reflection of its intention to stay ahead of this trend. The Company believes that as consumers shift to garments, they will look to brands they have come to trust for their fabric requirements in the past. 'Reid & Taylor' ready-to-wear products include pure wool and wool blended suits and blazers, tweed jackets, shirts, t-shirts, smart casual shirts, polos, chinos, trousers in wool, wool-blends and cotton.

### *'Stephens Brothers'*

The 'Stephens Brothers' brand is a heritage British brand owned by Austin Reed Limited UK. 'Stephens Brothers' is a quality lifestyle brand for men and women. The brand was first established in Great Britain in 1919 and has since become recognized for fine English style clothing for men and women. The brand's strong heritage has continued and is reflected in the designs and production of 'Stephens Brothers' garments which, over the last several decades, have been exported to several regions, including America, Australia, the Far East and Europe. We believe that the brand exemplifies the English tradition for super premium fashion.

Brand loyalty is especially important in the ready-to-wear garments segment. The Company believes that if it can develop a strong sense of brand loyalty from a consumer, they are likely to purchase a comprehensive set of clothing items, from socks to suits, within that particular brand. In an effort to secure this brand loyalty, the Company relies on a variety of advertising and promotion efforts such as magazines, newspapers and billboards. In urban areas, the Company focuses its marketing efforts on getting consumers to buy its 'Stephens Brothers' products and utilises directed promotional activities such as TV and radio promotions. The Company's marketing efforts in the non-urban

areas of the country focus primarily on brand awareness. The Company utilizes brand ambassadors including both Indian and international celebrities.

The 'Stephens Brothers' brand was brought to India in 2006 by SKNL to bring English cut and style to India. 'Stephens Brothers' offers the Company's customers the proposition of a tailored look in ready-to-wear men's and women's garments, something that the Company believes is unique to India. The Company sells its 'Stephens Brothers' branded ready-to-wear garments under a novation agreement executed with Austin Reed Limited dated September 31, 2008. For details on the 'Stephens Brothers' trademark license agreement, see "Business – The License Agreements" on page 90 of this Draft Red Herring Prospectus.

### *Products*

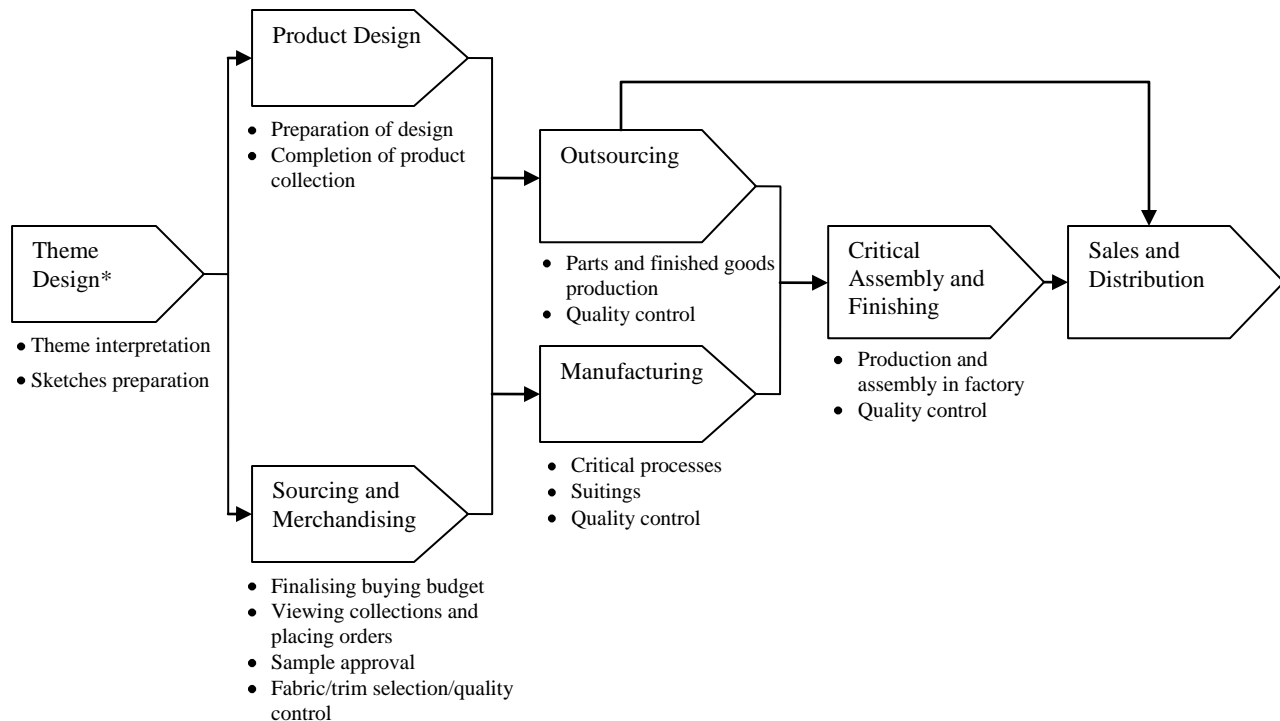
Products offered under the 'Stephens Brothers' brand name include pure wool and wool blended suits and blazers, shirts, t-shirts, smart casual shirts, polos, chinos, denim and trousers in wool, wool blended and cotton. In addition, the Company sells 'Stephens Brothers' branded accessories such as ties, belts, cufflinks and small leather goods. The Company is currently focused on the growing domestic market for apparels. CARE Research expects that the men's domestic apparel market, the largest Indian segment, will grow at a CAGR of 6.8%, from Rs. 519 billion in 2010 to Rs. 720 billion by 2015.

### ***The Future Casual Premium Brand***

The Company intends to launch a new brand for casual wear in the premium segment in the fiscal year ended March 31, 2011. This brand will target young (21-40 year old) professionals with a full range of products to meet the expected increase in demand for casual business wear. The Company believes the new brand will compliment its 'Reid & Taylor' brand which has traditionally been viewed as a more formal brand. Products offered under the brand are expected to include (i) shirts, including 100% cotton washed casual and club shirts; (ii) bottoms, including washed trousers, cargos, denim, linen trousers, corduroy and denim; (iii) knits, including tees, pullovers, sweaters and cardigans; (iv) casual jackets, including cotton corduroy coats, linen and jacquards; and (v) accessories, including belts, caps, bags, wallets and socks. The Company expects the brand to be launched in the fourth quarter of fiscal year 2011, with a total expense for development and launch of the brand of approximately Rs. 436.6 million. For further details see "Objects of the Issue" on page 32 of this Draft Red Herring Prospectus.

### **Vertically Integrated Business Model**

In managing and operating its brands, the Company principally utilises a vertically integrated business model encompassing the following stages: theme and product design (for ready-to-wear), sourcing and merchandising, outsourcing, manufacturing, critical assembly and finishing, and sales and distribution. A diagram of the Company's business model is set out below:



\* Ready-to-wear garments only

### ***Theme Design (for ready-to-wear garments)***

In general, there are two fashion seasons each year, that is, the fall/winter collection and the spring/summer collection. The Company commences preparation work for a new collection approximately 12 months before the start of each season. Most of the Company’s ready-to-wear garments are designed by the Company. The Company’s apparel design team focuses on a customer centric design philosophy and on maintaining market differentiation in a crowded competitive environment. The apparel design team consists of thirteen designers led by an American artistic director with more than 25 years of design experience. The remaining designers are primarily drawn from India’s National Institute of Fashion Technology. The Company’s design team uses the latest design technologies and software. It regularly consults with the design teams at affiliated companies, such as HMX LLC and Leggiuno and works with independent fashion houses and designers on a contract basis.

### ***Product Design***

The Company’s product design ability is an integral part of its marketing process which is supported by a well equipped product development team. The Company’s ability to understand and keep abreast of constantly changing fashion trends is an essential element to the Company’s future success. The design team consists of twelve individuals and is lead by an assistant vice-president with more than 20 years of textile experience and a general manager with 39 years of textile experience. The focus is on textile designs and not fashion designs. The team is equipped with computer aided drafting (“CAD”) design and sample making technologies and up-to-date fashion and industry literature to keep informed of current trends. Designs are completed on a autumn/winter and spring/summer season basis and are exhibited at major international fashion fairs.

### ***Sourcing and Merchandising***

The sourcing and merchandising functions of the Company are performed by its in-house merchandising teams which work closely with the design teams.

The choice of raw materials and product parts depends on the concepts, specifications and projected pricing of a product. When the buying budget has been finalised, the Company selects and sources quality fabrics and product parts from the appropriate raw material suppliers and outsourced manufacturers at competitive prices. The Company's sourcing and merchandising teams and product development teams often attend fabric shows and inspect collections from different suppliers and manufacturers to ensure that they are sourcing high quality raw materials and product parts.

The principal raw materials used by the Company are polyester, viscose blended yarn, polyester fibre, dyes, colours, chemicals, grey fabrics, cotton fabrics, woollen fabrics, blended fabrics and finished fabrics, which are all locally available at competitive prices. The Company outsources tailoring and packaging to local suppliers. The Company's requirement of wool is met by importing fine micron wool from New Zealand and Australia. Once purchased, the fabrics are delivered to the Company and its outsourced manufacturers, as the case may be, to process the production of the product parts and finished products. All completed product parts are then transported to the Company's critical assembly and finishing facilities in Mysore and Bengaluru for the final assembly of the Company's finished products.

### ***Outsourcing***

The Company has adopted a business model of partnering with other manufacturers to outsource certain aspects of its production while focussing on higher value-added components of the value chain. Historically, the Company has relied on outsourcing certain products related to polyester-viscose fabrics and the ready-to-wear garments that are labour intensive. The Company provides its outsourcing converters with the design team's specifications for all its products.

The Company ensures the quality control of the product parts and finished clothing products manufactured by the outsourced manufacturers by overseeing all aspects of quality control through on-site personnel and periodic quality audits. The Company inspects the completed product parts and finished clothing products upon receipt of the same from the outsourced manufacturers.

The Company commissions the outsourced manufacturers and pays them according to the agreed payment terms upon receipt of the completed product parts or the finished clothing products. In order to maintain its flexibility, the Company does not have exclusive outsourcing agreements with its outsourced manufacturers.

By utilizing these outsourcing arrangements, the Company believes it is able to focus on more critical processes such as assembly and finishing, which it believes adds more value to its products.

### ***Manufacturing***

The Company maintains in-house manufacturing for its 'Reid & Taylor' premium fabrics and certain processes for its ready-to-wear garments. The Company operates out of two manufacturing facilities, which are located in Mysore (Company-owned) and Bengaluru (SKNL-owned).

#### ***Manufacturing Facilities***

The Company-owned facility at Mysore, Karnataka was built in 1998 and has since undergone several upgrades and improvements. The facility produces substantially all of the Company's premium worsted suiting fabrics. Premium polyester and viscose blended suitings are outsourced to a dedicated team of converters and manufacturers. The facility has a built-up area of approximately 581,251.1 square feet. It uses 12,960 spindles, 82 Dornier looms, a modern processing and finishing house and employs approximately 1,250 people. The Mysore facility is powered by a captive high-speed diesel generator. The facility's well designed layout helps to ensure optimal work flow, high level of cleanliness and hygiene as well as low energy use. The Company's ongoing commitment to the environment is evident from its use of eco-friendly dyes and chemicals, a 90,000 sq. m. discharge greenbelt, rain water harvesting and strict water conservation measures at the facility. The Company holds a freehold title to the Mysore facility. The facility is ISO 14001 certified for environmental system management as well as ISO 9001 quality management certified. In the fiscal year ended March 31, 2009, the Company increased the Mysore facility's installed capacity to 8.4 million metres per annum from 4.8 million in the prior year. The Company believes this capacity expansion has

given it the ability to meet the expected growth in demand for premium suiting in the coming years.

The ready-to-wear garments manufacturing facility is located at Bengaluru, Karnataka. The Bengaluru facility is owned by SKNL, however, the Company uses the facility under the Services Sharing Agreement. The facility produces shirts, trousers, blazers, suits and other accessories. The manufacturing facility in Bengaluru manufactures some of the Company's ready-to-wear garments for the premium segment.

The Company is currently in the process of setting up a new facility for designing and producing suits in Bengaluru, which is expected to be operational by the end of March 2011. The new facility is expected to produce high-quality men's and women's ready-to-wear garments for the Company's own production needs as well as potentially supplying SKNL's overseas subsidiaries in the future.

### **Distribution Network and Market Penetration**

The Company primarily sells its products domestically through a widely dispersed distribution network. The Company promotes highly visible visual merchandising at the multi-brand outlets, while maintaining a uniform visual identity across all stores.

The Company's multi-brand outlet distribution model is complimented by the exclusive brand outlet network operated by BHRL. A publically listed company promoted by the owners of SKNL, BHRL was originally formed as a subsidiary of SKNL to carry out retail sales of SKNL products. As such, its primary role is to establish and manage a nationwide distribution network by establishing exclusive brand outlets in various commercial centres across India. BHRL currently sells both 'Reid & Taylor' and 'Stephens Brothers' products at its exclusive brand outlets. BHRL serves as both the master franchisee for outlets that are directly operated by it, as well as overseeing other franchisees. Sales are made by the Company to BHRL on an arm's length basis. BHRL must consult with, and ultimately seek approval from, the Company on where to establish new exclusive brand outlets.

The Company intends to expand the role of exclusive brand outlets in its distribution network. The Company intends to open approximately 160 Company-leased exclusive brand outlets during the fiscal year 2012. The Company intends BHRL to manage these stores and receive a percentage of sales revenue as a management fee. The Company believes that by opening its own exclusive brand outlets, it will be able to capture a higher market share because it will open more stores than would have been possible under the franchisee model alone, given the Company's greater capital resources. In addition, the Company will increase its operating margins by capturing a higher percentage of sales, while continuing to leverage BHRL's retail expertise.

### **Competition**

The Company competes against the following companies, among others, in the premium and super premium fabric segment: Raymond, OCM, Digjam and Dinesh. Despite competition in the premium and super premium fabric segment, the Company believes that the 'Reid & Taylor' brand has established itself as one of the top brands in India. In 2010, 'Reid & Taylor' branded fabrics achieved an approximate 24% market share in the premium worsted wool market in India. The premium and super premium fabric segment is a highly organized segment with significant barriers to entry, most notably establishing a nationwide distribution network. There have been very few new entrants in the Indian premium and super premium fabric segment in recent years. The Company believes its strong market position in this segment is due to its high product quality, strong brand recall achieved through an extensive marketing campaign and a large and diverse distribution network.

The ready-to-wear segment faces competition from branded competitors. Large branded competitors in the ready-to-wear garments segment include Arvind Mills, Aditya Birla Nuvo Brands and Raymond Apparel. Major brands include 'Allen Solly', 'Van Heusen', 'Arrow', 'Louis Philippe', 'Zodiac' and 'Park Avenue', among others. The Company believes that its successful track record in building established brands, developing strong distribution networks and focusing on product quality and product diversity will enable it to face both domestic and international competition in an effective manner.



## **Relationship with SKNL and BHRL**

The Company enjoys a strong working relationship with its promoter, SKNL. The Company and SKNL share certain key executives, the manufacturing facility at Bengaluru, corporate offices in Mumbai and other locations in India. The Company and SKNL have entered into a Services Sharing Agreement which sets out the relationship between the two companies. For details on the Services Sharing Agreement, see “History and Certain Corporate Matters – Other Key Agreements” on page 101 of this Draft Red Herring Prospectus.

SKNL, through its subsidiary, SKNL North America B.V. (“SKNL North America”), purchased certain assets of Hartmarx Corporation USA, a tailored clothing company based in the United States and Canada. SKNL acquired 34 brands from Hartmarx (23 owned and 11 licensed) including such well-established brands as ‘Hart Schaffner Marx’, ‘Hickey Freeman’, ‘Exclusively Misook’, ‘Christopher Blue’ and ‘JAG Jeans’. The Company has already begun benefitting from SKNL’s acquisition by supplying a portion of the outsourcing done by HMX LLC in Asia. SKNL’s acquisition provides the Company with an opportunity to provide high-end textiles to the North American market and create new export opportunities. In addition, the Company is considering using its relationship with SKNL to introduce HMX LLC brands into the Indian market.

BHRL, a company listed in India and promoted by the promoters of SKNL, has entered into a franchise agreement to act as the master franchisee for SKNL and Company brands. BHRL operates a nationwide network of exclusive brand outlets that market and sell the Company’s products under a franchise agreement. For further details see “History and Certain Corporate Matters” on page 98 of this Draft Red Herring Prospectus. BHRL was originally formed as a subsidiary of SKNL to carry out retail sales of SKNL products. As on September 30, 2010, 55.7% of BHRL’s share capital was held by the Promoters and promoter group of SKNL, while the remaining 44.3% was publicly held.

## **The License Agreements**

### ***‘Reid & Taylor’***

The Company is the licensed user ‘Reid & Taylor’ and certain related trademarks by virtue of the renewed trademark license agreement dated July 8, 2008 (effective January 1, 2008) between Reid & Taylor (International) Limited and the Company.

### *Term*

The trademark license agreement runs from January 1, 2008 until it is terminated by either party and grants the Company a perpetual and exclusive license for the duration of the agreement.

### *License coverage*

Under the trademark license agreement, the Company has the right to use the trademarks in the following territories: India, Pakistan, Sri Lanka, Bangladesh, Bahrain, Egypt, Iran, Turkey, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, Yemen and the Palestinian Territories of the West Bank and the Gaza Strip.

### *License rights*

Reid & Taylor (International) Limited is required to use its best endeavours to protect and maintain the trademarks in force, and to pay all renewal and other fees necessary for such protection and maintenance. The license may not be assigned, charged, mortgaged or transferred without the prior written consent of Reid & Taylor (International) Limited.

The Company must use reasonable endeavours to ensure that the trademarks are only used on goods that meet a certain standard of quality.

### *Royalties*

The Company is required to pay an annual license fee of £100. In addition, under a technical know-how license agreement dated July 8, 2008 (the “TKH License Agreement”), the Company is obligated to pay a fee of £1,000,000 by way of seven equal annual instalments, and a semi-annual royalty of 3.5% of the net ex-factory sales price of ‘Reid & Taylor’ products sold. For details on the TKH License Agreement, see “History and Certain Corporate Matters – Other Key Agreements” on page 101 of this Draft Red Herring Prospectus.

### *Termination*

Reid & Taylor (International) Limited may terminate the trademark license agreement on 90 days written notice to the Company upon any material breach committed by the Company. If the Company cures the breach within the 90 days, Reid & Taylor (International) Limited’s right to terminate the agreement ceases.

Both Reid & Taylor (International) Limited and the Company have the right to terminate the trademark license agreement in the event that (i) either party becomes insolvent, (ii) there is a change of management, (iii) either party is in any way nationalized or taken over by the Government or local authority, (iv) the Company is declared a “sick undertaking” under the Sick Industrial Companies (Special Provisions) Act, 1985, or (v) the Company seeks to transfer or assign any of the trademarks.

### ***‘Stephens Brothers’***

The Company is the licensed user of the trademark ‘Stephens Brothers’ in India by virtue of a novation deed / license agreement dated October 31, 2008 between Austin Reed Limited UK and the Company.

### *Term*

The trademark license agreement is valid through December 31, 2011 and renewable for a five year extension thereafter.

### *License coverage*

Under the trademark license agreement, the Company may only use the trademark in India.

### *License rights*

The Company must use reasonable endeavours to ensure that the trademarks are only used on goods that meet a certain standard of quality. The Company is also obligated to use best endeavours to promote the trademark and to keep a full seasonal range of goods using the trademark in stock.

### *Royalties*

The Company is obligated to pay an annual technical assistance fee / royalty fee of 5% of the net sales value of all licensed good sold to Austin Reed Limited UK.

### *Termination*

In the event of a material breach of the trademark license agreement by the Company, Austin Reed Limited UK may terminate the agreement on 30 days written notice to the Company. The Company may cure the breach within the 30 day period. Austin Reed Limited UK may also terminate the agreement on 30 days notice if the Company defaults on any of its payments, and written notice of termination is allowed in the event that the Company changes ownership or ceases to carry on its business. In the event that either party begins winding up proceedings or becomes insolvent, the trademark license agreement may be terminated immediately by written notice.

## **Intellectual Property**

The Company principally uses the following trademarks:

*'Reid & Taylor'*

The Company is the licensed user of certain trademarks incorporating the words 'Reid & Taylor' and/or certain devices for use under classes 2, 18, 24, 25 and 26 in India.

*'Stephens Brothers'*

The Company is also the licensed user of the trademark 'Stephens Brothers' in India.

The Company ensures the protection of its licensed brand names. In addition, the owners of the Company's licensed brands undertake to protect their respective brands through their own brand vigilance.

## **Regulation and Environmental Matters**

The Company's business operations, and its ownership and operation of real property, are subject to a broad range of national, state and local environmental, health and safety laws and regulations pertaining to the release, emission and discharge of substances, the remediation of contaminated soil and groundwater, waste handling and disposal and employee health and safety. The Company has policies in place to address these detailed and increasingly complex requirements and regularly reviews practices, operations and compliance at its manufacturing facilities. The Company also has put in place procedures to take corrective or preventive action where necessary. The Company believes that it is currently in material compliance with all applicable environmental, health and safety laws and regulations and has not incurred material capital expenditures relating to environmental, health and safety matters during the fiscal year ended March 31, 2010.

The Company takes its commitment to the environment very seriously and makes a significant effort to ensure that the impact of its operations and activities on the environment and surrounding communities is minimized. The environmental protections the Company has put in place at its facility in Mysore are illustrative of this continuing commitment.

## **Employees**

As of September 30, 2010, the Company's Indian operations, had 1,126 permanent employees at its manufacturing facilities and 101 employees at its corporate offices and other locations around the country. In addition, as of September 30, 2010, the Company has a contract labour force consisting of 50 to 60 contract labourers. These contract labourers are not employees of the Company but are provided by independent contractors from time to time for specific job contracts, depending upon the requirements of the Company. Consequently, the number of contract labourers working at the Company's unit varies from time to time. The Company's employees at all of its Indian manufacturing facilities are registered with trade unions. The Company considers its relations with its employees to be cordial and takes a proactive approach to its labour relations.

## **Insurance**

The Company maintains insurance covering damage from fire, lightning, storms, flood, earthquake and allied perils. The Company also maintains an industrial policy for buildings and equipment in all of its manufacturing facilities. The Company carries insurance on the equipment and products that serve as collateral in its financing transactions. The Company does not anticipate having any difficulties in renewing any of its insurance policies and believes that its insurance coverage is reasonable in amount and consistent with industry standards

## Property

A summary of the properties for which the Company has an interest is set forth below:

<b>Location</b>	<b>Aggregate Area (sq. ft.)</b>	<b>Interest</b>	<b>Use</b>
Thandavapura Village, Hobli Chikkaianachalra, Taluka Nanjangud, District Mysore, Karnataka	1,454,904.00	Freehold	Factory
Shree Arihant Compound, Kopar, Thane, Bhiwandi	46,406.14	Leave and license	Warehouse
Chokkasandra Village, Yeswanthpura Hobli, Bengaluru	129,628.00	Leasehold	Site for factory

## REGULATIONS AND POLICIES

*The following description is a summary of certain sector specific laws and regulations in India, which are applicable to the Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice.*

### **Regulations Governing Textile Industry**

The Government has formulated various laws and regulations applicable to companies in the textile industry in India. In many ways, regulations protect small-scale manufacturers. While the production of most ready-made garments is no longer reserved for small-scale manufacturers, a few product markets, such as hosiery, still are. In addition, Indian manufacturers often choose to set up several small plants, instead of a single large one, to take advantage of favourable labour laws. As a result, Indian apparel and garment manufacturing facilities typically have fewer machines than those in other countries.

In an effort to encourage the improvement of facilities in the textile sector and to give a boost to exports of textile products, the Government has taken some of the important initiatives, including the following:

#### *The Textiles Committee Act, 1963*

The textiles committee has been established under the Textiles Committee Act, 1963, (hereinafter referred to as the “Textile Committee”) with the primary objective of ensuring a standard quality of textiles both for domestic and export markets as well as standardization of the type of textile machinery used for production. The Textiles Committee’s functions include, among others, the promotion of Indian textiles and textile exports, researching in technical and economic fields, establishing standards for Indian textiles and textile machinery, setting up of laboratories, and data collection. Additionally, the Textile Committee regulates the imposition of cess on textile and textile machinery that is manufactured in India under the Textiles Committee Act.

#### *The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978*

The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978 prescribes and provides for the levy and collection of an additional excise duty on certain textiles and textile articles.

Textiles (Development and Regulation) Order, 2001 dated December 19, 2001 (“Textiles Order”) was promulgated in supersession of the Textile (Development and Regulation) Order, 1993. The Textiles Order mandates that every manufacturer of textiles or textile machinery and every person dealing in textiles must maintain books of accounts and records relating to his business as specified in the Textiles Order and must furnish such returns or information in respect of their business as and when directed by the Textile Commissioner.

The Textile Order authorizes the Textiles Commissioner to pass directions with respect to the production and supply of textiles by textile manufacturers if the same is required in public interest or in the interest of national security. Further, the Textile Commissioner, under the Textiles Order, is authorized to specify from time to time, certain markings that must be made on textiles by a manufacturer of such textiles. No person, other than a manufacturer, is permitted to have in his possession or under his control textiles without such markings and no person is permitted to offer or store such unmarked textiles for sale.

#### *Technology Up-gradation Fund Scheme*

In view of the urgent need to speed up the process of modernisation and technology upgradation of the textile industry in India, the Ministry of Textiles launched a Technology Upgradation Fund Scheme (TUFS) for the textile and jute industries for a five years time frame with effect from April 1, 1999 to March 31, 2004. This scheme was subsequently modified and the Modified TUFS Scheme for Textile & Jute Industries (April 1, 2007 to March 31, 2012) is now applicable, providing for 5% interest reimbursement and 10% capital subsidy for specified machines in respect of loans availed thereunder from the concerned financial institutions for investment-benchmarked technology for the sectors of the Indian textile industries specified thereunder.

Through a notification dated June 30, 2010, the Ministry of Textile of the Government of India advised the nodal agencies/nodal banks/co-opted PLIs not to issue any further new sanctions under TUFS until additional allocations are approved by Cabinet Committee on Economic Affairs. Lending agencies are also advised to freeze all new proposals in pipeline till additional allocations are made.

#### *National Textile Policy, 2000*

One of the primary objectives of the New Textile Policy announced in November 2000 is to facilitate the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The policy endeavours to achieve the target of textile and apparel exports of US\$50 billion by 2010, of which the share of garments will be US\$25 billion. The policy also lays down various measures for augmenting the availability of quality wool.

#### *100% Foreign Direct Investment (FDI) in the Textile Sector*

The Indian Government has allowed foreign equity investment up to 100%, through automatic route, in the textile sector. Indian manufacturing companies are allowed 100% FDI to carry out wholesale trading on “a cash and carry basis” and also export trading through the automatic route, without seeking prior Government approval.

#### *Export Promotion Capital Goods (EPCG) Scheme*

The EPCG scheme facilitates import of capital goods at 3% concessional rate of duty with appropriate export obligation.

#### *Advance Licensing Scheme (Advance Authorisation Scheme)*

With a view to facilitate exports and to access duty-free inputs under the Advance Licensing Scheme, standard input-output norms for approximately 300 textiles and clothing export products have been prescribed.

#### *Duty Entitlement Pass Book (DEPB) Scheme*

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

#### *Duty Drawback Scheme*

Indian exporters are allowed a refund of the excise and import duty incurred on raw materials under the Duty Drawback Scheme so as to make Indian textile products more competitive in the international market.

#### *Construction of Apparel International Mart*

Apparel International Mart (“AIM”) is a mart set up by Apparel Export Promotion Council, (“AEPC”) Ministry of Textile, Government of India. AIM is a state of the art architectural accomplishment with a covered area of 350,000 sq. ft. meeting latest international standards where exporters and buyers are able to meet, access their requirements and conduct on the spot business. AIM expects to include 250 exclusive showrooms showcasing a wide range of products, a 70,000 sq. ft. area earmarked for exhibitions, auditorium, resource centre, business centre, bank with foreign exchange facility, travel desk and AEPC offices of the AEPC. AIM is expected to serve as a platform to showcase Indian apparels to the world with a fully integrated multiplex for showrooms and an exhibition area designed according to world class standards.

The establishment of AIM is expected to be a landmark in the history of the Indian apparel industry and is expected to provide a major thrust to the country’s export promotion efforts especially in view of the phase-out the Multi Fibre Agreement in 2005.

### *Modern Laboratories*

The Ministry of Textiles has assisted the Textile Committee in setting up of modern textile laboratories to ensure that Indian textiles exports meet all international environmental standards.

### *Scheme for Integrated Textile Parks*

In 2005, during the Tenth Five Year Plan, the Government sponsored “Scheme for Integrated Textile Parks (“SITP”) was launched, by merging the two previously existing schemes namely, the Scheme for Apparel Parks for Exports and the Textile Centre Infrastructure Development Scheme. SITP is intended to provide the Indian textile industry with world-class infrastructure facilities for setting up textile units and to facilitate textile units to meet international standards and social standards. The SITP is now co-terminus with the Eleventh Five Year Plan (i.e. 2007-2012). The state government under the scheme, shall inter alia, provide requisite clearances, assistance in identification and procurement of suitable land, and participate in projects, by way of subscribing to equity of special purpose vehicles through various state government agencies. During the Tenth Five Year Plan, 30 textiles park projects were approved. Locations of these projects are: Andhra Pradesh-4, Gujrat-7, Maharashtra-6, Tamil Nadu-6, Rajasthan-4, Karnataka-1, Punjab-1 and West Bengal-1.

### *The WTO 2005 Initiative*

Since 1947, when GATT was first signed, an increasing proportion of international trade was regulated by international agreements. These agreements were designed to ensure countries could erect or maintain international trade barriers only under mutually agreed upon terms. Apparel and read-made garments were not included in GATT provisions. From 1974-1994, textile and clothing quotas were negotiated bilaterally and governed by the rules of the Multi-Fibre Agreement (the “MFA”). In 1947, MFA was signed, without reference to GATT, essentially ratifying a country’s right to impose import quotas on textiles and apparel and readymade garments. MFA was intended to be a temporary measure allowing developing countries time to restructure their textile, apparel and ready-made garments industries before opening them up to competition from developed nations. In practice, the MFA was frequently renewed. In 1994, GATT signatories signed the Agreement on Textiles and Clothing (“ATC”), in order to phase out MFA and replace it with the general systems for agreeing on trade barriers as previously decided by GATT. Shortly thereafter, the GATT was replaced by the World Trade Organisation (“WTO”).

The most important underlying principles of the ATC are:

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

Accordingly, quota restrictions have been removed with effect from January 1, 2005. The expiry of the ten-year transition period of ATC implementation means that trade in textile and clothing products is no longer subject to quotas under a special regime outside normal WTO/GATT rules but is now governed by the general rules and disciplines embodied in the multilateral trading system. This removal of world trade quota restrictions is expected to bring about significant changes in the global apparel trade. Productivity, labour costs, quality and creativity will determine which countries will eventually emerge as the beneficiaries of the new trade policies.

## **Regulations Governing Manufacturing Activities**

### *Environmental Regulations*

The Company is subject to Indian laws and regulations concerning environmental protection, in particular, the

discharge of effluent water and solid particulate matter during its manufacturing processes. The principal environmental regulations applicable to industries in India are the Water (Prevention and Control of Pollution) Act, 1974, the Water Access Act, 1977, the Air (Prevention and Control of Pollution) Act, 1981, the Environment Protection Act, 1986 and the Hazardous Wastes (Management and Handling) Rules, 1989. Further, environmental regulations require a company to file an Environmental Impact Assessment (“EIA”) with the State Pollution Control Board (“PCB”) and the Ministry of Environment and Forests (“MEF”) before undertaking a project entailing the construction, development or modification of any plant, system or structure. If the PCB approves the project, the matter is referred to the MEF for its final determination. The estimated impact that a particular project might have on the environment is carefully evaluated before granting clearances. When granting clearance, conditions may be imposed and the approving authorities may direct variations to the proposed project.

The PCBs located across the various states in India monitor compliance with the applicable environmental regulations. No industrial or production facility may operate without a valid authorisation or consent from the jurisdictional PCB. PCBs routinely inspect industrial and production facilities, to monitor compliance with applicable environmental standards and regulations, including the provisions of the Water Act and the Water Access Act. PCBs are also empowered to grant authorisation for the collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility. Violations of relevant environmental regulations are punishable by monetary fines and imprisonment for company officers and controlling persons. The authorities are further empowered to shut down operations of a defaulting concern.

#### *Hazardous Waste (Management and Handling) Rules, 1989*

The Hazardous Waste (Management and Handling) Rules, 1989, as amended, impose an obligation on each occupier and operator of any facility generating hazardous wastes to dispose of such hazardous wastes properly and also imposes obligations in respect of the collection, treatment and storage of hazardous wastes. Each occupier and operator of any facility generating hazardous wastes is required to obtain an approval from the relevant state PCB for collecting, storing and treating hazardous wastes.

#### *Labour Laws*

The employment of construction workers for the Company’s business is regulated by various labour laws, rules and regulations including the Workmen Compensation Act, 1923, the Payment of Wages Act, 1936, the Employees’ State Insurance Act, 1948, the Factories Act, 1948, the Minimum Wages Act, 1948, the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952, the Payment of Bonus Act, 1965, the Contract Labour (Regulation and Abolition) Act, 1970 and the Payment of Gratuity Act, 1972, where applicable.



## HISTORY AND CERTAIN CORPORATE MATTERS

### Brief History of the Company

The Company was incorporated as Reid & Taylor (India) Limited, a public limited company on April 19, 2000 under the Companies Act. There has been no change in name of the Company since incorporation. The Company received a certificate of commencement of business on July 29, 2008.

The subscribers to the Memorandum and Articles of Association of the Company, namely, A. S. Kasliwal, S S. Kasliwal, Nitin S. Kasliwal and others were the original promoters of the Company. On December 10, 2007, the Promoter acquired the entire shareholding of the Company, at par, from the previous promoters or from entities to whom their shareholding in the Company were transferred at par. As of the date of this Draft Red Herring Prospectus the previous promoters do not hold any Equity Shares of the Company.

The Company is a subsidiary of SKNL. For details of SKNL, please see section “Promoter and Promoter Group” on page 121 of this Draft Red Herring Prospectus. With effect from January 1, 2008, SKNL, for a consideration of Rs. 3,500 million (less loans/debts adjustments as on January 1, 2008 pertaining to the business transferred) transferred to the Company the business relating to manufacture, outsourcing, sale and/or distribution of (i) all wools, polyester wool, luxury, premium or super premium polyester viscose fabric; and (ii) premium or super premium range of apparel and accessories, conducted by SKNL under the brand of ‘Reid & Taylor’ by entering into a sale and purchase agreement dated July 8, 2008. The transfer was subject to consent of various lenders of SKNL and the Company has provided certain moveable and immovable assets, transferred to the Company, as security to India Debt Management Private Limited (“IDM”) in relation to its subscription in the non-convertible debentures of SKNL. For further details see “Promoter and Promoter Group – Interests of the Promoter and Common Pursuits” on page 124 of this Draft Red Herring Prospectus. SKNL transferred to the Company, its right, title and interest inter alia, all the movable machinery and equipment used in manufacturing of products by SKNL at its manufacturing facilities at Mysore; land situated at Thandya Industrial Estate Area, Mysore; all customers, dealer accounts, commercial files and list of customers and dealers; all sales and distribution infrastructure; all the technical files, drawings, designs, technical and manufacturing and process know how and information, intellectual property; goodwill of the business which pertains to the business of luxury textiles; all pending orders, inventories, receivables and current assets; accounts and VAT receivables from business, loans, debts including charges thereof; and all bank accounts pertaining to the business and certain employees of SKNL were also transferred to the Company. Pursuant to the spinoff, the Company manufactures super premium and premium brand for suitings and ready-to-wear textile. The spinoff was undertaken to focus on growth in the super premium and premium segments.

Further, to help fund this growth in super premium and premium segments, GICSI, through its affiliate, Indivest, invested Rs. 9,000 million in the Company, acquiring a 25.6% stake in the Company. For further details see “ - Other Key Agreements” on page 101 of this Draft Red Herring Prospectus.

### Changes in Registered Office

The details of changes in the Registered Office are set forth below:

Date of Board Resolution	Changes in the address of Registered Office
September 27, 2010	Change in registered office from “Avadh”, Shree Ram Mills Premises, Ganpatrao Kadam Marg, Worli, Mumbai 400 018 to Marathon Innova IT Park, B2/501 and C-501, 5 <sup>th</sup> Floor, off Ganpatrao Kadam Marg, Lower Parel (West), Mumbai 400 013

The change in Registered Office was to ensure greater operational efficiency.

### Major Events of the Company

The table sets forth some of the major events of the Company.

<b>Date/ Year</b>	<b>Event</b>
May 30, 2005	The Company declared a lock out of the factory with effect from May 30, 2005 to June 30, 2005
June 10, 2008	The labourers went on strike for period of 16 days
July 8, 2008	Transfer of the business conducted under the premium brand of 'Reid & Taylor' from SKNL to the Company pursuant to the sale and purchase agreement
June 20, 2008	The Company entered into Shareholders Agreement with Indinvest, the Promoter, Nitin S. Kasliwal, Jyoti N. Kasliwal, Anjani N. Kasliwal, Kartikeya N. Kasliwal, Tulija Enterprises Private Limited, Chamundeshwari Mercantile Private Limited and Anjani Finvest Private Limited

### **Main Objects of the Company**

The main objects as contained in the Memorandum of Association are:

1. To carry on the business as manufactures, importers, exports, whole sellers, retailers and dealers in all kinds of suitings, shirtings, cotton and man made synthetics knitted fabrics and bleaching, dying, printing of cotton and man made fabrics and to carry on the business of calendaring, bleaching, dyeing, printing, knitting, finishing, packing, folding, manufacturing, buying, selling, agency, importing, exporting, converting, altering, otherwise dealing and processing in cotton, textiles and other type cloths, yarns, fibers, and fabrics whether synthetic, blended, artificial or natural and whether grey, semi-finished and utilise any waste arising there from.
2. To carry on the business of preparing, doubling, colouring, pressing, carding, combing, scouring, mixing, spinning, twisting, winding, printing, reeling, blending, texturing, crimping, weaving, sizing, bleaching and otherwise dealing in cotton textile, wool, raw silk, synthetic, waste silk, flax, liner, mohair, nylon, rayon, terylene, polyamide, acrylics, polyester, staple and any other type of natural and man-made fibre and yarn or any other new substances being improvements upon any other fibres or fibrous materials whether an agriculture or animal or natural or chemical or synthetic products.

The main objects as contained in the Memorandum of Association enable the Company to carry on the business presently carried out as well as business proposed to be carried out and the activities proposed to be undertaken pursuant to the Objects of the Issue.

### **Amendments to the Memorandum of Association**

<b>Date of shareholders' resolution</b>	<b>Nature of Amendment</b>
November 27, 2007	The initial authorised share capital of Rs. 500,000 divided into 50,000 Equity Shares of Rs. 10 each was increased to Rs. 500,000,000 divided into 50,000,000 Equity Shares of Rs. 10 each.
June 2, 2008	The authorised share capital of Rs. 500,000,000 divided into 50,000,000 Equity Shares of Rs. 10 each was increased to Rs. 581,000,000 divided into 55,000,000 Equity Shares of Rs. 10 each and 1,550,000 preference shares of Rs. 20 each.
August 19, 2010	The authorised share capital of Rs. 581,000,000 divided into 55,000,000 Equity Shares of Rs. 10 each and 1,550,000 preference shares of Rs. 20 each was reclassified to Rs. 581,000,000 divided into 58,100,000 Equity Shares of Rs. 10 each, consequent to the reclassification of 1,550,000 preference shares of Rs. 20 each aggregating Rs. 31,000,000 to 3,100,000 equity shares of Rs. 10 each
August 19, 2010	The authorised share capital of Rs. 581,000,000 divided into 58,100,000 Equity Shares of Rs. 10 each was increased to Rs. 1500,000,000 divided into 150,000,000 Equity Shares of Rs.10 each.

## Subsidiaries

As of the date of filing of this Draft Red Herring Prospectus, the Company has no subsidiaries.

## Shareholders of the Company

For details regarding shareholders of the Company, please see the section “Capital Structure” on page 25 of this Draft Red Herring Prospectus.

## Shareholders’ Agreement

1. *Subscription Agreement dated June 20, 2008 between the Company, Indivest (the “Investor”) and the Promoter (the “Subscription Agreement”) and Shareholders Agreement dated June 20, 2008 (the “Shareholders’ Agreement”) between the Company, the Investor, the Promoter, Nitin S. Kasliwal, Jyoti N. Kasliwal, Anjani N. Kasliwal, Kartikeya N. Kasliwal, Tulija Enterprises Private Limited, Chamundeshwari Mercantile Private Limited and Anjani Finvest Private Limited*

The Company, its Promoter and the Investor entered into the Subscription Agreement dated June 20, 2008 whereby the Investor agreed to subscribe to certain Equity Shares of face value of Rs. 10 each and preference shares of face value of Rs. 20 each. The preference shares were converted into Equity Shares on September 22, 2008. For further details, see section “Capital Structure – Share Capital History of the Company” on page 26 of this Draft Red Herring Prospectus. Further, pursuant to the Subscription Agreement, the Company has provided a loan of Rs. 4,400 million to its Promoter to enable the Promoter to meet its third party debt obligations. For further details see “Promoter and Promoter Group – Interests of the Promoter and Common Pursuits” on page 124 of this Draft Red Herring Prospectus.

Pursuant to Subscription Agreement dated June 20, 2008 between the Company, the Promoter and the Investor, the Company, the Promoter, the Investor, Nitin S. Kasliwal, Jyoti N. Kasliwal, Anjani N. Kasliwal, Kartikeya N. Kasliwal, Tulija Enterprises Private Limited, Chamundeshwari Mercantile Private Limited and Anjani Finvest Private Limited (the “Parties”) have entered into the Shareholders’ Agreement on June 20, 2008. In terms of the Shareholders’ Agreement, the Company is required to undertake the initial public offer (the “IPO”) of its equity shares within three years from the ‘first completion date’ as defined in the Shareholders’ Agreement in accordance with the terms described therein. The expenses incurred in connection with the IPO, shall be divided amongst the Company, the Investor and/or the Promoter in proportion to the proceeds of the IPO as may be received by the Company, the Investor and/or the Promoter. In the event the IPO of the Company does not occur on or prior to four years from the date of the Shareholders’ Agreement, the Investor has the right to exercise ‘put option’ rights, wherein the Promoter may be required to purchase the part or all of the shares held by the Investor or the Investor shall undertake the IPO on behalf of the Company in accordance with terms described in the Shareholders’ Agreement.

The Shareholders’ Agreement provides that the Investor shall have the right to appoint a nominee director on the Board of the Company in accordance with the terms described therein and that such director shall have rights including *inter alia* affirmative voting rights at meetings of the Board and a right to appoint an observer to the meetings of the Board. Further, the Investor shall, in accordance with the terms of the Shareholders’ Agreement have certain affirmative voting rights at the shareholders’ meetings in relation to *inter alia* altering the memorandum of association or articles, appointing/changing the auditors, payment of dividend or changes to dividend policy and transferring the whole or any material part of the undertaking or asset of the Company. Whilst certain affirmative voting rights of the Investor may cease upon occurrence of the IPO, such rights shall, in terms of the Shareholders’ Agreement, continue in respect of matters relating to acquiring or disposing of assets or property by the Company in excess of agreed limits in any financial year or disposing of or licensing any intellectual property rights of the Company.

Further, prior to the IPO, the Company is required to provide its financial statements and information to the Investor on a periodical basis. The Investor also has certain ‘tag along’ rights. The Shareholders’ Agreement also provides that, prior to the IPO of the Company, the Investor and the Promoter shall have

the right to first refusal in the event the Company proposes to raise share capital by issue of additional securities. Further, in the event the issue of shares to any third party is at terms which may be more favourable than the terms that apply to the Investor, then the benefit of such favourable terms shall also be provided to the Investor. The Investor, in accordance with the terms of the Shareholders' Agreement, shall have certain post-IPO tag along rights. Accordingly, the Investor, in the event of transfer by the Promoter of its shareholding in the Company (except in case of transfer through the recognized stock exchange), shall have the right to transfer its shares in the Company to such transferee in accordance with the terms described therein.

In terms of the letter dated September 30, 2010, the Parties have agreed that the Shareholders' Agreement shall terminate on and from the date of filing the Prospectus with the RoC. Further, the Investor has provided its consent for filing the draft red herring prospectus, red herring prospectus and the prospectus in relation the proposed initial public offering and filing of the amended articles of association of the Company and to complete the initial public offer on or prior to March 31, 2011. In the event that the Company is unable to complete the initial public offer on or prior to March 31, 2011 or any extended period as may be approved by the Investor, the articles of association will be reinstated with all the rights of the Investor which were prevalent in the articles of association of the Company prior to its amendment.

### **Other Key Agreements**

1. *Sale and purchase agreement dated July 8, 2008 (the "Sale and Purchase Agreement"), entered into between the Promoter and the Company.*

The Company has entered into the Sale and Purchase Agreement with the Promoter on July 8, 2008, in terms of which the Promoter has, with effect from January 1, 2008, transferred to the Company the business relating to manufacture, outsourcing, sale and/or distribution of (i) all wools, polyester wool, luxury, premium or super premium polyester viscose fabric; and (ii) premium or super premium range of apparel and accessories, conducted under the band of 'Reid & Taylor' (the "Business"), by way of slump sale, as a whole and as a going concern, subject to encumbrances and liabilities specified in the agreement. The Company has in terms of the Sale and Purchase Agreement paid an amount aggregating approximately Rs. 3,500 million (less loans/debts adjustments as on January 1, 2008 pertaining to the Business) to the Promoter.

In accordance with the Sale and Purchase Agreement, the Promoter vested in the Company the right, title and interest in, inter alia, (i) all the movable machinery and equipment used in manufacturing of products by the Promoter at its manufacturing facilities at Mysore; (ii) land situated at Thandya Industrial Estate Area, Mysore, with machinery and fixtures attached to it; (iii) all existing customers, dealer accounts, commercial files and list of customers and dealers; (iv) all sales and distribution infrastructure; (v) all the technical files, drawings, designs, technical and manufacturing and process know how and information, intellectual property; (vi) goodwill of the business which pertains to the business of luxury textiles; (vii) all pending orders, inventories, receivables and current assets; (viii) accounts receivables (ix) VAT receivables from business (x) loans, debts including charges thereof; and (xi) all bank accounts pertaining to the Business.

Further, in terms of the Sale and Purchase Agreement, the Company shall employ the Promoter's employees on their existing terms and conditions. The Promoter has agreed (i) not to directly or indirectly engage in any manner whatsoever in any activity relating to the manufacture, sale or trading which is either competitive to or a substitute for or an imitation of any of the products, for a restricted period (i.e. up to five years from the date of the 'closing date' as defined under the Sale and Purchase Agreement or four years following an IPO of the Company), within the territory of Republic of India, Pakistan, Sri Lanka, Bangladesh, Mauritius, Mexico, Thailand, Kenya, United States of America, Scotland, Egypt, Kuwait and United Arab Emirates; and (ii) not to use the mark 'Reid & Taylor' or any other mark which is similar to the trademark 'Reid & Taylor' on any of its products or on advertising, sales and promotion materials in any tangible form, pamphlets, brochures, labels or cartons.

In terms of the Sale and Purchase Agreement, whilst neither party can assign its rights under the agreement

without prior written consent of the other party, the Company can transfer or assign its rights and obligations to its affiliate(s) without the Promoter's consent in the manner set forth in the agreement. The Sale and Purchase Agreement shall remain valid until terminated by mutual consent of the parties and the Promoter shall not revoke, cancel or challenge the validity of the Agreement. Further, all information in relation to the Sale and Purchase agreement shall be kept confidential and shall not be disclosed without the written consent of the other party.

2. *Shared services and product supply agreement dated July 8, 2008 (the "Services Sharing Agreement"), entered into between the Promoter and the Company and Addendum to the Services Sharing Agreement dated November 30, 2010.*

The Company has entered into the Services Sharing Agreement with the Promoter on July 8, 2008, pursuant to which the Promoter shall, with effect from April 1, 2008, provide to the Company, on a shared and non-exclusive basis in common with the Promoter and its subsidiaries, shared services such including, *inter alia*, (i) administrative expenses such as, *inter alia*, housekeeping and telephone expenses and security at offices located at Andheri, Mumbai, cost of which shall be shared between the Promoter and the Company in proportion of 75:25, respectively; (ii) administrative expenses, car and maintenance at TWS Bengaluru; and (iii) shared services of key employees such as chief operating officer, creative directors and head of sourcing; and the cost of (ii) and (iii) above, shall be shared between the Promoter and the Company in proportion of 25:75, respectively. The cost of other shared services not provided for in the Services Sharing Agreement shall be shared between the Promoter and the Company in proportion of 75:25, respectively (collectively the "Shared Services").

The Promoter shall, upon request, supply to the Company the products such as shirting, bottom wear, garments and any job work relating to the said items (the "Products") on a preferred access and arms' length basis at such commercial terms agreed upon in accordance with the terms of the Services Sharing Agreement. Further, in accordance with the terms of the Services Sharing Agreement, the Promoter shall submit to the Company an invoice in respect of the Shared Services and/or the Products supplied and the Company shall pay the said sum upon receipt of a valid invoice. The Company may request the Promoter to cease providing any or all the Shared Services in which case the Promoter shall accede to such request.

The parties shall not assign, license or otherwise transfer any of its rights or obligations under the Services Sharing Agreement without the other party's prior written consent. Further, all information shall be kept confidential by each party and shall be accessible to such persons as may be reasonably required for the purpose of the Services Sharing Agreement. Further, in terms of the Services Sharing Agreement, any express or implied licenses that the Promoter has under this agreement to use any intellectual property belonging to the Company will immediately end upon termination of this agreement including the Promoter's right to supply products that are marked with the intellectual property of the Company

In terms of the Services Sharing Agreement may be terminated by either party upon commission upon a material breach by the other party and failure to cure the same within 60 days of receipt of written notice in this regard. Upon termination the Promoter shall return to the Company or at the request of the Company destroy (i) all properties belonging to the Company which are in possession or under the control of the Promoter and (ii) any material record containing the Company's confidential information. Further, in terms of the Addendum Agreement dated November 30, 2010, the Services Sharing Agreement shall continue to be in force perpetually, subject to earlier termination in accordance with the Services Sharing Agreement.

3. *Trade marks license agreement dated July 8, 2008 (the "TM License Agreement"), entered into between Reid & Taylor (International) Limited ("R&T International") and the Company.*

The Company has entered into the TM License Agreement with R&T International on July 8, 2008, pursuant to which R&T International has granted, with effect from January 1, 2008, a perpetual and exclusive license to the Company to use the trade marks that are registered or pending registration in India and elsewhere incorporating the words 'Reid & Taylor' and/or certain devices (the "Trade Marks") for a license fee of GBP 100 on an annual basis. The right to use the Trade Marks has been granted in respect of textile fabrics including garments, apparels and accessories in luxury category manufactured and marketed

under the Trade Marks (the “Products”) in the territories of the Republic of India, Pakistan, Sri Lanka, Bangladesh, Bahrain, Egypt, Iran, Turkey, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates, Yemen and Palestinian territories of the West Bank and the Gaza Strip.

The Company cannot assign its rights under the TM License Agreement without prior approval of R&T International. Further, the Company shall, upon request of R&T International, include in its promotional material, a statement that the Trade Marks are the registered trade mark of the R&T International in accordance with the terms of the TM License Agreement.

The TM License Agreement shall remain valid until terminated in accordance with its provisions. The TM License Agreement may be terminated by either party, without any prior notice and without liability to pay any compensation, if (i) the other party becomes insolvent, undergoes liquidation, is winding up, undergoes change in management control; and (ii) the management of the other party is taken over, acquired or nationalised by the Government or if there is a sale or transfer of substantially all of the other party’s assets or its business or undertaking. R&T International may terminate the TM License Agreement if the Company (i) is declared a sick undertaking under SICA; (ii) seeks to transfer, charge or assign any of the Trade Marks; and (iii) commits a material breach and the fails to cure the same within 90 days of receipt of a written notice in this regard. Upon termination of the TM License Agreement, the Company will be required to cease to use the Trade Marks. Further, the Company will be required to sell all the Products marked with the Trade Marks and complete binding contracts within a period of 180 days following such termination.

4. *Technical know-how license agreement dated July 8, 2008 (the “TKH License Agreement”), entered into between Reid & Taylor (Holdings) Limited (“RTHL”) and the Company.*

The Company has entered into the TKH License Agreement with RTHL on July 8, 2008, pursuant to which RTHL has granted to the Company, with effect from January 1, 2008 (the “Effective Date”), an exclusive, non-transferable and perpetual license to use the know-how (the “Know-How”) for the purpose of manufacturing pure wool and wool/polyester blend fabric and yarn (the “Products”), using the licensed process in India. From the Effective Date, the Company shall, as consideration, pay a fee of GBP one million payable in seven equal annual instalments and a half yearly recurring royalty of 3.5% of the net ex-factory sale price of the Products exclusive of excise duty and minus the cost of standard brought out components and the landed cost of imported component, irrespective of the source of procurement including without limitation, ocean freight, insurance and customs duty. Further, in accordance with the TKH License Agreement, the parties may, upon expiry of seven years from the date of the TKH License Agreement, enter into good faith discussion in respect of any further payments for continuing the right and license to use the Know-How.

Know-How, in terms of the TKH License Agreement includes *inter alia*, (i) technical information, drawings, specifications designs, manufacturing procedures, formula, methods and the information and expertise; (ii) any patents or patent applications owned by RTHL; (iii) any software; (iv) any intellectual property rights; and (v) any inbound technology and contents licenses, of RTHL relating to spinning, weaving and finishing of the Products manufactured at the Company’s facility.

Whilst, RTHL has the right to assign, without any limitation whatsoever, any or all rights of its rights under the TKH License Agreement, the Company cannot assign any of its rights and/or obligations. During the period of the TKH License Agreement and upon expiry or termination, all information received pursuant to or as a consequence of the TKH License Agreement shall be kept confidential and shall be used only for the purpose of the TKH License Agreement.

TKH License Agreement shall remain valid until terminated in accordance with its provisions. The TKH License Agreement, may be terminated by either party, without any prior notice and without liability to pay any compensation, if (i) the other party becomes insolvent, undergoes liquidation, is winding up, undergoes change in management control; and (ii) the management of the other party is taken over, acquired or nationalised by the Government or if there is a sale or transfer of substantially all of the other party’s assets

or its business or undertaking. RTHL may terminate the TKH License Agreement if the Company (i) is declared a sick undertaking under SICA; (ii) seeks to transfer charge or assign any of the Know-How; (iii) fails to make any payment as set forth in the TKH License Agreement; and (iv) commits a material breach and fails to cure the same within 90 days of receipt of a written notice in this regard. Upon termination of the TKH License Agreement, the Company will be required to cease to manufacture and sell the Products and return to RTHL *inter alia*, all design, drawings, data and specification supplied by RTHL pursuant to the TKH License Agreement without retaining any copies. The Company may, upon termination be permitted to complete binding contracts (then in existence for the supply of Products) within a period of 180 days following such termination.

5. *Master franchisee agreement dated July 8, 2008 (the "Franchisee Agreement"), entered into between BHRL and the Company.*

The Company has entered into the Franchisee Agreement with BHRL on July 8, 2008, pursuant to which BHRL has established and will continue to operate and manage the premises for the business of retail selling and distribution of the products, such as, fabric, ready to wear garments and accessories marketed under the brand name 'Reid & Taylor' or any other brand name owned by or licensed to the Company (the "Products"). In accordance with the Franchisee Agreement, BHRL shall manage, maintain and run all premises established by it, and shall bear the entire cost of furnishing and decorating the interior and exterior of the premises in accordance with the specifications and requirements of the Company. BHRL shall expand the network of premises and agree on a roll-out plan specifying the locations in which BHRL is required to, at its own cost, establish additional premises. Upon failure of BHRL to materially comply with the roll-out plan, the Company shall have the right to appoint a third party to establish premises to retail, sell and market the Products.

In accordance with the Franchisee Agreement, the Products will be sold by the Company to BHRL on wholesale and credit terms. BHRL may return any Products, which are in excess or defective, to the Company, provided BHRL may only return up to 20% in value of the Products delivered to it in that financial year. The Company shall have an absolute right and authority to decide the maximum retail price of the Products and upon the sale of Products to the retail customers by BHRL, BHRL will have a right to retain the retail margin. Further, BHRL shall, in course of its business, be entitled to display signs bearing the brand name 'Reid & Taylor' and any other brand owned by or licensed to the Company, in or out outside the premises, as per the design and instruction of the Company.

In accordance with the Franchisee Agreement, either party can assign their rights with prior written consent of the other party. Whilst, BHRL shall not, at any time during the term of the Franchisee Agreement, enter into any arrangements with any third party to retail sell and/or distribute any products in India relating to any other premium or super premium, domestic or international suiting brand as specified in the Franchisee Agreement, BHRL may establish and operate in India, no more than five premises at any one time in respect of any one such super premium international brand. During the period of the Franchisee Agreement and anytime thereafter, all the information pertaining to *inter alia* business details and trade secrets of the other party shall be kept confidential and either party shall not use such information to the disadvantage of the other party.

The Agreement shall remain valid for a period of 10 years from the date of the Franchisee Agreement and it may be extended for further periods of 10 years on such terms as the parties may mutually agree in writing. Franchisee Agreement can be terminated by either party if the other party commits a breach and fails to cure the same within a period of 90 days from receipt of a written notice in this regard. Upon termination BHRL shall return all the unsold stocks of the Products together with advertising materials and point of sale materials to the Company in accordance with the Franchisee Agreement. Further, upon termination, the Company shall pay to BHRL the invoice value of the Products so returned and cost of delivery therein.

6. *License Agreement dated August 29, 2006 (the "License Agreement"), entered into between Austin Reed Limited and the Promoter and Novation Agreement and Guarantee dated October 31, 2008 (the "Novation Agreement") between the Promoter, Austin Reed Limited and the Company.*

The Promoter has entered into the License Agreement with Austin Reed Limited ("Austin Reed") on August 29, 2006, pursuant to which Austin Reed has granted to the Promoter an exclusive, revocable, non-transferable license to use the trade mark "STEPHENS BROTHERS" (the "Trade Mark") and know-how relating to the design, manufacture, marketing, packaging of certain types of men's formal wear and smart casual clothing and women's clothing in India (the "Licensed Goods"). This License Agreement shall continue until December 31, 2011 (the "Initial Term") and shall continue for a further term of five years provided that the Promoter has achieved at the end of the Initial Term a net retail sales value of £2.45 million. The net retail sales value is calculated at 40% of the full non-discounted retail price charged by the Promoter or retail outlets. Further, in terms of the License Agreement, the Promoter shall pay Austin Reed an annual technical assistance fees/royalties at the rate of 5% of the net sales value of all the Licensed Goods sold by or on behalf of the Promoter pursuant to the License Agreement.

Subsequently on October 31, 2008, the Promoter, the Company and Austin Reed have entered into a Novation Agreement pursuant to which the Company has taken over the obligations of the Promoter under the License Agreement. However, the Promoter agrees to indemnify Austin Reed in the event the Company fails to perform any of its obligations under the Novation Agreement.



## MANAGEMENT

Under the Articles of Association, the Company is required to have not less than four directors and not more than 12 directors. The Company currently has six Directors.

The following table sets forth details regarding the Board as of the date of filing of this Draft Red Herring Prospectus:

Name, Father's Name, Designation, Address, Occupation, Nationality, Term and DIN	Age (in years)	Other Directorships/Partnerships/Trusts in which the Director is a trustee
<p><b>Dr. A. C. Shah</b> (S/o Chunilal Shah)</p> <p>Non-Executive Chairman, Independent Director</p> <p>Address: C-1/2, Lloyds Garden Appasaheb Marathe Marg Prabha Devi Mumbai 400 025</p> <p>Occupation: Retired</p> <p>Nationality: Indian</p> <p>Term: Liable to retire by rotation</p> <p>DIN: 00022612</p>	78	<p><i>Other directorships</i></p> <ol style="list-style-type: none"> <li>1. Elecon Engineering Limited;</li> <li>2. Adani Enterprises Limited;</li> <li>3. Gujarat Petro Synthesis Limited;</li> <li>4. Benchmark Mutual Fund Trustee Company Limited;</li> <li>5. Goldcrest Finance (India) Limited;</li> <li>6. Brandhouse Retails Limited;</li> <li>7. Goenka Diamonds &amp; Jewels Limited and</li> <li>8. S. Kumars Nationwide Limited</li> </ol> <p><i>Partnerships</i></p> <p>Nil</p> <p><i>Trusts</i></p> <p>Nil</p>
<p><b>Nitin S. Kasliwal</b> S/o Shambhukumar Kasliwal</p> <p>Managing Director and Executive Director</p> <p>Address: Flat No 1, Kanta, Little Gibbs Road, Maalabar Hill Mumbai 400 026</p> <p>Occupation: Business</p> <p>Nationality: Indian</p> <p>Term: Three years with effect from May 19, 2008</p> <p>DIN: 00022630</p>	50	<p><i>Other directorships</i></p> <ol style="list-style-type: none"> <li>1) Anjani Finvest Private Limited;</li> <li>2) Brandhouse Retails Limited;</li> <li>3) Chamundeshwari Mercantile Private Limited;</li> <li>4) Ingenious Finance &amp; Investment Private Limited;</li> <li>5) Maverick Enterprise Private Limited;</li> <li>6) Natty Finance &amp; Investment Private Limited;</li> <li>7) S. Kumar Company (Trades) Private Limited;</li> <li>8) S. Kumars Enterprise (Synfabs) Limited;</li> <li>9) S. Kumars Nationwide Limited;</li> <li>10) Sansar Exim Private Limited;</li> <li>11) Tulja Enterprise Private Limited; and</li> <li>12) Verve Properties &amp; Investment Private Limited</li> </ol> <p><i>Partnerships</i></p> <ol style="list-style-type: none"> <li>1) Kamal Enterprises;</li> <li>2) Mukul Corporation;</li> <li>3) S. K. Grand Sons;</li> <li>4) S. Kumars Research Services;</li> <li>5) Sunhill Enterprises; and</li> <li>6) Sunshine Enterprises;</li> </ol> <p><i>Trusts</i></p>

Name, Father's Name, Designation, Address, Occupation, Nationality, Term and DIN	Age (in years)	Other Directorships/Partnerships/Trusts in which the Director is a trustee
		Nil
<p><b>Anil Kumar Channa</b> S/o Prithvi Channa</p> <p>Non-Executive Director</p> <p>Address: 71, Sagar Tarang co-operative housing society, 15 K, Abdul Gafur Khan Road, Worli Mumbai 400 018</p> <p>Occupation: Service</p> <p>Nationality: Indian</p> <p>Term: Liable to retire by rotation</p> <p>DIN: 01359682</p>	62	<p><i>Other directorships</i></p> <ol style="list-style-type: none"> <li>1) N'Essense Holdings Limited;</li> <li>2) S. Kumars Nationwide Limited;</li> <li>3) Remala Trading BV;</li> <li>4) Leggiuno S.p.A.;</li> <li>5) Hartmarx Acquisition Corp; and</li> <li>6) Copley Corporation.</li> </ol> <p><i>Partnerships</i></p> <p>Nil</p> <p><i>Trusts</i></p> <p>Nil</p>
<p><b>Kunnasagaran Chinniah</b> S/o Raiki Chinniah</p> <p>Non-Executive Director</p> <p>Address: 12, Countryside Grove Singapore 789 967</p> <p>Occupation: Fund manager</p> <p>Nationality: Singaporean</p> <p>Term: Liable to retire by rotation</p> <p>DIN: 01590108</p>	53	<p><i>Other directorships</i></p> <ol style="list-style-type: none"> <li>1) AIG Asian Infrastructure Fund II LP;</li> <li>2) AIG Asian Infrastructure Fund LP;</li> <li>3) AIG Asian Infrastructure Management II Limited;</li> <li>4) AIG Asian Infrastructure Management Limited;</li> <li>5) Airy Investment Pte Ltd;</li> <li>6) Alda Investment Pte Ltd;</li> <li>7) Ambience Investment Pte Ltd;</li> <li>8) Apfarm Investment Pte Ltd;</li> <li>9) Apfin Investment Pte Ltd;</li> <li>10) Apmac Investment Pte Ltd;</li> <li>11) Apsif Pte Ltd;</li> <li>12) Arran Investment Pte Ltd;</li> <li>13) Asia Pacific Electric Pte Ltd;</li> <li>14) Asset Reconstruction Company (India) Limited;</li> <li>15) Aviva Investment Pte Ltd;</li> <li>16) Balance Investment Pte Ltd;</li> <li>17) Ballarpur International Graphic Paper Holdings B.V.;</li> <li>18) Barley Investment Pte Ltd;</li> <li>19) Bellweather Investment Pte Ltd;</li> <li>20) BMC Investment Pte Ltd;</li> <li>21) Bonsai Investment Pte Ltd;</li> <li>22) Bubie Investment Pte Ltd;</li> <li>23) Canning Investment Pte Ltd;</li> <li>24) CDH China Growth Capital Holdings Company Limited;</li> <li>25) CDH China Holdings Company Limited;</li> <li>26) CDH China Management Company Limited;</li> <li>27) CDH III Holdings Company Limited;</li> <li>28) CDH IV Holdings Company Limited;</li> <li>29) Cencap Investment Pte Ltd;</li> </ol>

Name, Father's Name, Designation, Address, Occupation, Nationality, Term and DIN	Age (in years)	Other Directorships/Partnerships/Trusts in which the Director is a trustee
		30) Chimera Investment Pte Ltd; 31) City-Scape Pte Ltd; 32) Clarity Investment Pte Ltd; 33) CMA Investment Pte Ltd; 34) Durango Investment Pte Ltd; 35) Edelweiss Capital Limited (SEBI Registration No. INM0000010650 and INP000000555); 36) Elba Investment Pte Ltd; 37) Elbe Investment Pte Ltd; 38) Enon Investment Pte Ltd; 39) Equanimity Investment Pte Ltd; 40) Fareham Investment Pte Ltd; 41) Ganbaru Investment Pte Ltd; 42) Genki Investment Pte Ltd; 43) Geyser Investment Pte Ltd; 44) GIC Infra Holdings Pte Ltd; 45) GIC Infrastructure Pte Ltd; 46) Gilded Cage Investment Pte Ltd; 47) Goodison Investment Pte Ltd; 48) Heavyweight Investment Pte Ltd; 49) Hippogriff Investment Pte Ltd; 50) HT Holdings IX, Limited; 51) Hybrid Investment Pte Ltd; 52) Indinvest Pte Ltd; 53) Keizai Investment Pte Ltd; 54) Kokoro Investment Pte Ltd; 55) Lathe Investment Pte Ltd; 56) Linseed Investment Pte Ltd; 57) Malton Investment Pte Ltd; 58) Manzoku Investment Pte Ltd; 59) Megafield Investment Pte Ltd; 60) Miners Investment Pte Ltd; 61) Mojo Investments Pte Ltd; 62) Monney Investment Pte Ltd; 63) Nashira Investment Pte Ltd; 64) Noryoku Investment Pte Ltd; 65) Novastar Investment Pte Ltd; 66) Onset Investment Pte Ltd; 67) Ora Investment Pte Ltd; 68) Orchid Grove Investment Pte Ltd; 69) Oscilate Investment Pte Ltd; 70) Pacific Grove Investment Pte Ltd; 71) Pacific Infrastructure Development Pte Ltd; 72) Peacce Investment Pte Ltd; 73) Presence Investment Pte Ltd; 74) Prost Investment Pte Ltd; 75) Prowell Ventures Pte Ltd; 76) Quakers Investment Pte Ltd; 77) Renew Investment Pte Ltd; 78) Rhine Investment Pte Ltd; 79) Rieki Investment Pte Ltd; 80) Sauber Investment Pte Ltd; 81) Seabed Veil Investment Pte Ltd;

Name, Father's Name, Designation, Address, Occupation, Nationality, Term and DIN	Age (in years)	Other Directorships/Partnerships/Trusts in which the Director is a trustee
		<p>82) Seashore Investment Pte Ltd;  83) Shelly Investment Pte Ltd;  84) Shorelight Investment Pte Ltd;  85) Sing Glow Investment Pte Ltd;  86) Singa Capital Pte Ltd;  87) Sloan Street Investment Pte Ltd;  88) Southern Pine Pte Ltd;  89) Sphinx Investment Pte Ltd;  90) Spielberg Investment Pte Ltd;  91) Starbird Investment Pte Ltd;  92) Starbright Investment Pte Ltd;  93) Staveley Investment Pte Ltd;  94) Suzie Investment Pte Ltd;  95) Tanti Investment Pte Ltd;  96) Techline Investment Pte Ltd;  97) Techlink Investment Pte Ltd (Mauritius);  98) Terman Investment Pte Ltd;  99) Tetrad Ventures Pte Ltd;  100) Thaivest Pte Ltd;  101) Tiburon Investment Pte Ltd;  102) Towngreen Investment Pte Ltd;  103) Trestle Investment Pte Ltd;  104) Tropical Excellence Infrastructure Pte Ltd;  105) Twickenham Investment Pte Ltd;  106) US Venture Pte Ltd;  107) Vagabond Investment Pte Ltd;  108) Vencap Holdings (1987) Pte Ltd;  109) Vencap Holdings (1992) Pte Ltd;  110) Warspeed Investment Pte Ltd;  111) Waverly Pte Ltd;  112) WBC Investment Pte Ltd;  113) WCT Investment Pte Ltd;  114) WEI Investment Pte Ltd;  115) White Hart Investment Pte Ltd;  116) Wolverine Investment Pte Ltd;  117) Wynoda Investment Pte Ltd;  118) Yonatan Investment Pte Ltd;  119) Yoshua Investment Pte Ltd;  120) Yugo Veil Investment Pte Ltd;  121) ZC Investment Pte Ltd;  122) Zede Investment Pte Ltd; and  123) Zeitgeist Investment Pte Ltd</p> <p><i>Partnerships</i></p> <p>Nil</p> <p><i>Trusts</i></p> <p>Nil</p>
<b>Dara P. Mehta</b> S/o Phirozeshaw Mehta	77	<i>Other directorships</i>  1) Bloomberg Data Services (India) Private

Name, Father's Name, Designation, Address, Occupation, Nationality, Term and DIN	Age (in years)	Other Directorships/Partnerships/Trusts in which the Director is a trustee
<p>Non-Executive, Independent Director</p> <p>Address: 10, Southlands, 177, Colaba Road, Mumbai 400 005</p> <p>Occupation: Business</p> <p>Nationality: Indian</p> <p>Term: Liable to retire by rotation</p> <p>DIN: 00041164</p>		<p>Limited;</p> <p>2) DME Company (India) Private Limited;</p> <p>3) Emerson Climate Technologies (India) Limited;</p> <p>4) Emerson Network Power (India) Private Limited;</p> <p>5) GKN Driveline (India) Limited;</p> <p>6) Global Dolphin Drilling Co. Private Limited;</p> <p>7) Goa Carbon Limited;</p> <p>8) Grolier International Private Limited;</p> <p>9) Indo – French Chamber of Commerce &amp; Industry; and</p> <p>10) Insilco Limited</p> <p><i>Partnerships</i></p> <p>1) Little &amp; Co.</p> <p><i>Trusts</i></p> <p>Nil</p>
<p><b>Pradip P. Shah</b> S/o Panalal Shah</p> <p>Non-Executive, Independent Director</p> <p>Address: 72A Embassy Apartments, 7<sup>th</sup> Floor, Napean Sea Road, Mumbai - 400 006</p> <p>Occupation: Business</p> <p>Nationality: Indian</p> <p>Term: Liable to retire by rotation</p> <p>DIN: 00066242</p>	58	<p><i>Other directorships</i></p> <p>1) AMP IndAsiaFund Advisors (Mauritius) Limited;</p> <p>2) Asset Reconstruction Company (India) Limited;</p> <p>3) BASF India Limited;</p> <p>4) C3 Advisors Private Limited;</p> <p>5) Godrej &amp; Boyce Mfg. Limited;</p> <p>6) Grindwell Norton Limited;</p> <p>7) Hardy Oil &amp; Gas Limited;</p> <p>8) IndAsiaFund Advisors Private Limited;</p> <p>9) Indo-Us MIM Tech Private Limited;</p> <p>10) Kansai Nerolac Paints Limited;</p> <p>11) KSB Pumps Limited;</p> <p>12) Mukand Limited;</p> <p>13) Panasonic Energy India Co. Limited;</p> <p>14) Pangea EcoNet Assets Private Limited;</p> <p>15) Patni Computers Systems Limited;</p> <p>16) Pfizer Limited;</p> <p>17) Shah Foods Limited;</p> <p>18) Sonata Software Limited;</p> <p>19) Supra Advisors (BVI) Limited;</p> <p>20) Tata Investment Corporation Limited; and</p> <p>21) Wyeth Limited</p> <p><i>Partnerships</i></p> <p>Nil</p> <p><i>Trusts</i></p> <p>Nil</p>

None of the Directors are related to each other.

## **Brief Biographies**

### **Dr. A. C. Shah**

Dr. A.C. Shah is the non-executive Chairman and an independent director of the Company. He holds a Doctorate in Economics. Prior to joining the Company, he was the chairman and managing director of Bank of Baroda. He has 30 years of experience in banking. He was appointed to the Board of Directors as an additional Director of the Company on September 27, 2010, subject to regularisation in the next AGM.

### **Nitin S. Kasliwal**

Nitin S. Kasliwal is the Managing Director of the Company. He holds a Master's Degree in Business Administration from European Business School, Switzerland. He has 32 years of experience in the textile business. He is an active member of the managing committee of associations like the Indian Cotton Mills Federation, Indian Woolen Mills Association and Visvesaraya Industrial Research & Development Centre. He was appointed to the Board of Directors of the Company on May 19, 2008.

### **Anil Kumar Channa**

Anil Kumar Channa is a non-executive Director of the Company. He holds a Bachelor's Degree in Textile Technology from Indian Institute of Technology, Delhi. He also holds a Master's Degree in Business Administration from Delhi University. He has over 36 years of experience in various reputed textiles industries such as Welspun India Limited, Worldtex India Limited, P.T. Five Star Industries Limited, Jupiter Textile Mills and National Textile Corporation Limited. Currently, he holds the position of deputy managing director of the Promoter. He was appointed to the Board of Directors on August 25, 2008.

### **Kunnasagaran Chinniah**

Kunnasagaran Chinniah is a non-executive Director of the Company. He holds a Bachelor's Degree in Engineering (Electrical) from the National University of Singapore. He also holds a Master's Degree in Business Administration from University of California (Berkeley). He is also a chartered financial analyst. He has 20 years of experience in fund management. Between 1989 and 2008, he held various positions within what was then the Special Investments Department of GIC, and later GICSI, the private equity arm of GIC, in its North American, European and Asian offices. Prior to his association with the Company, he was the regional head (Asia) of GICSI. He is currently a managing director and global head of the portfolio, risk, and strategy group in GIC. He was appointed to the Board of Directors as an additional Director of the Company on September 27, 2010, subject to regularisation in the next AGM.

### **Dara P. Mehta**

Dara P. Mehta is a non-executive and independent director of the Company. He holds a Bachelor's Degree in Law from the Pune University and a Bachelor's Degree in Arts from the Bombay University. He also holds a Master's Degree in Law from Harvard University. He has 55 years of experience in law. He is currently a partner in Little & Co., a law firm in India. He was appointed to the Board of Directors of the Company on December 14, 2009.

### **Pradip P. Shah**

Pradip P. Shah is a non-executive and independent director of the Company. He holds a Bachelor's Degree in Commerce from Sydenham College, Mumbai. He is an Associate Member of the Institute of Chartered Accountants of India and Institution of Cost and Works Accounts of India. He also holds a Master's Degree in Business Administration from Harvard Graduate School of Business. He has 27 years of experience in various industries. Pradip P. Shah is a founder of CRISIL Limited. He was appointed to the Board of Directors of the Company on July 30, 2010.

### Terms of Appointment of the Executive Director

Nitin S. Kasliwal was appointed the Chairman and Managing Director of the Company for a period of three years with effect from May 19, 2008 and as approved by the Shareholders of the Company pursuant to their resolution passed on June 2, 2008. The following are his terms of appointment:

Particulars	Remuneration
Salary	Nil
Commission	Nil
Perquisites	Nil

Pursuant to resolution of the Board of Directors passed by them in their meeting held on September 27, 2010, he ceased to be the Chairman of the Company and continued as the Managing Director of the Company.

### Payment or benefit to Directors of the Company

The sitting fees/other remuneration paid to the Directors for fiscal year 2010 are as follows:

#### 1. Remuneration to Executive Directors:

Nitin S. Kasliwal was not paid any remuneration by the Company for fiscal year 2010.

#### 2. Remuneration to Non – Executive Directors:

The details of the sitting fees and other payments paid to the Non-Executive Directors of the Company in fiscal year 2010 are set forth in the table below:

Sr. No.	Name of the Director	Sitting Fees (in Rs.)
1.	Jyoti N. Kasliwal <sup>(1)</sup>	60,000
2.	Anil Kumar Channa	1,40,000
3.	Kunnasagaran Chinniah	60,000
4.	Dara D. Avari <sup>(1)</sup>	2,00,000
5.	Dara P. Mehta	20,000
6.	Dr. A.C. Shah <sup>(2)</sup>	-
7.	Pradip P. Shah <sup>(3)</sup>	-

<sup>(1)</sup> Jyoti N. Kasliwal and Dara D. Avari resigned from the Board of Directors with effect from September 27, 2010.

<sup>(2)</sup> Dr. A. C. Shah was appointed on the Board of Directors of the Company on September 27, 2010

<sup>(3)</sup> Pradip P. Shah was appointed on the Board of Directors of the Company on July 30, 2010

Except for sitting fees, no other remuneration was paid to the non-executive Directors.

None of the beneficiaries of loans, and advances and sundry debtors are related to the Directors of the Company. Further, except statutory benefits upon termination of their employment in the Company or retirement, no officer of the Company, including the Directors and the key management personnel, are entitled to any benefits upon termination of employment.

No loans have been availed by the Directors or the key management personnel from the Company.

### Shareholding of Directors

None of the Directors of the Company hold any Equity Shares as on the date of filing this Draft Red Herring Prospectus.

The Company's Articles of Association do not require the Directors to hold any qualification shares.

## **Borrowing Powers of the Board**

In accordance with the Article of Association, the Board may borrow, from time to time, subject to provisions of Section 58A and Section 293 of the Companies Act. Provided however, where the money(s) to be borrowed together with the money(s) already borrowed by the Company and outstanding (apart from the temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and free reserves of the Company (i.e. reserves not set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in AGM/EGM. The Board is authorised to borrow moneys in compliance with the limits specified under the Companies Act.

## **Corporate Governance**

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of the Equity Shares with the Stock Exchanges. The Company believes that it is in compliance with the requirements of the applicable regulations, including the Listing Agreement with the Stock Exchanges and the SEBI Regulations, in respect of corporate governance including constitution of the Board and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law.

The Company has a Board constituted in compliance with the Companies Act and the Listing Agreement with Stock Exchanges. The Board functions either as a full board or through various committees constituted to oversee specific functions. The Company's executive management provides the Board detailed reports on its performance periodically.

Currently the Board has six Directors and the Chairman is a non-executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, the Company has one Executive Director and two non-executive Directors, along with three Independent Directors, on the Board.

## **Committees of the Board**

### ***Audit Committee***

The members of the Audit Committee are:

1. Dr. A.C. Shah, *chairman*;
2. Dara P. Mehta; and
3. Kunnasagaran Chinniah.

The Audit Committee was re-constituted by a meeting of the Board held on September 27, 2010. The scope and function of the Audit Committee is in accordance with Section 292A of the Companies Act and Clause 49 of the Listing Agreement and its terms of reference include the following:

1. Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommending to the Board the appointment, re-appointment and, if required, the replacement of statutory auditor and the fixation of audit fee;
3. Approving payments to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a. 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;



- b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions; and
  - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
  - 5A. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
  6. Reviewing, with the management, the performance of statutory and internal auditors, and the adequacy of the internal control systems;
  7. Reviewing the adequacy of internal audit functions, 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;
  8. Discussing with internal auditors on any significant findings and follow up there on;
  9. 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;
  10. Discussing 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;
  11. Reviewing the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
  12. Reviewing the functioning of the whistle blower mechanism, in case the same is existing;
  13. Approving of appointment of chief financial officer (i.e. the whole time finance director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc of the candidate; and
  14. Carrying out any other function as is mentioned in terms of reference of the audit committee.

The powers of the Audit Committee shall include the power to:

1. Investigate any activity within its terms of reference;
2. Seek information from any employee;
3. Obtain outside legal or other professional advice;

4. Secure attendance of outsiders with relevant expertise, if it considers necessary

Further, the Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statements of significant related party transactions (as defined by the Audit Committee), submitted by management;
3. Management letters/ letters of internal control weakness issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The terms of appointment, removal and remuneration of the chief internal auditor.

#### ***Remuneration Committee***

The members of the Remuneration Committee are:

1. Dr. A.C. Shah, *chairman*;
2. Dara P. Mehta; and
3. Kunnasagaran Chinniah.

The Remuneration Committee was re-constituted by a meeting of the Board held on September 27, 2010. The terms of reference of the Remuneration Committee include the following:

1. Reviewing the overall compensation policy, service agreements and other employment conditions of the Executive Chairman, the Managing Director and whole-time Directors.
2. To recommending to the Board of Directors the remuneration payable to the Managing Director and the whole-time Directors as well as salary revisions to be paid from the succeeding financial year.

The terms of reference of the Committee are as per the provisions of the Companies Act and Clause 49 of the Listing Agreement with Stock Exchanges.

#### ***Shareholders' Grievances Committee***

The members of the Shareholders' Grievances Committee are:

1. Dr. A.C. Shah, *chairman*;
2. Dara P. Mehta ; and
3. Anil Channa.

The Shareholders' Grievances Committee was constituted by the Board at their meeting held on September 27, 2010. This Committee is responsible for the redressal of shareholder grievances. The terms of reference of the Shareholders Grievances Committee of the Company include the following:

1. Transfer of shares;
2. Non-receipt of balance sheet;
3. Non-receipt of dividend; and
4. Any other grievance that a shareholder or investor of the Company may have against the Company.

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

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

### **Interest of Directors**

The Directors may be deemed to be interested to the extent of any fees and remuneration payable to them by the Company as well as to the extent of any reimbursement of expenses payable to them, and to the extent of remuneration paid to them for services rendered as an officer or employee of the Company.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to them under the Employee Reservation Portion or that may be subscribed by or allotted to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of the Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares.

The Directors have no interest in any property acquired by the Company within the preceding two years from the date of this Draft Red Herring Prospectus.

Except as stated in the section “Related Party Transactions” on page 136 of this Draft Red Herring Prospectus and described herein to the extent of shareholding in the Company, if any, the Directors do not have any other interest in the Company’s business.

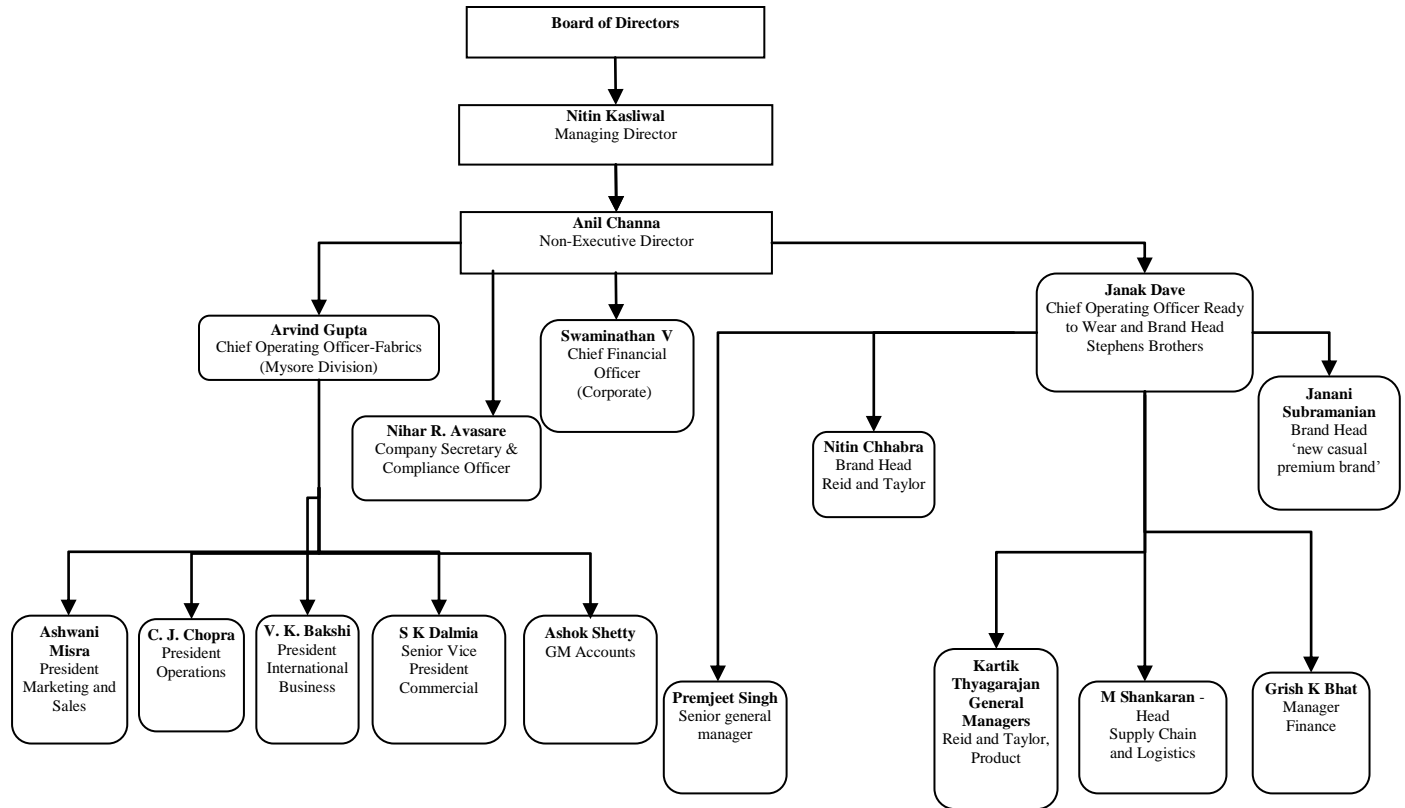
Further, there is no arrangement or understanding with the major shareholders, customers, suppliers or others, pursuant to which the Directors or the key management personnel were selected as director or member of senior management.

None of the Directors have entered into any service contracts with the Company.

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

<b>Name</b>	<b>Date of Appointment/Change</b>	<b>Date of Cessation</b>	<b>Reason</b>
Anees Fazalbhoy	November 24, 2007	August 25, 2008	Resignation
Janak Dave	November 24, 2007	August 25, 2008	Resignation
Tarun Joshi	November 24, 2007	August 25, 2008	Resignation
Nitin S. Kasliwal	May 19, 2008	-	Appointment
Jyoti N. Kasliwal	August 25, 2008	September 27, 2010	Resignation
Dara D. Avari	August 25, 2008	September 27, 2010	Resignation
Anil Kumar Channa	August 25, 2008	-	Appointment
Dara P Mehta	December 14, 2009	-	Appointment
Pradip P. Shah	July 30, 2010	-	Appointment
Dr. A.C. Shah	September 27, 2010	-	Appointment
Kunnasagan Chinniah	September 27, 2010	-	Appointment

## Management Organisation Chart



## Key Management Personnel

Provided below are the details of the Company's key management personnel.

**Janak Dave**, aged 51 years and an Indian national, is the chief operating officer of the ready-to-wear apparel division of the Company and is also the brand head for 'Stephens Brothers'. He joined the Company on August 1, 2007. He holds a Bachelor's Degree in Science from Ahmedabad University and a Master's Degree in Business Administration from Ahmedabad University. He has 28 years of experience in the apparel industry. Prior to joining the Company, he has worked for Arvind Brands Limited as the business head. During fiscal year 2010, he was paid a gross compensation of Rs. 7.81 million by the Company.

**Nitin Chhabra**, aged 36 years and an Indian national, is the brand head for 'Reid & Taylor' in the ready-to-wear apparel division of the Company. He joined the Company on December 10, 2009. He holds a Bachelor's Degree in Commerce from Delhi University and Master's Degree in Business Administration from Apejay School of Management, Delhi University. He has 12 years of experience in the apparel industry. Prior to joining the Company, he has worked for Reliance Brands Limited as a senior vice president. Nitin Chhabra receives a guaranteed incentive of Rs. 0.25 million per quarter. During fiscal year 2010, he was paid a gross compensation of Rs. 1.82 million.

**Janani Subramanian**, aged 36 years and an Indian national, is the brand head for the 'new casual premium brand' in the ready-to-wear apparel division of the Company. She joined the Company on July 30, 2010. She has Bachelor's Degree in Science from Bangalore University and a Post Graduate Diploma in Advertising & Communication Management from Mumbai University. She has 12 years of experience in the apparel industry. Prior to joining the Company, she has worked for VF Arvind Brands Private Limited as the business head/brand manager for Wrangler.

**Kartik Thyagarajan**, aged 38 years and an Indian national, is the general manager of the ready-to-wear apparel division of the Company. He joined the Company on September 1, 2008. He holds a Professional Diploma in Fashion Designing and Pattern Making from London Centre for Fashion Studies. He has over 10 years of experience in the apparel industry. Prior to joining the Company, he has worked for Colour Plus Fashions Limited as the head supply chain management. During fiscal year 2010, he was paid a gross compensation of Rs. 2.26 million.

**Ashok Shetty**, aged 41 years and an Indian national, is the general manager of the accounts department of the Company. He joined the Company on June 10, 1999. He holds a Bachelor's Degree in Commerce from Mangalore University and is a fellow member of Institute of Cost and Works Accountants of India. He has 18 years of experience in accounts, finance, management information systems and controls. Prior to joining the Company, he has worked for Larsen & Turbo Limited. During fiscal year 2010, he was paid a gross compensation of Rs. 1.41 million.

**Premjeet Singh**, aged 40 years and an Indian national, is the senior general manager of the ready-to-wear apparel division of the Company. He joined the Company on April 1, 2008. He holds a Diploma from National Institute of Fashion Technology, Delhi University and a Master's Degree in Business Administration from Bangalore University. He has 15 years of experience in the apparel industry. Prior to joining the Company, he has worked for Arvind Brands Limited as the business head for Arrow Suits. During fiscal year 2010, he was paid a gross compensation of Rs. 2.76 million.

**M. Shankaran**, aged 42 years and an Indian national, is the head, supply chain and logistics management, of the ready-to-wear apparel division of the Company. He joined the Company on June 25, 2007. He holds a Bachelor's Degree in Technology (Mechanical) from Vellore University and a Post Graduate Degree in Business Management from Bangalore University. He has 17 years of experience in apparel industry. Prior to joining the Company, he has worked for Arvind Brands Limited as the head of the logistics department. During fiscal year 2010, he was paid a gross compensation of Rs. 0.99 million.

**Girish K Bhatt**, aged 37 years and an Indian national, is the manager, finance, of the ready-to-wear apparel division of the Company. He joined the Company on February 9, 2007. He holds a Master's Degree in Commerce from Mysore University and is Associate Member of Institute of Chartered Accountant of India. He has 11 years of experience in manufacturing and services. Prior to joining the Company, he has worked for Zuari Cements Limited as an assistant manager of the finance department. During fiscal year 2010, he was paid a gross compensation of Rs. 0.77 million.

**Swaminathan V.**, aged 51 years and an Indian national, is the chief financial officer of the Company. He joined the Company on December 17, 2009. He holds a Bachelor's Degree in Science from Madras University and is a qualified chartered accountant. He has 26 years of experience in finance and banking, corporate planning and control. Prior to joining the Company, he has worked for Carraro India Limited as the country financial controller. During fiscal year 2010, he was paid a gross compensation of Rs. 1.59 million.

**Arvind Gupta**, aged 59 years and an Indian national, is the chief operating officer of the Mysore division of the Company. He joined the Company on January 15, 2007. He holds a Bachelor's Degree in Arts from Delhi University. He has 40 years of experience in worsted fabric industry. Prior to joining the Company, he has worked for Raymond Limited as the director of operations. During fiscal year 2010, he was paid a gross compensation of Rs. 6.87 million.

**Ashwani Misra**, aged 51 years and an Indian national, is the president of marketing and sales for the Mysore division of the Company. He joined the Company on October 12, 2007. He holds a Bachelor's Degree in Science from Kanpur University and a Master's Degree in Business Administration from Kanpur University. He has 25 years of experience in marketing and sales. Prior to joining the Company, he has worked for Raymond Limited as the director of sales. During fiscal year 2010, he was paid a gross compensation of Rs. 5.13 million.

**C. J. Chopra**, aged 66 years and an Indian national, is the president of operations for the Mysore division of the Company. He joined the Company on May 5, 1998. He holds a Bachelor's Degree in Science from Lucknow University and a Diploma in Textile Chemistry from Punjab University. He has 32 years of experience in human

resources, administration and production. Prior to joining the Company, he has worked for Raymond Limited as general manager of works. During fiscal year 2010, he was paid a gross compensation of Rs. 4.18 million.

**V. K. Bakshi**, aged 57 years and an Indian national, is the president of international business for the Mysore division of the Company. He joined the Company on August 28, 2006. He holds a Master's Degree in Business Administration from Mumbai University. He has 29 years of experience in worsted fabric. Prior to joining the Company, he has worked for Rajasthan Spinning and Weaving Mills as president. During fiscal year 2010, he was paid a gross compensation of Rs. 7.01 million.

**S. K. Dalmia**, aged 67 years and an Indian national, is the vice president of commercial for the Mysore division of the Company. He joined the Company on January 3, 2004. He holds a Bachelor's Degree in Commerce from Rajasthan University. He has 43 years of experience in textiles. Prior to joining the Company, he has worked for Lohia Group of Companies as group president. During fiscal year 2010, he was paid a gross compensation of Rs. 2.75 million.

**Nihar R. Avasare**, aged 30 years and an Indian national, is the company secretary and compliance officer of the Company. He was transferred from SKNL to the Company with effect from August 1, 2008. He is an associate member of the Institute of Company Secretaries of India and holds a Bachelors Degree in Commerce from Mumbai University. He has over six years of experience in corporate secretarial matters. Prior to joining the Company he was employed with SKNL as an assistant company secretary. During fiscal year 2010, he was paid a gross compensation of Rs. 1.12 million.

Except as stated above, the key management personnel are permanently employed with the Company as of the date of this Draft Red Herring Prospectus.

None of the key management personnel of the Company are related to each other.

#### **Shareholding of key management personnel**

None of the key management personnel hold any Equity Shares in the Company.

#### **Bonus or profit sharing plan of the key management personnel**

Nitin Chhabra, one of the key management personnel of the Company, receives a guaranteed incentive of Rs. 0.25 million per quarter. Except for Nitin Chhabra and the Company Secretary of the Company, all of the key management personnel of the Company are entitled to receive performance linked incentive which may range between 2% to 30% of the cost to the Company (fixed cost).

#### **Interests of key management personnel**

The key management personnel of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and the employee stock options held, if any. The key management personnel may be regarded as interested in the Equity Shares that may be subscribed by or allotted to them under the Employee Reservation Portion. All of the key management personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributors in respect of the said Equity Shares.

None of the key management personnel have been paid any consideration or benefit of any nature from the Company, other than their remuneration.

#### **Changes in the key management personnel**

The changes in the key management personnel in the last three years are as follows:

Name	Date of change	Reason for change
------	----------------	-------------------

Janani Subramanian	July 30, 2010	Appointment
G. Narayanan	June 19, 2010	Resignation
Swaminathan V.	December 17, 2009	Appointment
Nitin Chhabra	December 10, 2009	Appointment
Kartik Thyagarajan	September 1, 2008	Appointment
Premjeet Singh	April 1, 2008	Appointment
Ashwani Misra	October 12, 2007	Appointment

**Payment or Benefit to officers of the Company (non-salary related)**

No amount or benefit has been paid within the two preceding years or is intended to be paid or given to any of the Company's officers including the Directors and key management personnel, including benefits in kind for all capacities and contingent or deferred compensation.

## PROMOTER AND PROMOTER GROUP

### Promoter

S. Kumars Nationwide Limited is the Promoter of the Company.

### S. Kumars Nationwide Limited

SKNL was incorporated under the Companies Act on September 28, 1990. The registered office of SKNL is situated at Marathon Innova IT Park, B2/501 and C-501, 5th Floor, off Ganpatrao Kadam Marg, Lower Parel (West), Mumbai 400 013. SKNL is involved in the business of buying, selling, marketing, dealing, developing, importing and exporting all kinds of textile fabrics and textile products. SKNL undertook an expansion plan for setting up new facilities during the years 1998-2002 which was primarily funded through high cost debt. SKNL was unable to service this debt on time during the years 2000-2002. SKNL undertook a credit restructuring exercise under the CDR mechanism formulated by the RBI. On September 12, 2008, the CDR forum allowed SKNL to exit from the CDR mechanism subject to certain terms and conditions. SKNL exited the CDR Scheme on August 22, 2008. SKNL has settled all dues under the CDR mechanism with respect to its lenders.

### Board of Directors:

The board of directors of SKNL comprises of:

1. Dr. A. C. Shah;
2. Nitin S. Kasliwal;
3. Anil Kumar Channa;
4. Jyoti N. Kasliwal;
5. Martin Henry;
6. Vijay Kalantri;
7. Amita Narain;
8. Vinayshil Gautam;
9. Anish Modi;
10. Denys Frith;
11. Dara D. Avari;
12. Jitender Balakrishnan; and
13. Alexander Shaik (alternate to Denys Frith).

Shareholding Pattern of SKNL as of September 30, 2010 is as follows:

	Category of Shareholder	No. of Shareholders	Total No. of Equity Shares	Total No. of Equity Shares held in Dematerialized Form	Total Shareholding as a % of Total Number of Equity Shares		Equity Shares Pledged or Otherwise Encumbered	
					As a % of (A+B)	As a % of (A+B+C)	Number of Equity Shares	As a % of total no. of Equity Shares
(A)	<b>Shareholding of Promoter and Promoter Group</b>							
(1)	<b>Indian</b>							
(a)	Individuals/Hindu Undivided Family	8	3,124,113	3,123,113	1.18	1.18	110,000	3.52



	Category of Shareholder	No. of Shareholders	Total No. of Equity Shares	Total No. of Equity Shares held in Dematerialized Form	Total Shareholding as a % of Total Number of Equity Shares		Equity Shares Pledged or Otherwise Encumbered	
					As a % of (A+B)	As a % of (A+B+C)	Number of Equity Shares	As a % of total no. of Equity Shares
(b)	Bodies Corporate	15	114,739,168	114,739,168	43.22	43.22	93,472,858	81.47
	<b>Sub Total</b>	<b>23</b>	<b>117,863,281</b>	<b>117,862,281</b>	<b>44.40</b>	<b>44.40</b>	<b>93,582,858</b>	<b>79.40</b>
<b>(2)</b>	<b>Foreign</b>	-	-	-	-	-	-	-
	<b>Total shareholding of Promoter and Promoter Group (A)</b>	<b>23</b>	<b>117,863,281</b>	<b>117,862,281</b>	<b>44.40</b>	<b>44.40</b>	<b>93,582,858</b>	<b>79.40</b>
<b>(B)</b>	<b>Public Shareholding</b>							
<b>(1)</b>	<b>Institutions</b>							
(a)	Mutual Funds/UTI	16	2,035,773	2,031,373	0.77	0.77	-	-
(b)	Financial Institutions /Banks	4	120,580	117,580	0.05	0.05	-	-
(c)	Foreign Institutional Investors	73	87,252,834	87,252,834	32.87	32.87	-	-
(d)	<b>Any others (specify)</b>	<b>2</b>	<b>260,842</b>	<b>260,842</b>	<b>0.10</b>	<b>0.10</b>	-	-
(d-i)	NRI Company	2	260,842	260,842	0.10	0.10	-	-
	<b>Sub Total (B) (1)</b>	<b>95</b>	<b>89,670,029</b>	<b>89,662,629</b>	<b>33.78</b>	<b>33.78</b>	-	-
<b>(2)</b>	<b>Non-Institutions</b>							
(a)	Bodies Corporate	952	31,824,307	28,971,307	11.99	11.99	-	-
<b>(b)</b>	<b>Individuals</b>							
	i. Individual shareholders holding nominal share capital up to Rs. 0.1 million	28,689	8,947,218	8,223,887	3.37	3.37	-	-
	ii. Individual shareholders holding nominal share capital in excess of Rs. 0.1 million	204	14,027,268	14,001,768	5.28	5.28	-	-
(c)	<b>Any Others (Specify)</b>	<b>741</b>	<b>3,125,485</b>	<b>3,055,185</b>	<b>1.18</b>	<b>1.18</b>	-	-

	Category of Shareholder	No. of Shareholders	Total No. of Equity Shares	Total No. of Equity Shares held in Dematerialized Form	Total Shareholding as a % of Total Number of Equity Shares		Equity Shares Pledged or Otherwise Encumbered	
					As a % of (A+B)	As a % of (A+B+C)	Number of Equity Shares	As a % of total no. of Equity Shares
	i. Clearing Members	204	421,977	421,977	0.16	0.16	-	-
	ii. Non Resident Indians	537	2,703,508	2,633,208	1.02	1.02	-	-
	<b>Sub Total (B)(2)</b>	<b>30,586</b>	<b>57,924,278</b>	<b>54,252,147</b>	<b>21.82</b>	<b>21.82</b>	-	-
	<b>Total Public shareholding (B) = (B)(1) + (B)(2)</b>	<b>30,681</b>	<b>147,594,307</b>	<b>143,914,776</b>	<b>55.60</b>	<b>55.60</b>	-	-
	<b>To Total (A)+(B)</b>	<b>30,704</b>	<b>265,457,588</b>	<b>261,777,057</b>	<b>100.00</b>	<b>100.00</b>	<b>93,582,858</b>	<b>35.25</b>
<b>(C)</b>	<b>Equity Shares held by Custodians and against which Depository Receipts have been issued</b>	-	-	-	-	-	-	-
	<b>Total (A)+(B)+(C)</b>	<b>30,704</b>	<b>265,457,588</b>	<b>261,777,057</b>	-	<b>100.00</b>	<b>93,582,858</b>	<b>35.25</b>

#### Financial Performance

(in Rs. million except share data)

Particulars	fiscal year 2010	fiscal year 2009	fiscal year 2008
Sales and Other Income	21,595.68	15,536.12	16,154.55
PAT	1,016.02	600.86	1,781.27
Equity Capital	2,365.14	2,233.91	2,100.49
Reserves (excluding revaluation reserves)	7,400.00	5,919.30	4,917.53
EPS (in Rs.)	4.49	2.74	8.83
Book Value (in Rs.)	41.29	36.50	33.41

As on September 30, 2010, Anjani Finvest Private Limited, a Promoter Group company, holds 33.94% shareholding of SKNL. The directors of Anjani Finvest Private Limited are as follows:

1. Nitin S. Kasliwal;
2. Jyoti N. Kasliwal;
3. Dara D. Avari; and
4. Anees Fazalbhoy.

There has been no change in the control or the management of SKNL in the three years preceding the filing of this


Draft Red Herring Prospectus.

The Company confirms that the permanent account number, bank account number, company registration number and the address of the registrar of companies where SKNL is registered shall be submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus.


### Promoters of SKNL

The promoters of SKNL are as follows:


**1. Nitin S. Kasliwal**

	<p>Nitin S. Kasliwal, aged 50 years. He is a resident Indian national and his driving license number is MH0120070029860.</p> <p>Address: 1, Kanta 5, Little Gibbs Road, Malabar Hills, Mumbai 400 006</p>
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**2. Jyoti N. Kasliwal**

	<p>Jyoti N. Kasliwal, aged 50 years. She is a resident Indian national.</p> <p>Address: 1, Kanta 5, Little Gibbs Road, Malabar Hills, Mumbai 400 006</p>
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**3. Anjani N. Kasliwal**

	<p>Anjani N. Kasliwal, aged 23 years. She is a resident Indian national and her driving license number is MH0129080037483.</p> <p>Address: 1, Kanta 5, Little Gibbs Road, Malabar Hills, Mumbai 400 006</p>
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**4. Kartikeya N. Kasliwal**

	<p>Kartikeya N. Kasliwal, aged 22 years. He is a resident Indian national and his driving license number is MH0120070034399.</p> <p>Address: 1, Kanta 5, Little Gibbs Road, Malabar Hills, Mumbai 400 006</p>
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### Interests of the Promoter and Common Pursuits

The Promoter is interested to the extent of its shareholding in the Company. For details of the Promoters' shareholding in the Company, please see the section "Capital Structure" on page 25 of this Draft Red Herring Prospectus.

The Company has also provided a loan of Rs. 4,400 million to the Promoter. This loan was provided to the Promoter in terms of the Subscription Agreement dated June 20, 2008 between the Company, Indinvest and the Promoter, to enable the Promoter to meet its outstanding third party debt obligations under its CDR Scheme. For further details, see “History and Certain Corporate Matters – Shareholders’ Agreement” on page 100 of this Draft Red Herring Prospectus. As of September 30, 2010 an amount of Rs. 3,300 million is outstanding. Further, the Company has also provided an interest free, unsecured loan of Rs. 400 million to the Promoter under the CDR scheme in fiscal year 2008. Currently, this loan amount is also outstanding.

The Promoter has also entered into a Services Sharing Agreement with the Company. For further details, see section “History and Certain Corporate Matters – Other Agreements – Shared Services and Product Supply Agreement dated July 8, 2008 entered into between SKNL and the Company” on page 102 of this Draft Red Herring Prospectus.

The Company has also provided a corporate guarantee in favour of ICICI Bank Limited in relation to a term loan of Rs. 2,750 million availed by the Promoter. Pursuant to the term loan of Rs. 2,750 million, ICICI Bank Limited has first pari passu charge over the moveable and immovable fixed assets and second pari passu charge on the current assets of the Company. Further, the Promoter has also pledged 34,995,338 Equity Shares of the Company with ICICI Bank Limited. Also see section “Capital Structure – History of Equity Share Capital held by the Promoter” on page 26 of this Draft Red Herring Prospectus.

Further, pursuant to the Sale and Purchase Agreement dated July 8, 2008 between SKNL and the Company, the India Debt Management Private Limited has first pari passu charge by equitable mortgage on property situated at Mysore and first pari-passu charge by way of hypothecation over the moveable assets of the Company. For further details see “History and Certain Corporate Matters” on page 98 of this Draft Red Herring Prospectus.

Certain directors and employees of the Promoter are also Directors of the Company. Except as stated otherwise in this Draft Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Red Herring Prospectus in which the Promoter is directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by the Company other than in the normal course of business. For further details, refer to “Related Party Transactions” on page 136 of this Draft Red Herring Prospectus.

Further, the Promoter does not have any interest in any venture that is involved in any activities similar to those conducted by us except as disclosed in this section and the section “Group Companies” on page 127 of this Draft Red Herring Prospectus.

#### **Payment of benefits to the Promoter**

Except as stated in the section “Related Party Transactions” on page 136 of this Draft Red Herring Prospectus, there has been no payment of benefits to the Promoter during the two years prior to the filing of this Draft Red Herring Prospectus.

#### **Confirmations**

The Promoter is not identified as a wilful defaulter by the RBI or any other government authority. There are no violations of securities laws (in India or overseas) committed by the Promoters in the past or are pending against them.

#### **Companies with which the Promoter has disassociated in the last three years**

The Promoter has not disassociated with any company in the last three years.

#### **Promoter Group**

Corporate entities forming part of the Promoter Group are:

Sr. No.	Name of the company
1.	717293 Canada Limited
2.	Anjaneya Foundation
3.	Anjani Finvest Private Limited
4.	Coppely Corp.
5.	Global Apparel (France) Limited
6.	Global Apparel (Hong Kong) Limited
7.	Global Apparel (US) Limited
8.	HMX Acquisition Corp.
9.	HMX Des Plaines LLC
10.	HMX DTC Co.
11.	HMX LLC
12.	HMX Poland sp. Z.o.o
13.	Leggiuno S.p.A
14.	Marling & Evans Limited
15.	Quartet Real Estate LLC
16.	Remala Trading B.V.
17.	SKNL (UK) Limited
18.	SKNL Europe B.V.
19.	SKNL Global Holdings B. V.
20.	SKNL International B.V.
21.	SKNL Italy S.p.A
22.	SKNL North America B. V.

## GROUP COMPANIES

### Companies forming part of Group Companies

Unless otherwise stated none of the companies forming part of Group Companies is a sick company under the meaning of SICA and none of them are under winding up. Further, all the Group Companies are unlisted companies and they have not made any public issue of securities in the preceding three years.

The Group Companies of the Company are as follows:

Sr. No.	Name of the company
1.	7172931 Canada Limited
2.	Anjaneya Foundation
3.	Coppley Corp.
4.	Global Apparel (France) Limited
5.	Global Apparel (Hong Kong) Limited
6.	Global Apparel (US) Limited
7.	HMX Acquisition Corp.
8.	HMX Des Plaines LLC
9.	HMX DTC Co.
10.	HMX LLC
11.	HMX Poland sp. Z o.o
12.	Leggiuno S.p.A
13.	Marling & Evans Limited
14.	Quartet Real Estate LLC
15.	Remala Trading B.V.
16.	SKNL (UK) Limited
17.	SKNL Europe B.V.
18.	SKNL Global Holdings B.V.
19.	SKNL International B.V.
20.	SKNL Italy S.p.A
21.	SKNL North America B. V.

### Top five Group Companies

The details of top five Group Companies are set forth below:

#### 1. Leggiuno S.p.A

##### *Corporate Information*

Leggiuno S.p.A was incorporated on March 9, 2005 under the laws of Italy. Leggiuno S.p.A is engaged in the business of weaving and printing of shirt fabrics.

##### *Interest of the Promoter*

Leggiuno S.p.A is an indirect subsidiary of the Promoter. SKNL Italy S.p.A., which is a wholly owned direct subsidiary of the Promoter, holds 100.0% of Leggiuno S.p.A.

##### *Financial Information*

The brief financial details of Leggiuno S.p.A derived from its audited financial statements, for fiscal ended December 31, 2009 and 2008 are set forth below:

(Rs. in million, except share data)

Particulars	As at and for the year ended December 31, 2009 <sup>(1)</sup>	As at and for the year ended December 31, 2008 <sup>(2)</sup>	As at and for the year ended December 31, 2007 <sup>(3)</sup>
Equity Capital	196.6	199.3	169.9
Reserves (excluding revaluation reserves) and surplus	79.4	221.2	168.3
Income (including other income)	1,488.4	2,234.5	2,364.6
Profit After Tax	(148.8)	23.5	130.9
Earning Per Share (in Rs.)	(50.4)	7.9	44.3
Net asset value per share (in Rs.)	93.4	142.3	1.5

<sup>(1)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 67.33 for the revenue transactions during the year which is the average rate for the period January 1, 2009 to December 31, 2009 and exchange rate of Rs.66.53 for the balances at the year end which is the prevailing exchange rate on December 31, 2009 (Source: www.xe.com).

<sup>(2)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 66.58 for the revenue transactions during the year which is the average rate for the period October 1, 2008 to December 31, 2008 and exchange rate of Rs. 67.44 for the balances at the year end which is the prevailing exchange rate on December 31, 2008 (Source: www.xe.com).

<sup>(3)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs.57.85 for the revenue transactions during the year which is the average rate for the period January 1, 2007 to December 31, 2007 and exchange rate of Rs.57.48 for the balances at the year end which is the prevailing exchange rate on December 31, 2007 (Source: www.xe.com).

## 2. Marling & Evans Limited

### Corporate Information

Marling & Evans Limited was incorporated on November 28, 2006 under the laws of United Kingdom. Marling & Evans Ltd. is engaged in the business of cloth weaving.

### Interest of the Promoter

Marling & Evans Limited is an indirect subsidiary of the Promoter. Leggiuno S.p.A, which is an indirect subsidiary of the Promoter, holds 65.0% of Marling & Evans Limited.

### Financial Information

The brief financial details of Marlin & Evans Limited derived from its audited financial statements for fiscal ended December 31, 2009 and 2008 are set forth below:

(Rs. in million, except share data)

Particulars	As at and for the year ended December 31, 2009 <sup>(1)</sup>	As at and for the year ended December 31, 2008 <sup>(2)</sup>	As at and for the year ended December 31, 2007 <sup>(3)</sup>
Equity Capital	15.0	15.7	0.0
Reserves (excluding revaluation reserves) and surplus	(13.3)	(5.8)	0.9
Income (including other income)	49.5	63.8	43.3
Profit After Tax	(3.9)	(4.2)	(7.3)
Earning Per Share (in Rs.)	(19.5)	(20.9)	(72,598.7)
Net asset value per share (in Rs.)	8.5	49.1	(72,598,738.4)

<sup>(1)</sup> The financial information is denominated in GBP. The Company has used an exchange rate of Rs. 72.8932 for the revenue transactions during the year which is the average rate for the period January 1, 2009 to December 31, 2009 and exchange rate of Rs. 75.0412 for the balances at the year end which is the prevailing exchange rate on December 31, 2009 (Source: www.xe.com).

<sup>(2)</sup> The financial information is denominated in GBP. The Company has used an exchange rate of Rs. 74.64 for the revenue

transactions during the year which is the average rate for the period January 1, 2008 to December 31, 2008 and exchange rate of Rs. 78.28 for the balances at the year end which is the prevailing exchange rate on December 31, 2008 (Source: www.xe.com).

<sup>(3)</sup> The financial information is denominated in GBP. The Company has used an exchange rate of Rs. 82.29 for the revenue transactions during the year which is the average rate for the period January 1, 2007 to December 31, 2007 and exchange rate of Rs. 78.17 for the balances at the year end which is the prevailing exchange rate on December 31, 2007 (Source: www.xe.com).

### 3. SKNL Global Holdings B. V.

#### **Corporate Information**

SKNL Global Holdings B. V. was incorporated on January 30, 2007 under the laws of Netherlands. SKNL Global Holdings B. V. is engaged in the holding of investment in group companies.

#### **Interest of the Promoter**

SKNL Global Holdings B. V. is an indirect subsidiary of the Promoter. SKNL International B.V., which is a wholly owned direct subsidiary of the Promoter, holds 100.0% of SKNL Global Holdings B. V.

#### **Financial Information**

The brief financial details of SKNL Global Holdings B. V. derived from its audited financial statements for fiscal ended March 31, 2010, 2009 and 2008 are set forth below:

(Rs. in million, except share data)

<b>Particulars</b>	<b>As at and for the year ended March 31, 2010<sup>(1)</sup></b>	<b>As at and for the year ended March 31, 2009<sup>(2)</sup></b>	<b>As at and for the year ended March 31, 2008<sup>(3)</sup></b>
Equity Capital	1.1	1.2	1.2
Reserves (excluding revaluation reserves) and surplus	1,987.2	(1.9)	(0.1)
Income (including other income)	12.8	0.0	0.0
Profit After Tax	4.0	(1.8)	(0.1)
Earning Per Share (in Rs.)	22,222.2	(9,861.1)	(583.3)
Net asset value per share (in Rs.)	11,046,111.1	(3,833.3)	6,155.6

<sup>(1)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 63.89 for the revenue transactions during the year which is the average rate for the period April 1, 2009 to March 31, 2010 and exchange rate of Rs. 60.81 for the balances at the year end which is the prevailing exchange rate on March 31, 2010 (Source: www.xe.com).

<sup>(2)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 66.58 for the revenue transactions during the year which is the average rate for the period April 1, 2008 to March 31, 2009 and exchange rate of Rs. 67.44 for the balances at the year end which is the prevailing exchange rate on March 31, 2009 (Source: www.xe.com).

<sup>(3)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 66.58 for the revenue transactions during the year which is the average rate for the period April 1, 2007 to March 31, 2008 and exchange rate of Rs. 67.44 for the balances at the year end which is the prevailing exchange rate on March 31, 2008 (Source: www.xe.com).

### 4. SKNL Europe B.V.

#### **Corporate Information**

SKNL Europe B.V. was incorporated on January 30, 2007 under the laws of Netherlands. SKNL Europe B.V. is a holding company of certain Group Companies of the Promoter.

#### **Interest of the Promoter**

The Promoter holds 100.0% of SKNL Europe B.V.



### Financial Information

The brief financial details of SKNL Europe B. V. derived from its audited financial statements for fiscal ended March 31, 2010, 2009 and 2008 are set forth below:

(Rs. in million, except share data)

Particulars	As at and for the year ended March 31, 2010 <sup>(1)</sup>	As at and for the year ended March 31, 2009 <sup>(2)</sup>	As at and for the year ended March 31, 2008 <sup>(3)</sup>
Equity Capital	156.5	173.6	1.2
Reserves (excluding revaluation reserves) and surplus	(57.7)	(78.8)	(0.1)
Income (including other income)	8.3	0.0	0.0
Profit After Tax	(0.3)	(77.7)	(0.1)
Earning Per Share (in Rs.)	(0.1)	(3,019.4)	(583.3)
Net asset value per share (in Rs.)	38.4	(3,681.5)	6,155.6

<sup>(1)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 63.89 for the revenue transactions during the year which is the average rate for the period April 1, 2009 to March 31, 2010 and exchange rate of Rs. 60.81 for the balances at the year end which is the prevailing exchange rate on March 31, 2010 (Source: www.xe.com).

<sup>(2)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 66.58 for the revenue transactions during the year which is the average rate for the period April 1, 2008 to March 31, 2009 and exchange rate of Rs. 67.44 for the balances at the year end which is the prevailing exchange rate on March 31, 2009 (Source: www.xe.com).

<sup>(3)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 66.58 for the revenue transactions during the year which is the average rate for the period April 1, 2007 to March 31, 2008 and exchange rate of Rs. 67.44 for the balances at the year end which is the prevailing exchange rate on March 31, 2008 (Source: www.xe.com).

## 5. Remala Trading B.V.

### Corporate Information

Remala Trading B.V. was incorporated on January 2, 2008 under the laws of Netherlands. Remala Trading B.V. is the holding company of HMX Poland sp. Z o.o, HMX Acquisition Corp., HMX Des Plaines LLC, Quartet Real Estate LLC, HMX LLC, HMX DTC Co. and Copley Corp. Remala Trading B.V. is engaged in the holding of investment in group companies.

### Interest of the Promoter

Remala Trading B.V. is an indirect subsidiary of the Promoter. SKNL North America B.V., which is an indirect subsidiary of the Promoter, holds 95.0% of Remala Trading B.V.

### Financial Information

The brief financial details of Remala Trading B. V., derived from its audited financial statements, for the period January 2, 2008 to December 31, 2009 are set forth below:

(Rs. in million, except share data)

Particulars	For the period from January 1, 2008 to December 31, 2009 <sup>(1) (2)</sup>
Equity Capital	1.2
Reserves (excluding revaluation reserves) and surplus	1,133.1
Income (including other income)	7.8
Profit After Tax	(5.8)
Earning Per Share (in Rs.)	(32,156.8)
Net asset value per share (in Rs.)	6,301,719.9

<sup>(1)</sup> The financial statements for Remala Trading B.V. as of December 31, 2009 was prepared for the period from January 2, 2008 to December 31, 2009.

<sup>(2)</sup> The financial information is denominated in Euro. The Company has used an exchange rate of Rs. 62.30 for the revenue transactions during the year which is the average rate for the period January 2, 2008 to December 31, 2009 and exchange rate of Rs. 66.53 for the balances at the year end which is the prevailing exchange rate on December 31, 2009 (Source: www.xe.com).

## Group Company with negative net worth

The details of the Group Company with negative net worth are as follows:

### 1. SKNL (UK) Limited

#### *Corporate Information*

SKNL (UK) Limited was incorporated on December 16, 2008 under the laws of United Kingdom. SKNL (UK) Limited is engaged in the business of designing, manufacturing and wholesaling of luxury men's apparel.

#### *Interest of the Promoter*

SKNL (UK) Limited is an indirect subsidiary of the Promoter. SKNL Global Holdings B. V., which is an indirect subsidiary of the Promoter, holds 80.0% of SKNL (UK) Limited.

#### *Financial Information*

The brief financial details of SKNL (UK) Limited derived from its audited financial statements, prepared on a consolidated basis, for 15 months period ended March 31, 2010 are set forth below:

(Rs. in million, except share data)	
Particulars	15 months for the period ended March 31, 2010 <sup>(1)</sup>
Equity Capital	0.7
Reserves (excluding revaluation reserves) and surplus	(14.5)
Income (including other income)	344.4
Profit After Tax	(193.3)
Earning Per Share (in Rs.)	(19,330.0)
Net asset value per share (in Rs.)	(1,380.0)

<sup>(1)</sup> The financial information is denominated in GBP. The Company has used an exchange rate of Rs. 70.59 for the revenue transactions during the year which is the average rate for the period January 1, 2009 to March 31, 2010 and exchange rate of Rs. 68.26 for the balances at the year end which is the prevailing exchange rate on March 31, 2010 (Source: www.xe.com).

## Other Group Companies

Details of other Group Companies are as follows:

### 1. 7172931 Canada Limited

#### *Corporate Information*

7172931 Canada Limited was incorporated on May 13, 2009 under the laws of Canada. 7172931 Canada Limited is engaged in the business of providing services to the apparel industry.

#### *Interest of Promoter*

7172931 Canada Limited is an indirect subsidiary of the Promoter. SKNL (UK) Limited, which is an indirect subsidiary of the Promoter, holds 100.0% of 7172931 Canada Limited.

**2. Anjaneya Foundation**

***Corporate Information***

Anjaneya Foundation was incorporated on January 21, 2009 under the Companies Act. Anjaneya Foundation is engaged in the business of promoting and supporting activities in the fields of education, medicine, arts, science, commerce and culture so as to assist the deserving and needy people in India and to perform the above and any other related activities in this regard.

***Interest of the Promoter***

The Promoter holds 99.0% of Anjaneya Foundation.

**3. Copley Corp.**

***Corporate Information***

Copley Corp. was incorporated on June 25, 2009 under the laws of Canada. Copley Corp. is engaged exclusively in the apparel business.

***Interest of the Promoter***

Copley Corp. is an indirect subsidiary of the Promoter. Remala Trading B.V., which is an indirect subsidiary of the Promoter, holds 100.0% of Copley Corp.

**4. Global Apparel (France) Limited**

***Corporate Information***

Global Apparel (France) Limited was incorporated on June 24, 2009 under the laws of France. Global Apparel (France) Limited is engaged in the business of design, manufacture, distribution and sale of wearing apparel and luxury goods and accessories of all kinds.

***Interest of the Promoter***

Global Apparel (France) Limited is an indirect subsidiary of the Promoter. SKNL (UK) Limited, which is an indirect subsidiary of the Promoter, holds 100.0% of Global Apparel (France) Limited.

**5. Global Apparel (Hong Kong) Limited**

***Corporate Information***

Global Apparel (Hong Kong) Limited was incorporated on March 30, 2009 under the laws of Hong Kong. Global Apparel (Hong Kong) Limited is engaged in the business of providing services related to the luxury fashion clothing industry.

***Interest of Promoters***

Global Apparel (Hong Kong) Limited is an indirect subsidiary of the Promoter. SKNL (UK) Limited, which is an indirect subsidiary of the Promoter, holds 100.0% of Global Apparel (Hong Kong) Limited.

**6. Global Apparel (US) Limited**

***Corporate Information***

Global Apparel (US) Limited was incorporated on February 27, 2009 under the laws of Delaware General Corporation. Global Apparel (US) Limited is engaged in the business of design, manufacture and sale of men's apparel and accessories.

***Interest of the Promoter***

Global Apparel (US) Limited is an indirect subsidiary of the Promoter. SKNL (UK) Limited, which is an indirect subsidiary of the Promoter, holds 100.0% of Global Apparel (US) Limited.

**7. HMX Acquisition Corp.**

***Corporate Information***

HMX Acquisition Corp. was incorporated on June 16, 2009 under the laws of United States of America. HMX Acquisition Corp. is engaged in the business of designing, manufacturing and sourcing of its apparel brands.

***Interest of the Promoter***

HMX Acquisition Corp. is an indirect subsidiary of the Promoter. HMX Poland Sp. Z.o.o, which is an indirect subsidiary of the Promoter, holds 100.0% of HMX Acquisition Corp.

**8. HMX Des Plaines LLC**

***Corporate Information***

HMX Des Plaines LLC was incorporated on June 16, 2009 under the laws of United States of America. HMX Des Plaines LLC is engaged exclusively in the apparel business.

***Interest of the Promoter***

HMX Des Plaines LLC is an indirect subsidiary of the Promoter. HMX Acquisition Corp., which is an indirect subsidiary of the Promoter, holds 100.0% of HMX Des Plaines LLC.

**9. HMX, DTC Co.**

***Corporate Information***

HMX, DTC Co. was incorporated on December 17, 2009 under the laws of United States of America. HMX, DTC Co. is engaged in the business of ecommerce sales.

***Interest of the Promoter***

HMX, DTC Co. is an indirect subsidiary of the Promoter. HMX Acquisition Corp., which is an indirect subsidiary of the Promoter, holds 100.0% of HMX, DTC Co.

**10. HMX LLC**

***Corporate Information***

HMX LLC was incorporated on June 16, 2009 under the laws of United States of America. SKNL, through its subsidiary, SKNL North America B.V. purchased certain assets of Hartmarx Corporation USA. Subsequently, Hartmarx Corporation USA was renamed as HMX LLC. The Promoter's United States operations are now conducted through HMX LLC. HMX LLC is engaged in the business of apparel.

***Interest of the Promoter***

HMX LLC is an indirect subsidiary of the Promoter. HMX Acquisition Corp., which is an indirect subsidiary of the Promoter, holds 100.0% of HMX LLC.

**11. HMX Poland sp. Z.o.o.**

***Corporate Information***

HMX Poland sp. Z.o.o. was incorporated on December 16, 2008 under the laws of Poland. HMX Poland sp. Z.o.o. is incorporated for the purposes of making investments and holding intellectual property.

***Interest of the Promoter***

HMX Poland sp. Z.o.o. is an indirect subsidiary of the Promoter. Remala Trading B.V., which is an indirect subsidiary of the Promoter, holds 100.0% of HMX Poland sp. Z.o.o.

**12. Quartet Real Estate LLC**

***Corporate Information***

Quartet Real Estate LLC was incorporated on June 16, 2009 under the laws of United States of America. Quartet Real Estate LLC is engaged exclusively in apparel business.

***Interest of the Promoter***

Quartet Real Estate LLC is an indirect subsidiary of the Promoter. HMX Acquisition Corp., which is an indirect subsidiary of the Promoter, holds 100.0% of Quartet Real Estate LLC.

**13. SKNL International B.V.**

***Corporate Information***

SKNL International B.V. was incorporated on November 3, 2008 under the laws of Netherlands. SKNL International B.V. is a holding company of certain other Group Companies of the Promoter.

***Interest of the Promoter***

The Promoter holds 100.0% of SKNL International B.V.

**14. SKNL Italy S.p.A.**

***Corporate Information***

SKNL Italy S.p.A. was incorporated on September 19, 2008 under the laws of Italy. SKNL Italy S.p.A. is operating in the field of shirt fabrics, where it acts as a holding of industrial investments.

***Interest of the Promoter***

The Promoter holds 100.0% of SKNL Italy S.p.A.

**15. SKNL North America B. V.**

***Corporate Information***

SKNL North America B. V. was incorporated on January 30, 2007 under the laws of Netherlands. SKNL North America B. V. is engaged in the holding of investment in group companies.

***Interest of the Promoter***

SKNL North America B. V. is an indirect subsidiary of the Promoter. SKNL Global Holdings B.V., which is an indirect subsidiary of the Promoter, holds 100.0% of SKNL North America B. V.

**Nature and Extent of Interest of Group Companies**

**1. In the promotion of the Company**

None of the Group Companies have any interest in the promotion of the Company.

**2. In the properties acquired or proposed to be acquired by the Company in the past two years before filing the Draft Red Herring Prospectus with SEBI**

None of the Group Companies are interested in the properties acquired or proposed to be acquired by the Company in the two years preceding the filing of the Draft Red Herring Prospectus.

**3. In transactions for acquisition of land, construction of building and supply of machinery**

None of the Group Companies are interested in any transactions for the acquisition of land, construction of building or supply of machinery.

**Common Pursuits amongst the Group Companies with the Company**

There are no common pursuits amongst any of the Group Companies and the Company.

**Related Business Transactions within the Group Companies and Significance on the Financial Performance of the Company**

For details, please see the section “Related Party Transactions” on page 136 of this Draft Red Herring Prospectus.

**Sale/ Purchase between Group Companies**

For details, please see section “Related Party Transactions” on page 136 of this Draft Red Herring Prospectus.

**Business Interest of Group Companies in the Company**

For details, please see the section “Related Party Transactions” on page 136 of this Draft Red Herring Prospectus. None of the Group Companies have any business interest in the Company.

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company are as follows:

**(a) Related Parties:**

Sr. No.	Name of the Related Party	Relationship
1.	S. Kumars Nationwide Limited	Parent Company
2.	Brandhouse Retails Limited	Enterprises over which Key Managerial Personnel are able to exercise significant influence
3.	Brandhouse Oviessie Limited	
4.	S. Kumars Enterprises (Synfabs) Limited	
5.	S.Kumars Textiles Limited	
6.	Belmonte Lifestyles Limited	
7.	N'Essence Holdings Limited	
8.	Anjani Finvest Pvt. Limited	
9.	Verve Properties & Investment Pvt. Limited	
10.	Ingenious Finance & Investment Pvt. Limited	
11.	Natty Finance & Investment Pvt. Limited	
12.	S. K. Worsteds Pvt. Limited	
13.	Tulja Enterprises Pvt. Limited	
14.	Sansar Exim Pvt. Limited	
15.	Chamundeshwari Mercantile Pvt. Limited	
16.	Maverick Mercantile Pvt. Limited	
17.	Anjaneya Foundation	
18.	SKNL Foundation	
19.	Reid & Taylor Ltd., U.K.	
20.	SKNL International B.V.	
21.	SKNL Europe B.V.	Wholly Owned Subsidiary of Parent Company
22.	SKNL Italy S.p.A.	Wholly Owned Subsidiary of Parent Company
23.	SKNL Global Holdings B.V.	Wholly Owned Subsidiary of SKNL International B.V.
24.	SKNL North America B.V.	Wholly Owned Subsidiary of SKNL Global Holdings B.V.
25.	SKNL (U.K.) Ltd.	Subsidiary of SKNL Global Holdings B.V.
26.	Leggiuno S.p.A.	Wholly Owned Subsidiary of SKNL Italy S.p.A.
27.	Global Apparel (US) Ltd.	Wholly Owned Subsidiary of SKNL (U.K.) Ltd.
28.	Global Apparel (France) Ltd.	Wholly Owned Subsidiary of SKNL (U.K.) Ltd.
29.	7172931 Canada Ltd.	Wholly Owned Subsidiary of SKNL (U.K.) Ltd.
30.	Global Apparel (Hong Kong) Ltd.	Wholly Owned Subsidiary of SKNL (U.K.) Ltd.
31.	Marling & Evans Ltd.	Subsidiary of Leggiuno S.p.A.
32.	Remala Trading B.V.	Subsidiary of SKNL North America B.V.
33.	Copley Corp	Wholly Owned Subsidiary of Remala Trading B.V.
34.	HMX Poland sp. Z.o.o	Wholly Owned Subsidiary of Remala Trading B.V.
35.	HMX Poland sp S.o.o, Luxemburg	Wholly Owned Subsidiary of Remala Trading B.V.
36.	HMX Acquisition Corp.	Wholly Owned Subsidiary of HMX Poland sp Z.o.o

Sr. No.	Name of the Related Party	Relationship
37.	HMX Des Plaines LLC	Wholly Owned Subsidiary of HMX Acquisition Corp.
38.	Quartet Real Estate LLC	Wholly Owned Subsidiary of HMX Acquisition Corp.
39.	HMX LLC	Wholly Owned Subsidiary of HMX Acquisition Corp.
40.	HMX, DTC Co.	Wholly Owned Subsidiary of HMX Acquisition Corp.
41.	Shri. Nitin S. Kasliwal – Managing Director	Key Management Personnel

(b) **Details of Transaction:**

(Rs. in Millions)

Nature of Transactions	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
<b>Purchases</b>				
Goods				
Reid & Taylor Ltd., U.K.	NIL	19.94	35.60	7.59
S. Kumars Nationwide Limited	979.10	3.35	2.94	NIL
<b>Total</b>	<b>979.10</b>	<b>23.29</b>	<b>38.54</b>	<b>7.59</b>
Services				
S. Kumars Nationwide Limited	0.13	1.08	2.54	NIL
<b>Total</b>	<b>0.13</b>	<b>1.08</b>	<b>2.54</b>	<b>NIL</b>
<b>Capital Expenditure</b>				
HMX LLC	-	3.79	NIL	NIL
<b>Total</b>	<b>-</b>	<b>3.79</b>	<b>NIL</b>	<b>NIL</b>
<b>Loans &amp; Advances</b>				
Loans to S. Kumars Nationwide Limited	NIL	NIL	4400.0	400.00
Advances to S. Kumars Nationwide Limited	NIL	1040.92	237.91	NIL
<b>Total</b>	<b>NIL</b>	<b>1040.92</b>	<b>4637.91</b>	<b>400.00</b>
Loans recovered from S. Kumars Nationwide Limited	550.00	550.00	NIL	NIL
<b>Total</b>	<b>550.00</b>	<b>550.00</b>	<b>NIL</b>	<b>NIL</b>
<b>Sales</b>				
Goods				
Reid & Taylor Ltd., U.K.	9.93	11.37	2.07	1.25
Brandhouse Retails Limited (Net of returns & discount)	1674.91	3666.16	2596.72	554.89
Coppley Corp	1.39	0.61	NIL	NIL
HMX LLC	6.20	4.22	NIL	NIL
<b>Total</b>	<b>1692.43</b>	<b>3682.36</b>	<b>2598.79</b>	<b>556.14</b>
<b>Services</b>				
S. Kumars Nationwide Limited (Interest on Term Loan)	207.30	524.33	274.85	NIL
<b>Total</b>	<b>207.30</b>	<b>524.33</b>	<b>274.85</b>	<b>NIL</b>
<b>Outstanding as on 31<sup>st</sup> March 2010:</b>				
Debtors	1029.66	1410.39	1193.13	332.63
Creditors (Reid & Taylor U.K. Ltd.)	NIL	NIL	1.31	NIL
Creditors (S. Kumars Nationwide Ltd.)	55.23	NIL	NIL	NIL
Loans Given (S. Kumars Nationwide Ltd.)	3700.00	4250.00	4800.00	400.00
Advances (S. Kumars Nationwide Ltd.)	NIL	1040.92	237.91	NIL



## **DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by the Board of Directors and approved by the shareholders of the Company, in their discretion, subject to the provisions of the Articles of Association and the Companies Act. The dividend, if any, will depend on a number of factors, including but not limited to the earnings, capital requirements contractual restrictions and overall financial position of the Company. The Company has no stated dividend policy and has not paid any dividend in the last five years.

## SECTION V: FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

#### AUDITORS' REPORT ON THE RESTATED SUMMARY STATEMENTS

To,  
The Board of Directors,  
Reid & Taylor (India) Limited,  
Marathon Innova IT Park,  
B2-501 and C-501,  
Off G. K. Marg,  
Lower Parel (West),  
Mumbai - 400013

Dear Sirs,

1. We have examined the financial information of **Reid & Taylor (India) Limited** (“the Company”) annexed hereto with this report and approved by the Board of Directors of the Company. The financial information has been prepared in accordance with Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (“the Act”) and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“SEBI Regulations”) and in terms of the engagement agreed upon by us with the Company.
2. The financial information is based on the audited financial statements of the Company for the years ended March 31, 2010, 2009, 2008, 2007 & 2006 and half year ended September 30, 2010. Audit of the financial statements as at the years ended March 31, 2007 and 2006 were carried out by M/s. Malpani & Associates, Chartered Accountants, being the auditor of the Company for those years, and accordingly reliance has been placed on the financial statements audited and reported upon by them for the above mentioned years.
3. The financial information is prepared for the purpose of inclusion in the Draft Red Herring Prospectus (DRHP) in connection with the public issue of its equity shares.

#### **Financial Information**

4. The following information referred to above, relating to profits, assets and liabilities and cash flows of the Company is contained in the following annexures to this report:
  - a) Annexure 1 containing the Summary Statement of Restated Assets and Liabilities as at March 31, 2010, 2009, 2008, 2007 & 2006 and September 30, 2010.
  - b) Annexure 2 containing the Summary Statement of Restated Profit and Loss for the years ended March 31, 2010, 2009 & 2008 and half year ended September 30, 2010.
  - c) Annexure 3 contains the Summary Statement of Restated Cash Flows for the years ended March 31, 2010, 2009 & 2008 and half year ended September 30, 2010.
  - d) Annexure 4 contains the Summary of Significant Accounting Policies and Notes to Accounts.

- collectively referred to as the “Restated Summary Statements”

#### **Other Financial Information**

5. Other financial information relating to the Company which is based on the restated summary statements / audited financial statements prepared by the Company and approved by the Board of Directors is attached in Annexures 5 to 14 to this report as listed hereunder:

1. Annexure 5 - Summary of Loans and Advances
  2. Annexure 6 - Summary of Debtors
  3. Annexure 7 - Summary of Investments
  4. Annexure 8 - Accounting Ratios
  5. Annexure 9 - Statement of Secured Loans
  6. Annexure 10 - Detail of Other Income
  7. Annexure 11 - Capitalization Statement
  8. Annexure 12 - Statement of Tax Shelters
  9. Annexure 13 - Detail of Dividends declared by the Company
  10. Annexure 14 - Related Party Transactions
6. We have examined as appropriate, the financial information contained in the aforesaid Annexures and state that;
- The financial information, prepared by the Company, is based on the financial statements of the Company for the years ended March 31, 2010, 2009 & 2008 and half year ended September 30, 2010 audited by us and the years ended March 31, 2007 and 2006 audited by M/s. Malpani & Associates, Chartered Accountants, and approved by the Board of Directors. Accordingly, reliance has been placed on the financial statements audited and reported upon by them for those years.
7. Based on the examination of the Restated Summary Statements, we confirm that:
- a) The material prior period items have been adjusted in the Restated Summary Statements in the years to which they relate;
  - b) There are no extraordinary items which need to be disclosed separately in the Restated Summary Statements;
  - c) The audit qualifications for the years ended March 31, 2010, 2009 and half year ended September 30, 2010 have been adjusted in the Restated Summary Statements and no further audit qualifications require adjustment in the Restated Summary Statements. However, no adjustment has been carried out for audit qualification, the effect of which is unascertainable, for the year ended March 31, 2010 and half year ended September 30, 2010 'relating to pending confirmations and reconciliations of balances of Sundry Debtors, Loans and Advances including Capital Advances and Sundry Creditors and consequential adjustments if any' (Refer Note 4 of Annexure 4 - 'Summary of Significant Accounting Policies and Notes to Accounts').
8. In our opinion, the financial information of the Company as attached to this report, read with the significant accounting policies and notes to accounts and other notes contained in the aforesaid annexures, after making such adjustments as were considered appropriate, has been prepared in accordance with Paragraph B (1) of Part II of Schedule II of the Act and the SEBI Regulations.
9. This report should not in any way be construed as a reissuance or redating of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.
10. We did not perform audit tests for the purposes of expressing an opinion on individual balances or summaries of selected transactions, and accordingly, we express no such opinion thereon.
11. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

12. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed 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 Haribhakti & Co.**

*Chartered Accountants*

Firm Registration No. 103523W

**Rakesh Rathi**

Partner

Membership No. 45228

Place: Mumbai

Date: November 25, 2010

ANNEXURE 1

SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES

(Rs. in Millions)

Sr. No.	Particulars	As at					
		30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
<b>A.</b>	<b>Fixed Assets</b>						
	Gross Block	1,193.66	1,159.43	1,134.63	785.64	-	-
	Less: Depreciation / Amortisation	350.76	309.48	225.87	69.47	-	-
	Net Block	<b>842.90</b>	<b>849.95</b>	<b>908.76</b>	<b>716.17</b>	-	-
	Less: Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	<b>842.90</b>	<b>849.95</b>	<b>908.76</b>	<b>716.17</b>	-	-
	Capital Work-in-Progress (including Capital Advances)	2,248.44	2,186.65	586.31	129.86	-	-
		<b>3,091.34</b>	<b>3,036.60</b>	<b>1,495.07</b>	<b>846.03</b>	-	-
<b>B.</b>	<b>Investments</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	-	-	-
<b>C.</b>	<b>Deferred Tax Assets</b>	-	-	<b>1.10</b>	<b>6.23</b>	-	-
<b>D.</b>	<b>Current Assets, Loans and Advances</b>						
	Inventories	3,438.97	2,848.03	1,584.85	969.37	-	-
	Receivables	5,377.92	4,863.52	2,927.97	1,908.87	-	-
	Cash & bank balances	617.21	701.30	600.62	27.81	0.01	0.01
	Loans and advances	9,934.24	8,365.84	6,852.03	954.50	0.48	0.48
	<b>Total Current Assets</b>	<b>19,368.34</b>	<b>16,778.69</b>	<b>11,965.47</b>	<b>3,860.55</b>	<b>0.49</b>	<b>0.49</b>
<b>E.</b>	<b>Liabilities &amp; Provisions</b>						
	Secured loans	4,834.54	4,239.28	2,221.23	3,333.40	-	-
	Unsecured loans	-	-	-	-	-	-
	Deferred Tax Liabilities	16.18	15.25	-	-	-	-
	Current Liabilities	952.39	621.62	595.15	517.04	0.05	0.05
	Provisions	2,602.39	2,027.61	890.74	193.19	-	-
	<b>Total Liabilities &amp; Provisions</b>	<b>8,405.50</b>	<b>6,903.76</b>	<b>3,707.12</b>	<b>4,043.63</b>	<b>0.05</b>	<b>0.05</b>
<b>E.</b>	<b>Net Worth (A+B+C+D-E)</b>	<b>14,054.19</b>	<b>12,911.54</b>	<b>9,754.53</b>	<b>669.18</b>	<b>0.44</b>	<b>0.44</b>
	<b>Represented by:</b>						
	SHAREHOLDERS FUNDS						
	Share Capital	1,345.97	538.39	520.35	400.50	0.50	0.50
	Share Application Money	-	-	-	-	-	-
	RESERVES & SURPLUS	12,708.22	12,373.15	9,234.18	268.68	-	-
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserve)	12,708.22	12,373.15	9,234.18	268.68	-	-
	Less: Miscellaneous Expenditure not written off	-	-	-	-	0.06	0.06
		12,708.22	12,373.15	9,234.18	268.68	(0.06)	(0.06)
	<b>Net Worth</b>	<b>14,054.19</b>	<b>12,911.54</b>	<b>9,754.53</b>	<b>669.18</b>	<b>0.44</b>	<b>0.44</b>

ANNEXURE 2

SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS

(Rs. in Millions)

Particulars	For the Financial Year ended			
	30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08
<b>INCOME</b>				
Income from Operations				
- Fabrics	4,338.48	7,613.56	5,296.86	1,209.56
- Garments	1,327.03	2,235.82	1,229.17	219.68
<b>Total Income from Operations</b>	<b>5,665.51</b>	<b>9,849.38</b>	<b>6,526.03</b>	<b>1,429.24</b>
Other income	220.99	562.85	388.57	8.08
Increase / (decrease) in Inventories	436.99	1,089.84	219.21	(73.54)
<b>Total Income (A)</b>	<b>6,323.49</b>	<b>11,502.07</b>	<b>7,133.81</b>	<b>1,363.78</b>
<b>EXPENDITURE</b>				
Raw Materials Consumed	3,302.84	6,059.35	2,996.17	497.96
Manufacturing Expenses	298.82	470.73	429.41	99.41
Payment to & Provision for Employees	185.59	321.27	281.79	48.38
Administrative Expenses	81.05	133.34	124.27	29.23
Selling and Distribution Expenses	339.41	711.21	717.20	120.67
Restructured Financial Costs Amortised / Miscellaneous Expenditure written off	10.99	21.98	10.99	1.99
Interest and Finance Charges	356.06	514.42	271.20	62.24
Depreciation and Amortisation	44.33	85.60	158.54	69.47
<b>Total Expenditure (B)</b>	<b>4,619.09</b>	<b>8,317.90</b>	<b>4,989.57</b>	<b>929.35</b>
<b>Profit before tax, extraordinary items and prior period items (C) = (A) - (B)</b>	<b>1,704.40</b>	<b>3,184.17</b>	<b>2,144.24</b>	<b>434.43</b>
<b>PROVISION FOR TAXATION</b>				
Income tax	571.80	1,131.58	688.79	164.61
Deferred tax Liability/ (Assets)	0.93	16.35	5.13	(6.23)
Wealth Tax	-	0.11	0.11	0.17
Fringe Benefits Tax	-	-	6.53	1.17
Taxation for earlier years	-	6.74	3.77	-
<b>Total Tax Expense / (Credit) (D)</b>	<b>572.73</b>	<b>1,154.78</b>	<b>704.33</b>	<b>159.72</b>
<b>Net profit after tax &amp; before extraordinary items and prior period items (E) = (C) - (D)</b>	<b>1,131.67</b>	<b>2,029.39</b>	<b>1,439.91</b>	<b>274.71</b>
Prior period (Incomes) / Expenses	1.10	-	2.20	0.06
Extraordinary Items	-	-	-	-
<b>Net profit after extraordinary items and prior period items, before restatement</b>	<b>1,130.57</b>	<b>2,029.39</b>	<b>1,437.71</b>	<b>274.65</b>
<b>Adjustments made on account of Restatement (Refer Note 16 of Notes to Accounts)</b>				
Restructured Financial Costs	-	-	252.73	-
Restructured Financial Costs Amortised	(10.99)	(21.98)	(10.99)	-
Prior Period Expenses / Incomes	(1.10)	1.10	(2.20)	2.20

Particulars	For the Financial Year ended			
	30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08
Taxation for earlier years reversed	-	(6.74)	(3.77)	-
Additional Taxes for the year	-	-	6.74	3.77
<b>Total Adjustments</b>	<b>(12.09)</b>	<b>(27.62)</b>	<b>242.51</b>	<b>5.97</b>
Tax impact on adjustments	-	-	-	-
<b>Total Adjustments, net of tax impact</b>	<b>(12.09)</b>	<b>(27.62)</b>	<b>242.51</b>	<b>5.97</b>
<b>Net Profit, as Restated</b>	<b>1,142.66</b>	<b>2,057.01</b>	<b>1,195.20</b>	<b>268.68</b>
<b>Balance brought forward from previous year</b>	<b>3,520.89</b>	<b>1,463.88</b>	<b>268.68</b>	<b>-</b>
Appropriations	-	-	-	-
<b>Balance carried to Balance Sheet</b>	<b>4,663.55</b>	<b>3,520.89</b>	<b>1,463.88</b>	<b>268.68</b>

**Note:** Summary Statement of Restated Profit & Loss for the year ended March 31, 2007 and March 31, 2006 have not been prepared as the company had not commenced commercial operations during those years.

ANNEXURE 3

SUMMARY STATEMENT OF RESTATED CASH FLOWS

(Rs. in Millions)

Particulars	For the Financial Year ended			
	30-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08
<b>A. Cash Flow from Operating Activities</b>				
Profit before Tax and Extra Ordinary Items	1,715.39	3,206.15	1,902.50	434.43
<b>Adjustments for :</b>				
Depreciation/Amortization	44.33	85.60	158.54	69.47
Miscellaneous Expenditure Written Off	-	-	-	1.99
Interest Expense	356.06	514.42	523.93	62.24
Interest Income	(207.71)	(525.10)	(363.52)	(0.07)
(Profit) / Loss on Sale of Fixed Assets	1.14	0.54	0.09	-
Sundry Balances written off	-	-	-	(0.03)
<b>Operating Profit / (Loss) before Working Capital Changes</b>	<b>1,909.21</b>	<b>3,281.61</b>	<b>2,221.54</b>	<b>568.03</b>
<b>Adjustments for :</b>				
(Increase)/Decrease in Sundry Debtors	(514.40)	(1,935.55)	(1,019.10)	(1,908.87)
(Increase)/Decrease in Loans and Advances	(1,568.39)	(1,513.80)	(5,897.53)	(962.18)
(Increase)/Decrease in Inventories	(590.94)	(1,263.18)	(615.48)	(969.37)
Increase/(Decrease) in Current Liabilities & Provisions	704.53	411.41	247.96	546.71
<b>Cash Generated from / (Used in) Operations</b>	<b>(59.99)</b>	<b>(1,019.51)</b>	<b>(5,062.61)</b>	<b>(2,725.68)</b>
Direct Taxes Paid (Net)	(370.78)	(379.76)	(174.47)	-
<b>Cash Flow from / (Used in) before Prior Period items</b>	<b>(430.77)</b>	<b>(1,399.27)</b>	<b>(5,237.08)</b>	<b>(2,725.68)</b>
Prior Period Adjustments (gross)	-	1.10	-	(2.26)
<b>Net Cash Flow from / (Used in) Operating Activities</b>	<b>(430.77)</b>	<b>(1,400.37)</b>	<b>(5,237.08)</b>	<b>(2,727.94)</b>
<b>B. Cash Flow from Investing Activities</b>				
Purchase of Fixed Assets	(102.19)	(1,630.73)	(845.79)	(915.49)
Purchase of Investments	-	-	(0.01)	-
Sale of Fixed Assets	1.97	3.05	38.12	-
Interest Received	207.71	525.10	363.52	0.07
<b>Net Cash Flow from / (Used in) Investing Activities</b>	<b>107.49</b>	<b>(1,102.58)</b>	<b>(444.16)</b>	<b>(915.42)</b>
<b>C. Cash Flow from Financing Activities</b>				
Procurement of Secured Loans	604.74	2,023.60	1,204.52	3,333.40
Repayment of Secured Loans	(9.49)	(5.55)	(2,316.69)	-
Procurement of Unsecured Loans	-	-	-	-
Repayment of Unsecured Loans	-	-	-	-
Interest Expense	(356.06)	(514.42)	(523.93)	(62.24)
Proceeds from issue of Share Capital	-	1,100.00	7,890.15	400.00
<b>Net Cash Flow from/(Used in) Financing Activities</b>	<b>239.19</b>	<b>2,603.63</b>	<b>6,254.05</b>	<b>3,671.16</b>
<b>D. Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>(84.09)</b>	<b>100.68</b>	<b>572.81</b>	<b>27.80</b>
<b>E. Cash and Cash Equivalents at start of the period</b>	<b>701.30</b>	<b>600.62</b>	<b>27.81</b>	<b>0.01</b>
<b>F. Cash and Cash Equivalents at close of the period</b>	<b>617.21</b>	<b>701.30</b>	<b>600.62</b>	<b>27.81</b>
<b>Components of Cash &amp; Cash Equivalents:</b>				
Cash and Cheques on Hand	0.21	0.27	0.17	0.11
Balances with Schedules Banks				
- On Current Accounts	600.96	465.46	26.71	24.13



Particulars	For the Financial Year ended			
	30- Sep-10	31- Mar-10	31- Mar-09	31- Mar-08
- On Margin Money Accounts	16.04	235.57	573.74	3.57
- On Deposit Accounts	-	-	-	-

**Note:** Cash Flow Statement for the years ended March 31, 2007 and March 31, 2006 have not been prepared as the requirement of reporting as per AS - 3 Cash Flow Statement was not applicable in those financial years.

## ANNEXURE 4

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

#### *I. SIGNIFICANT ACCOUNTING POLICIES*

##### **1. Basis of Preparation of Financial Statements**

- a) The financial statements have been prepared under the historical cost convention, on the basis of a going concern, in accordance with generally accepted accounting principles and provisions of the Companies Act, 1956 as adopted consistently by the Company.
- b) The Company follows the mercantile system of accounting in general and recognizes income and expenditure on accrual basis except otherwise stated.

##### **2. Use of Estimates**

The presentation of financial statements requires estimates and assumptions to be made that affect the value of assets and liabilities as well as revenues and expenses as reported in the financial statements. The difference between the actual result and estimates are recognized during the period in which they are materialized / known.

##### **3. Fixed Assets**

- a) Fixed Assets are stated at their original cost net of cenvat / value added tax and includes amounts added on revaluation, less accumulated depreciation and impairment loss, if any. The cost includes interest; financial charges, freight, taxes and other incidental expenses incurred for acquisition and installation of the assets. Assets revalued are stated at values determined by the valuers.
- b) Assets include assets given on lease. In respect of assets taken on lease, rentals are charged to revenue on accrual basis.

##### **4. Intangible Assets and Amortisation**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprises and the cost of the asset can be measured reliably. Intangible assets are amortised as follows:

- a) Leasehold Improvement: Over the period of lease.
- b) Computer Software / System Development: Over a period of five years.

##### **5. Depreciation**

- a) Depreciation on fixed assets including revalued assets have been provided on Straight Line Method at the rates and in the manner prescribed in the Schedule XIV to the Companies Act, 1956. Depreciation on additions to Fixed Assets is provided for on pro-rata basis from the date of addition/acquisition till the end of the year and on Assets sold/discarded/demolished to the date of disposal. The depreciation on revalued portion of assets is adjusted against the revaluation reserve.
- b) Depreciation on assets whose actual cost does not exceed Rs.5,000/- each is provided at 100% of the cost as specified in Schedule XIV to the Companies Act, 1956.

## **6. Capital Work-In-Progress**

Projects under commissioning and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses, interest and other financing costs payable on funds specifically borrowed to the extent they relate to the period till assets are ready for intended use.

## **7. Impairment of Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

## **8. Inventories**

- a) Raw materials (including stock in transit) are valued at cost, on first-in-first-out basis.
- b) Work-in-process is valued at cost. Cost for this purpose includes direct cost and attributable overheads.
- c) Finished goods are valued at lower of cost or net realisable value. Cost for this purpose includes direct cost and attributable overheads.
- d) Stores, fuel, dyes, chemicals and packing materials are valued at cost on first in first out basis.

## **9. Recognition of Income and Expenditure**

- a) Domestic sales are recognized on transfer of risk and reward which generally considers with dispatch of goods to the customers.
- b) Export sales are accounted for on the basis of dates of bill of lading.
- c) Sales are inclusive of dyeing charges, conversion charges, and overdue charges and are net of shortage and discounts excluding value added tax.
- d) Interest income is recognized on time proportion basis taking in to account the amount outstanding and the rate applicable.
- e) Cost/expenditure is recognized on accrual, as they are incurred except payments of leave travel allowances, reimbursement of medical expenses to the staff and dealer incentive / commission on domestic sales which are accounted for on cash basis.
- f) The claims against the Company are accounted on acceptance basis.

## **10. Foreign Exchange Transactions**

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Any income or expense on account of exchange differences either on settlement or on translation of transactions is recognized in the Profit & Loss account.

## **11. Employee Benefits**

- a) Employee benefits comprise both Defined Contribution and Defined Benefit Plans.

b) All short term employee benefits are accounted for on undiscounted basis during the accounting period based on services rendered by employees.

c) **Provident fund is a Defined Contribution Plan**

Each eligible employee and the Company make an equal contribution at a percentage of the basic salary specified under the Employees Provident Funds and Miscellaneous Provisions Act, 1952. The Company has no further obligations under the plan beyond its periodic contributions.

d) **Gratuity and Leave Encashment is a Defined Benefit Plan**

The Company's liability towards gratuity & leave encashment is accounted for on the basis of an actuarial valuation done at the year end and is charged to the profit and loss account.

**12. Research & Development**

Revenue expenditure, including overheads on Research and Development, is charged out as an expense in the year in which incurred. Expenditure which results in the creation of capital assets is taken as Fixed assets.

**13. Investments**

Investments are classified into Current and Long-term Investments. Current Investments are stated at lower of cost and fair value. Long-term Investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of Long-term Investments.

**14. Borrowing Costs**

Financing costs relating to construction of fixed assets are included in costs to the extent they relate to the period till such assets are ready to be put to use. Financing costs not relating to construction of fixed assets are charged to the income statement.

**15. Operating Lease**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Operating lease rentals are recognized as an expense, as applicable, over the lease period.

**16. Segment Reporting**

The Company is engaged in manufacturing (in house and outsourced) fabrics, ready to wear garments and home textiles. Considering the overall nature, the management is of the opinion that the entire operation of the Company falls under one segment i.e. Textiles and as such there are no separate reportable segments for the purpose of disclosures as required under Accounting Standard-17 "Segment Reporting".

**17. Earnings Per Share**

Basic earnings per equity share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per equity share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## 18. Income Tax

- a) Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.
- b) Deferred tax assets and liabilities are determined based on the difference between the financial statements and tax bases of assets and liabilities, as measured by the enacted / substantively enacted tax rates. Deferred tax expense / income is the result of changes in the net deferred tax assets and liabilities.
- c) Deferred tax assets are recognized only if there is a virtual certainty backed by convincing evidence of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and are appropriately adjusted to reflect the amount that is reasonably or virtually certain to be realised.

## 19. Provisions and Contingent Liabilities

The Company creates a provision when there is present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required, and a reliable estimate can be made of the amount required to settle the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

20. The share issues expenses will be adjusted against Securities Premium account after completion of IPO proceedings.

## II. NOTES TO ACCOUNTS

### 1. Contingent Liabilities:

#### a. Guarantees:

(Rs. in Millions)

	Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
a)	Corporate Guarantees given to the Lenders of S. Kumars Nationwide Limited	2,750.00	2,750.00	NIL	NIL

#### b. Claims not acknowledged as debts:

(Rs. in Millions)

	Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
a)	Entry Tax Liability – disputed	NIL	NIL	54.57	44.61
b)	Disputed matters in respect of ESIC	NIL	NIL	0.04	0.08
c)	Service tax on export agency commission – disputed	NIL	0.09	0.09	0.09
d)	Excise duty on Tow to Top	6.85	6.85	6.85	NIL

	Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
	conversion – disputed				
e)	Customs CVD duty – disputed	2.12	2.12	2.12	NIL
f)	Custom Duty	0.35	NIL	NIL	NIL

2.

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances), as certified by the management is Rs.3.66mn. (Previous Year F.Y. 2009-10 Rs. 109.43 mns, F.Y. 2008-09 Rs.0.91 mns and F.Y. 2007-08 Rs.16.31 mns)
- (b) As per Accounting Standard –19 “Leases”, the total of future minimum lease payment commitments under operating lease agreements for a period of 2 to 9 years to use offices, warehouses and guest house, are as under:

**(Rs. in Millions)**

	Period	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
a)	not later than one year	3.16	22.49	2.24	0.93
b)	later than one year but not later than five years	121.12	72.52	16.12	1.22
c)	later than five years	28.29	13.67	18.28	0.30

The above amounts are exclusive of taxes and duties. During the year, the Company has paid Rs.6.18 Millions. (Previous year F.Y. 2009-10 Rs.18.64 mns, F.Y. 2008-09 Rs.2.24 mns and F.Y. 2007-08 Rs.6.2 mns) as rent in respect of the above leases.

3. In the opinion of the management, the Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.
4. During F.Y. 2009-10, Sundry Debtors, Loans and Advances including Capital Advances and Sundry Creditors amounting to Rs.473.71 mns, Rs.694.73 mns and Rs.533.80 mns respectively, are subject to confirmations, reconciliation and consequential adjustment, if any.
5. During the Period, the Company, has issued 8, 07, 58,472 nos of equity shares of Rs.10 each as fully paid up 3 Bonus shares for every 2 shares held, out of Securities Premium a/c.
6. **Spin off of Reid & Taylor business from S. Kumars Nationwide Limited (SKNL):**

Pursuant to the decision in the Board Meeting held on 27<sup>th</sup> November, 2007, the shareholders of the S. Kumars Nationwide Limited have approved a resolution through postal ballot for the spin off of the Company's 'Reid & Taylor Division' comprising of the Fabrics and Ready-to-Wear Garments Business carried out under the brand 'Reid & Taylor' including the factory at Thandya Industrial Area, Thandavapura – 571301, Nanjangud Taluka, District Mysore, State Karnataka with all Assets and Liabilities relating to the Division on 'Slump Sale basis' and on as is where basis as a 'going Concern' to its subsidiary Company namely 'Reid & Taylor (India) Limited' w.e.f. 1st January, 2008 together with the rights, title and interest in the immovable, movable, intangible, and current assets, for a total gross slump sale value of Rs. 3500.00 millions, which is received net of book value of liabilities transferred, using Pooling of Interest Method. The transfer and registration of properties both movable and immovable from SKNL to RTIL has been made during August-08.

7. During F.Y. 2008-09, the Company, has issued 1,19,84,659 nos. of equity shares of Rs.10 each at a premium of Rs.649.18 per share to Indivest Pte Ltd aggregating to Rs.7900.00 millions. Consequent to the issue, the holding of S. Kumars Nationwide Limited in the Company, stands at 76.97%.

The above shares include 15,17,045 nos. of Convertible Preference Share of Rs.20 each at a premium of Rs.639.18 on 14<sup>th</sup> July, 2008, which were converted into same number of equity shares of Rs.10 each at a premium of Rs.649.18 on 22<sup>nd</sup> September, 2008.

Further, during F.Y. 2009-10, the Company, has issued 18,04,322 no. of equity shares of Rs.10 each at a premium of Rs.599.65 per share to Indivest Pte Ltd aggregating to Rs. 1100.0 millions. Consequent to the issue, the holding of S. Kumars Nationwide Limited in the Company stands at 74.39%.

8. During F.Y. 2008-09, the Company has advanced a loan of Rs. 4400.00 millions to S. Kumars Nationwide Limited. The loan is repayable in four years after moratorium of one year, by 16 quarterly installments and is at an interest rate of 12% p.a. as per the scheme of subsidiarisation.

9.

(a) During the year the Company has computed its Deferred Tax Asset / (Liability) in accordance with Accounting Standards – 22 “Accounting for Taxes on Income” and accordingly Deferred Tax liability of Rs.16.18 Millions (Previous year F.Y. 2009-10 DTL Rs.15.25 mns, F.Y. 2008-09 DTA Rs.1.10 mns and F.Y. 2007-08 DTA Rs.6.23 mns) as has been provided.

**Deferred Tax Liability (Net):**

(Rs. in Millions)

Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
<b>Deferred Tax (Liabilities) / Assets</b>	<b>(15.25)</b>	1.10	6.23	NIL
(i) on account of Difference between books and tax depreciation	<b>(1.47)</b>	(28.06)	(10.16)	6.23
(ii) on account of Disallowance under Section 43B of Income Tax Act	<b>0.54</b>	11.71	5.03	NIL
<b>Deferred Tax (Liabilities) / Assets (Net)</b>	<b>(16.18)</b>	(15.25)	1.10	6.23

10. The Company is engaged in only one segment, namely ‘Textiles’. As such there is no separate segment reporting required under Accounting Standard 17 – “Segment Reporting.”

11. **Debtors and Loans and Advances due from firms and companies in which some of the directors are interested:**

(Rs. in Millions)

Name of the Company	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
<b>Debtors :</b>				
Reid & Taylor Ltd U.K	<b>8.52</b>	8.50	27.18	29.06
Brand House Retails Limited	<b>1012.83</b>	1400.38	1165.95	303.56
Copley Corp	<b>0.37</b>	0.58	Nil	Nil
HMX LLC	<b>7.94</b>	0.93	Nil	Nil
<b>Total</b>	<b>1029.66</b>	1410.39	1193.13	332.62
<b>Loans and Advances :</b>				
Loan to S. Kumars Nationwide Limited	<b>3700.00</b>	4250.00	4800.00	400.00
Advance to S. Kumars Nationwide Limited	<b>NIL</b>	1040.92	237.90	Nil

Name of the Company	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
<b>Total</b>	<b>3700.00</b>	5290.92	5037.90	400.00
<b>Grand Total</b>	<b>4729.66</b>	6701.31	6231.03	732.62

**12. Disclosure as per clause 32 of the listing agreement:**

Loans and Advances in the nature of loans given to Subsidiaries, Associates and Others:

**(Rs. in Millions)**

Company	Relationship	Amount outstanding as at 30.9.2010	Amount outstanding as at 31.3.2010	Maximum balance outstanding during FY2009-10	Investment in Shares of the Company No. of Shares
S. Kumars Nationwide Limited	Holding Co.	3700.00	4250.00	4800.00	40,050,000

**13. The Micro, Small and Medium Enterprises Development Act, 2006:**

The Information as required to be disclosed under The Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of the information available with the Company. The amount of principal & interest outstanding during 2009-10 is given below:

**(Rs. in Millions)**

			As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
i)	Amounts unpaid as at 30.09.2010	Principal	<b>4.08</b>	4.61	8.75	NIL
ii)	Amount of interest accrued and unpaid					
	Opening Balance as on 01 <sup>st</sup> April, 2010		<b>0.92</b>	0.93	NIL	
	Add: Accrued Interest		<b>0.93</b>	0.92	0.93	
	Less: Paid during the year		<b>NIL</b>	NIL	NIL	
	Closing Balance at at 30 <sup>th</sup> September, 2010	Interest	<b>1.86</b>	1.85	0.93	
iii)	Total Amount outstanding as on		<b>5.94</b>	6.46	9.68	



				As at 30.09.2010		As at 31.03.2010		As at 31.03.2009	As at 31.03.2008
	30.09.10								

**14. Particulars of Derivative Instruments**

- No derivative instruments are acquired for hedging purposes.
- No derivative instruments are acquired for speculation purposes.
- Foreign Currency exposures that are not hedged by derivative instruments or otherwise are:

**(Rs. in Millions)**

Currency	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Receivables				
– Euro	-	0.24	0.96	Nil
– USD	1.28	18.51	5.06	Nil
– GBP	0.12	1.05	2.86	Nil
Payables				
– Euro	0.13	0.86	Nil	Nil
– USD	0.01	0.97	Nil	Nil
– AUD	1.23	1.48	Nil	Nil

- 15.** The Company has adopted the Accounting Standard - 15 (Revised 2005) “Employee Benefits” effective from April 01, 2007.

The Company has classified the various benefits provided to employees as under:

**I Defined Contribution Plans:**

- Provident Fund & Employees Pension Scheme, 1995.
- Employers’ Contribution to Employees’ State Insurance.

The Company has recognised the following amounts in Profit and Loss Account:

**(Rs. in Millions)**

Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Employer’s contribution to Provident Fund & Pension Scheme	10.00	17.12	13.64	2.55
Employer’s contribution to Employees State Insurance	2.35	3.99	3.39	0.42

**II Defined Benefit Plans:**

- Contribution to Gratuity Fund (Funded Scheme).
- Leave Encashment (Non-Funded Scheme).

**In accordance with the Accounting Standard -15 (Revised 2005), actuarial valuation was performed in respect of the aforesaid defined benefit plans based on the following assumptions:**

Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Discount Rate (% per	8.25	8	7.75	8
Rate of increase in compensation levels (% per annum)	5	5	5	8
% Rate of return on Plan Assets (for Funded Scheme)	8	8	8	8
Expected Average remaining working lives of the employees (years)	21	19	21	16

**A. Change in the Present Value of Obligation:**

(Rs. in Millions)

Particulars	As at 30.09.2010		As at 31.03.2010		As at 31.03.2009		As at 31.03.2008	
	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)
Present Value of Defined Benefit Obligation as at the beginning of the period	22.54	13.43	17.02	7.68	15.64	6.46	15.46	6.22
Interest Cost	0.90		1.58		1.39		1.33	
Current Service Cost	2.20	1.27 *	3.57	5.75*	1.97	1.22*	1.60	0.24*
Past Service Cost – Vested Benefit	3.14							
Benefits Paid	(1.73)		(0.49)		(0.42)		(0.93)	
Actuarial (gain) / loss on Obligations	(0.73)		0.86		(1.55)		(1.82)	
Present Value of Defined Benefit Obligation as at the end of the period	26.32	14.70	22.54	13.43	17.03	7.68	15.64	6.46

\* Net of benefits paid during the year included under salary and allowances.

**B. Changes in the Fair Value of Plan Assets:  
(For Funded Scheme)**

(Rs. in Millions)

Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Present Value of Plan Assets as at the beginning of the period	11.50	5.71	5.26	-
Expected Return on Plan Assets	0.46	0.86	0.59	-
Contributions	3.36	5.26	2.27	5.34
Benefits Paid	(1.73)	(0.49)	(0.43)	(0.93)

Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Actuarial gains / (losses)	0.30	0.16	(1.98)	0.84
Assets distributed on Settlement	-	-	-	-
Fair Value of Plan Assets as at the end of the period	13.89	11.50	5.71	5.25

**C. Reconciliation of Present Value of Defined Benefit Obligation and the Fair Value of Assets:**

(Rs. in Millions)

Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Present Value of Funded Obligation as at the end of the period	26.33	22.54	17.03	15.64
Fair Value of Plan Assets as at the end of the period	13.88	11.50	5.71	5.26
Funded Asset recognised in the Balance Sheet Included in provision (Schedule)	-	-	-	-
Present Value of Unfunded Obligation as at the end of the period	12.45	11.04	11.32	10.38
Unrecognized Actuarial gains / (losses)	-	-	-	-
Unfunded Liability recognized in the Balance Sheet Included in provision (Schedule)	12.45	11.04	11.32	10.38

**D. Amount recognised in the Balance Sheet:**

(Rs. in Millions)

Particulars	As at 30.09.2010		As at 31.03.2010		As at 31.03.2009		As at 31.03.2008	
	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)
Present Value of Defined Benefit Obligation as at the end of the period	26.33	14.70	22.54	13.44	17.03	7.68	15.64	6.46
Fair Value of Plan Assets as at the end of the period	13.88	-	11.50	-	5.71	-	5.26	-
Liability/ (Net Asset) recognised in the Balance Sheet	12.45	14.70	11.04	13.44	11.32	7.68	10.38	6.46

**E. Expenses recognized in Profit and Loss Account:**

(Rs. in Millions)

Particulars	As at 30.09.2010		As at 31.03.2010		As at 31.03.2009		As at 31.03.2008	
	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)	Funded Scheme (Gratuity)	Non-Funded Scheme (Leave Encashment)
Current Service Cost	2.20	1.27*	3.57	5.75*	1.97	1.22*	1.60	0.24*
Past Service Cost	3.14	-	-	-	-	-	-	-
Interest Cost	0.90		1.58		1.39		1.32	
Expected Return on Plan Assets	(0.46)		(0.86)		(0.59)		-	
Curtailment Cost / (Credit)								
Settlement Cost / (Credit)								
Net Actuarial (gain) / Loss recognised in the Period	(1.02)		0.70		0.44		(2.65)	
Total Expenses recognised in the Profit and Loss Account*	4.76	1.27*	4.99	5.75	3.21	1.22	0.27	0.24

\* Net of Benefits paid during the year included under salary & allowances.

#### F. Actual Return on Plan Assets:

Particulars	(Rs. in Millions)			
	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Expected Return on Plan Assets	0.46	0.86	0.59	-
Actuarial gain / (losses) on Plan Assets	0.30	0.16	(1.99)	0.84
<b>Actual Return on Plan Assets</b>	<b>0.76</b>	<b>1.02</b>	<b>(1.40)</b>	<b>0.84</b>

The funds of the scheme are managed by insurer and hence it is not possible to give a break of investments in debt instruments and bank deposits.

The expected rate of return on plan assets is based on market expectations at the beginning of the period. The rate of return on long-term government bonds is taken as reference for this purpose.

**Note:** The effect to enhancement of limit of maximum gratuity from Rs. 0.35 million to Rs. 1.0 million has been given in 30<sup>th</sup> September, 2010.

#### 16. NOTES TO SUMMARY STATEMENT OF RESTATED ASSETS AND LIABILITIES IN ANNEXURE 1 AND SUMMARY STATEMENT OF RESTATED PROFIT AND LOSS IN ANNEXURE 2

- a. Summary of results of adjustments made to the audited financial statements of the Company for the respective years and their impact on the Profits / (Losses) of the Company are as given below:

Adjustments in	For the year ended on
----------------	-----------------------

<b>(income) / expenses in statement of Profit &amp; Loss</b>	<b>30.9.2010</b>	<b>31.3.2010</b>	<b>31.3.2009</b>	<b>31.3.2008</b>	<b>31.3.2007</b>	<b>31.3.2006</b>
Profit after Tax, as per audited financial statements	1130.57	2029.39	1437.71	274.65	-	-
A. Restructured financial costs [refer note (i) below]	-	-	(252.73)	-	-	-
B. Restructured financial costs amortised now reversed back [refer note (i) below]	10.99	21.98	10.99	-	-	-
C. Prior Period Items [refer note (ii) below]						
Expenses pertaining to FY 2007-08	-	-	2.20	(2.20)	-	-
Expenses pertaining to FY 2009-10	1.10	(1.10)				
D. Taxation for earlier years [refer note (iii) below]						
Tax expenses pertaining to FY 2008-09	-	6.74	(6.74)	-	-	-
Tax expenses pertaining to FY 2007-08	-	-	3.77	(3.77)	-	-
Total Adjustments	12.09	27.62	(242.51)	(5.97)	-	-
Tax impact on adjustments		-	-	-	-	-
<b>Net Profit after Tax, as Restated</b>	<b>1142.66</b>	<b>2057.01</b>	<b>1195.20</b>	<b>268.68</b>	<b>-</b>	<b>-</b>

- b. Summary of results of adjustments made to the audited financial statements of the Company for the respective years and their impact on the Assets and Liabilities of the Company are as given below:

	<b>30.9.2010</b>	<b>31.3.2010</b>	<b>31.3.2009</b>	<b>31.3.2008</b>	<b>31.3.2007</b>	<b>31.3.2006</b>
A. Restructured financial costs [refer note (i) below]						
Loans and Advances	-	(219.76)	(241.73)	-	-	-
B. Prior Period Items [refer						

	30.9.2010	31.3.2010	31.3.2009	31.3.2008	31.3.2007	31.3.2006
note (ii) below]:						
Sundry Debtors	-	(1.10)	-	(2.20)	-	-
C. Taxation for earlier years [refer note (iii) below]:						
Provision for taxation	-	-	6.74	3.77	-	-
D. Regroupings [refer note (iv) below]:						
Advance Tax and Tax deducted at Source	1016.14	645.36	259.95	-	-	-
Provision for taxation	1016.14	645.36	259.95	-	-	-

**i. Restructured Financial Cost:**

During the financial year 2008-09, the Company has paid Rs.252.73 millions as recompense to Corporate Debt Restructuring (CDR) Lenders on exit from Corporate Debt Restructure of the Holding Company, S. Kumars Nationwide Limited (SKNL) which the Company is also a part of. The same has been accounted and carried forward as “Restructured Financial Costs” under the head “Loans and Advances”. This is to be amortised in equal instalments starting from 1st October, 2008 till 31st March, 2020 to be in conformity with the accounting treatment given in Holding Company’s financial statements. Accordingly, the Company had amortised Rs.10.99 millions during the period April-September 2010, Rs.21.98 millions during F.Y. 2009-10 and Rs.10.99 millions in F.Y. 2008-09 and the balance amount of Rs.208.77 millions as on 30.09.2010, Rs.219.76 millions as on 31.03.2010 and Rs.241.73 Millions as on 31.03.2009 has been carried forward under the head “Loans and Advances” as “Restructured Financial Cost”.

Now, during restatement, the total recompense amount of Rs.252.73 millions has been charged off to the profit and loss account in the F.Y. 2008-09 i.e. year in which the amount has been paid / incurred. Therefore, the effect of the amortization of the restructured financial cost of Rs.10.99 millions during the period April-September 2010, Rs.21.98 millions in F.Y. 2009-10 and Rs.10.99 millions in F.Y. 2008-09 has been reversed.

**ii. Prior Period Items:**

In May 2010, Selling expenses of Rs.1.10 million pertaining to the FY2009-10 and in F.Y. 2008-09, expenses of Rs.2.20 million arising due to rate difference in billing to one of the debtor during F.Y. 2007-08 have been identified as Prior Period Items. For the purpose of restated financial statements, these expenses have been adjusted in the year to which these pertain and accordingly the Debtors have been restated.

**iii. Taxation for earlier years:**

In F.Y. 2009-10 Rs.6.74 millions and F.Y. 2008-09, Rs. 3.77 millions, towards additional taxes (inclusive of interest u/s 234) for F.Y. 2008-09 and F.Y. 2007-08 respectively were paid / provided for. Accordingly, the same have been restated in the financial year to

which the tax pertains and accordingly the provision for taxation has been restated in statement of Assets and Liabilities.

**iv. Regroupings:**

In the audited financial statements for the period April-September 2010 and for F.Y. 2009-10 and F.Y. 2008-09, Advance Taxes and Tax deducted at source were netted of from the provisions for taxation.

For the purpose of restated financial statements, Rs.1016.14 millions for the period April-September 2010, Rs.645.36 millions in F.Y. 2009-10 and Rs.259.95 millions in F.Y. 2008-09 has been disclosed separately as “Advance Tax and Tax deducted at Source” under the head “Loans and Advances” and accordingly the provision for taxation has been restated by adding up the same amount in respective years.

- 17.** Previous period figures have been regrouped and rearranged, wherever considered necessary.

ANNEXURE 5

SUMMARY OF LOANS AND ADVANCES

(Rs. in Millions)

Particulars	As at 30-Sep-10	As at 31-Mar-10	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-07	As at 31-Mar-06
<b>Secured, considered good</b>						
Advances		-	-	-	-	-
<b>Unsecured, considered good</b>						
Advances recoverable in cash or in kind or for value to be received	5171.03	2,278.11	1,422.75	465.25	0.48	0.48
Security Deposits	44.79	149.11	129.59	89.25	-	-
Loans to Holding Company	3,700.00	4,250.00	4,800.00	400.00	-	-
Advances to Holding Company	-	1,040.92	237.91	-	-	-
Loans to Employees	2.28	2.34	1.83	-	-	-
Advance Tax and Tax Deducted at Source	1,016.14	645.36	259.95	-	-	-
<b>Unsecured, considered doubtful</b>						
Advances recoverable in cash or in kind or for value to be received	-	-	-	-	-	-
Advance Tax and Tax deducted at source	-	-	-	-	-	-
<b>Total</b>	<b>9,934.24</b>	<b>8,365.84</b>	<b>6,852.03</b>	<b>954.50</b>	<b>0.48</b>	<b>0.48</b>
Less : Provision for doubtful advances	-	-	-	-	-	-
	<b>9,934.24</b>	<b>8,365.84</b>	<b>6,852.03</b>	<b>954.50</b>	<b>0.48</b>	<b>0.48</b>

Amounts due from promoters / promoter group companies/ directors/ relatives of directors/ associate companies

(Rs. in Millions)

Particulars	As at 30-Sep-10	As at 31-Mar-10	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-07	As at 31-Mar-06
S.Kumars Nationwide Limited - Loan	3,700.00	4,250.00	4,800.00	400.00	-	-
S.Kumars Nationwide Limited – Advance	-	1,040.92	237.91	-	-	-
<b>Total</b>	<b>3,700.00</b>	<b>5,290.92</b>	<b>5,037.91</b>	<b>400.00</b>	<b>-</b>	<b>-</b>



ANNEXURE 6

SUMMARY OF SUNDRY DEBTORS

(Rs. in Millions)

Particulars	As at 30-Sep-10	As at 31-Mar-10	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-07	As at 31-Mar-06
<b>Debts Outstanding for a period exceeding 6 Months</b>						
Unsecured, considered good	1,030.08	950.60	495.66	186.23	-	-
Unsecured, considered doubtful	9.13	9.13	7.72	2.28	-	-
Less : Provision for doubtful debts	(9.13)	(9.13)	(7.72)	(2.28)	-	-
<b>Debts Outstanding for a period not exceeding 6 Months</b>						
Unsecured, considered good	4,347.84	3,912.92	2,432.31	1,722.64	-	-
<b>Total</b>	<b>5,377.92</b>	<b>4,863.52</b>	<b>2,927.97</b>	<b>1,908.87</b>	<b>-</b>	<b>-</b>

Amounts due from promoters / promoter group companies/ directors/ relatives of directors/ associate companies, included in Sundry Debtors, not exceeding six months above:

(Rs. in Millions)

Particulars	As at 30-Sep-10	As at 31-Mar-10	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-07	As at 31-Mar-06
Brandhouse Retails Limited	1,012.83	1,400.38	1,165.95	303.56	-	-
Reid & Taylor Ltd., UK	8.52	8.50	27.18	29.06	-	-
Coppley Corp	0.37	0.58	-	-	-	-
HMXLLC	7.94	0.93	-	-	-	-
<b>Total</b>	<b>1,029.66</b>	<b>1,410.39</b>	<b>1,193.13</b>	<b>332.62</b>	<b>-</b>	<b>-</b>

ANNEXURE 7

SUMMARY OF INVESTMENTS

(Rs. in Millions)

Particulars	As at 30-Sep-10	As at 31-Mar-10	As at 31-Mar-09	As at 31-Mar-08	As at 31-Mar-07	As at 31-Mar-06
<b>Long Term Investments</b>						
i) Government Securities	0.01	0.01	0.01	-	-	-
ii) In Equity Shares						
- Trade and Quoted	-	-	-	-	-	-
- Non Trade and Quoted	-	-	-	-	-	-
-Trade and Unquoted						
(a) In subsidiaries:	-	-	-	-	-	-
(b) In associate companies:	-	-	-	-	-	-
(c) In other companies:	-	-	-	-	-	-
<b>Total</b>	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>-</b>	<b>-</b>	<b>-</b>
Book Value of quoted investments	-	-	-	-	-	-
Market Value of quoted investments	-	-	-	-	-	-
Aggregate amount of unquoted investments	<b>0.01</b>	<b>0.01</b>	<b>0.01</b>	<b>-</b>	<b>-</b>	<b>-</b>

## ANNEXURE 8

### ACCOUNTING RATIOS

Particulars	For the Financial Year Ended					
	Apr-Sep 10	2009-10	2008-09	2007-08	2006-07	2005-06
Networth as per Annexure 1 (Rs. in Million)	14,054.19	12,911.54	9,754.53	669.18	0.44	0.44
Net Profit as restated, available for Equity Shareholders (Rs. in Million)	1,142.66	2,057.01	1,195.20	268.68	-	-
<b>Weighted average number of equity shares of Rs.10/- each</b>						
i) Number of Shares at the beginning of the year	53,838,981	52,034,659	40,050,000	50,000	50,000	50,000
ii) Number of Shares at the end of the year	134,597,453	53,838,981	52,034,659	40,050,000	50,000	50,000
iii) Adjustment in respect of Bonus Share *	-	80,758,472	78,051,989	60,075,000	75,000	75,000
iv) Weighted average number of Outstanding Equity Shares (Basic)	134,597,453	133,099,619	124,373,413	65,152,100	125,000	125,000
v) Weighted average number of Outstanding Equity Shares (Diluted)	134,597,453	133,099,619	124,664,353	65,152,100	125,000	125,000
<b>Basic Earning Per Share (EPS) (Rs.)</b>	<b>8.49</b>	<b>15.45</b>	<b>9.61</b>	<b>4.12</b>	<b>-</b>	<b>-</b>
<b>Dilutive Earning Per Share (DEPS) (Rs.)</b>	<b>8.49</b>	<b>15.45</b>	<b>9.59</b>	<b>4.12</b>	<b>-</b>	<b>-</b>
<b>Return on Net Worth (%)</b>	<b>8.13%</b>	<b>15.93%</b>	<b>12.25%</b>	<b>40.15%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Net Asset Value Per Equity Share (Rs.)</b>	<b>104.42</b>	<b>239.82</b>	<b>187.46</b>	<b>16.71</b>	<b>8.80</b>	<b>8.80</b>

The Ratios have been computed as below:-

\* Earning per share (EPS) and Dilutive Earning per share (DEPS) is calculated after adjusting for Bonus Shares issued vide resolution passed at the Extra Ordinary General Meeting held on August 19, 2010 respectively and allotted on September 10, 2010 respectively with retrospective effect as provided in Accounting Standard (AS -20) – Earning per Share.

$$\text{Earning Per Share( Basic) = } \frac{\text{Net profit as restated attributable to Equity Shareholders}}{\text{Weighted Average number of Equity Shares outstanding during the year}}$$

$$\text{Earning Per Share(Diluted) = } \frac{\text{Net profit as restated attributable to Equity Shareholders}}{\text{Weighted Average number of Diluted Equity Shares outstanding during the year}}$$

$$\text{Return On Net worth (\%)} = \frac{\text{Net Profit as restated}}{\text{Net Worth at the end of the year}}$$

$$\text{Net Asset Value per Share (Rs.)} = \frac{\text{Net Worth at the end of the year}}{\text{Number of Equity Shares outstanding at the end of the year}}$$

ANNEXURE 9

STATEMENT OF SECURED LOANS

Table 1:

(Rs. in Millions)									
Particulars of Loan	Name of the Bank	Nature of Loan	Loan Documentation	Sanction Amount	Outstanding (incl. interest accrued & due) as on September 30, 2010	Repayment Schedule	Rate of Interest p.a. (%)	Securities Offered	Interest Reset / Prepayment
<b>Term Loan</b>	IDBI Bank Limited	Corporate Loan	Loan Agreement dated 30th December, 2009	800.00	750.00	8 equal quarterly installments commencing from 31st December, 2010.	BPLR - Nil  Present effective rate to be 12.75%	<p>1. Exclusive First charge by way of hypothecation on all the movable assets aggregating to Rs.890 millions, acquired / to be acquired out of loan.</p> <p>2. First pari passu charge on all the movable and immovable fixed assets of the Company both Present &amp; Future.</p> <p>3. Second pari passu charge on all the Current Assets</p>	Annual reset for 'spread' would be based on the credit rating of the Company. Company may prepay the outstanding principal amounts of Loan in full or in part, after payment of prepayment premium @1% p.a. or such other amount as decided / advised by the Lender. However, on interest reset dates, the revised interest rate is not acceptable, Company may prepay in part or full, without payment of prepayment premium after giving 30 days prior notice.

Particulars of Loan	Name of the Bank	Nature of Loan	Loan Documentation	Sanction Amount	Outstanding (incl. interest accrued & due) as on September 30, 2010	Repayment Schedule	Rate of Interest p.a. (%)	Securities Offered	Interest Reset / Prepayment
								of the Company both Present & Future. 4. Irrevocable and unconditional personal Guarantee of Shri Nitin S. Kasliwal	
<b>Working Capital Loans</b>	Bank of India	Cash Credit & Working Capital Demand Loan	Facility Agreement dated 28th July, 2009	1,000.00	639.87	On demand	12.75%	1. First pari passu charge on the Current Assets of the Company both Present & Future	The Company Shall at any time and from time to time be entitled to notify you and charge interest/commission/charges at such notified rates.
		Bank Guarantee		64.00			Rs.180+0.77% per Qtr. +0.5% guarantee issued with onerous clause	2. Second pari passu charge on the Fixed Assets of the Company both Present & Future	
		Letter of Credit		64.00				3. Personal Guarantee of Shri Nitin S. Kasliwal 4. Corporate Guarantee of M/s S.Kumars	

Particulars of Loan	Name of the Bank	Nature of Loan	Loan Documentation	Sanction Amount	Outstanding (incl. interest accrued & due) as on September 30, 2010	Repayment Schedule	Rate of Interest p.a. (%)	Securities Offered	Interest Reset / Prepayment
								Nationwide Limited	
								5. Corporate Guarantee of M/s Anjani Finvest Private Limited	
		Export Bill purchase/ Discount DP/DA 90 days	Facility Agreement dated 05th June, 2010	100.00	3.90	On demand	Upto 180 days @9.25% and Above 180 days @3.25% OBPLR min. 15.25%	Same as above and margin on LC/BG at 5% in the form of TDR.	
	IDBI Bank Limited	Cash Credit	Facility Agreement dated 04th August, 2009	1,144.20	769.00	On demand	BPLR-0.50%	1. First pari passu charge on the Current Assets of the Company both Present & Future	Interest, commission and other charges are subject to variations as may be notified by IDBI Bank from time to time in accordance with utilisation level and IDBI Bank's usual practices.
		Bank Guarantee		21.40		Honoring of commitments on due date	2.5% p.a for performance guarantee & 3% for other guarantee	2. Second pari passu charge on the Fixed Assets of the Company both Present & Future	

Particulars of Loan	Name of the Bank	Nature of Loan	Loan Documentation	Sanction Amount	Outstanding (incl. interest accrued & due) as on September 30, 2010	Repayment Schedule	Rate of Interest p.a. (%)	Securities Offered	Interest Reset / Prepayment
		Letter of Credit		84.80		Return of original Guarantee on or before the date of Expiry	0.75% p.a plus service tax for 90 days	3. Personal Guarantee of Shri Nitin S. Kasliwal	
<b>Working Capital Loans</b>	State Bank of India	Cash Credit, EPC, Inland Bills & FBD	Facility Agreement dated 28th August, 2009	897.00	897.51	On demand	SBAR +1.50%	4. Corporate Guarantee of M/s S.Kumars Nationwide Limited	Subject to review from time to time
		Bank Guarantee		42.00			standard rates	5. Corporate Guarantee of M/s Anjani Finvest Private Limited	
		Letter of Credit		58.00			standard rates		
	State Bank of Indore	Cash Credit /WCDL	Supplementary Working Capital Consortium agreement dated 27th July, 2009	405.20	409.92	On demand	13.50%		Subject to review from time to time
		Bank Guarantee		51.50			As per bank's instruction		
		Letter of Credit		50.50			As per bank's instruction		
Jammu & Kashmir Bank Limited	Cash Credit	Loan Agreement dated 05th March, 2010	221.20	220.60	On demand	PLR+1%		Subject to review from time to time	
	Letter of		20.90			0.75% per Qtr			



Particulars of Loan	Name of the Bank	Nature of Loan	Loan Documentation	Sanction Amount	Outstanding (incl. interest accrued & due) as on September 30, 2010	Repayment Schedule	Rate of Interest p.a. (%)	Securities Offered	Interest Reset / Prepayment
		Credit							
	Export-Import Bank of India	Pre-shipment Credit	Facility Agreement dated 19th September, 2009	129.30	129.32	180 days	8.50%		The Revised Rate will be advised in writing by EXIM Bank.
	Punjab National Bank	Cash Credit	Sanction Letter Dated 18 <sup>th</sup> August 2010 and Deed of Hypothecation dated 30th August, 2010	945.40	744.62	On demand	Base Rate+4.75%		Margins/rates of Interest are subject to revision from time to time at the sole discretion of the bank.
	Indian Overseas Bank	Cash Credit	Sanction Letter dated 13 <sup>th</sup> August 2010 and Deed of Hypothecation dated 24 <sup>th</sup> August, 2010	265.00	267.56	On demand	Base Rate+5% or the rate of interest charged by Leader of consortium, whichever is higher, with a minimum of 13.25%.		Prepayment will be subjected to the applicable prepayment charges and revised terms & conditions.
<b>Equipment Finance</b>	ICICI Bank Limited	Equipment Finance	Agreement dated 10th May, 2007	4.77	1.99		11.52%	Hypothecation of specific equipment / assets	
			Agreement dated 10th December, 2007	3.27	0.10		12.72%		
			Agreement dated 10th March, 2008	1.36	0.13		11.00%		

**Table 2:****(Rs. in Millions)**

<b>Particulars of Loan</b>	<b>30-Sep-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
<b>Term Loans From Banks:</b>						
Corporate Loan	750.00	757.38	-	-	-	-
Non-Convertible Debentures -privately placed	-	-	-	348.48	-	-
Rupee Term Loans	-	-	-	1,627.31	-	-
Foreign Currency Loans	-	-	-	256.96	-	-
Working Capital Term Loans	-	-	-	78.06	-	-
<b>Sub Total (A)</b>	<b>750.00</b>	<b>757.38</b>	<b>-</b>	<b>2,310.81</b>	<b>-</b>	<b>-</b>
<b>Working Capital Loans (B)</b>	<b>4,082.32</b>	<b>3,477.57</b>	<b>2,211.35</b>	<b>1,006.83</b>	<b>-</b>	<b>-</b>
<b>Equipment Finance ( C)</b>	<b>2.22</b>	<b>4.33</b>	<b>9.88</b>	<b>15.76</b>	<b>-</b>	<b>-</b>
<b>Total Secured Loan (A+B+C)</b>	<b>4,834.54</b>	<b>4,239.28</b>	<b>2,221.23</b>	<b>3,333.40</b>	<b>-</b>	<b>-</b>

**ANNEXURE 10****DETAIL OF OTHER INCOME**

<b>(Rs. in Millions)</b>				
<b>Particulars</b>	<b>30-Sep-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>
Other Income	220.99	562.85	388.57	8.08

**Note:** Other income does not exceed 20 percent of Net Profit before Tax in any of the above financial years and hence further details are not required to be provided.

ANNEXURE 11

CAPITALISATION STATEMENT

(Rs. in Millions)

Particulars	Pre-issue as at 30-09-2010	Adjusted for the Issue**
<b>BORROWINGS :</b>		
Short - Term Debt	4,082.32	
Long - Term Debt	752.22	
<b>Total Debt</b>	<b>4,834.54</b>	
<b>SHAREHOLDERS' FUNDS:</b>		
<b>Share Capital</b>		
- Equity*	1,345.97	
Less: Calls- in- arrears	-	
- Preference	-	
<b>Total Share Capital (A)</b>	<b>1,345.97</b>	
<b>Reserves &amp; surplus</b>		
Share Premium	8,852.26	
Less: Issue of Bonus Shares*	807.58	
Profit & Loss	4,663.54	
Less: Miscellaneous Expenditure not written off	-	
<b>Total Reserves &amp; Surplus (B)</b>	<b>12,708.22</b>	
<b>Total Shareholders' Funds (A+B)</b>	<b>14,054.19</b>	
<b>Long - Term Debt / Equity ratio</b>	<b>0.34</b>	

\* Since March 31, 2010 Share Capital has increased from Rs. 538.39 million to Rs. 1,345.97 million by way of Issue of Bonus Shares in the ratio of 3 shares for every 2 shares held.

\*\* will be calculated after finalization of the issue price.

## ANNEXURE 12

## STATEMENT OF TAX SHELTERS

(Rs. in Millions)

Particulars	31-Sep-10	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07	31-Mar-06
<b>Profit/ (Loss) before taxes, as restated (A)</b>	1,715.39	3,206.15	1,902.50	434.43	-	-
Income Tax Rates (including surcharge and education cess) applicable (B)	33.22%	33.99%	33.99%	33.99%		
Tax at Notional rates (C)	569.81	1,089.77	646.66	147.66	-	-
<b>ADJUSTMENTS</b>						
<i>Permanent Differences:</i>						
Expenses disallowed under tax laws	1.16	2.25	7.23	6.25	-	-
Total Permanent Differences (D)	1.16	2.25	7.23	6.25	-	-
<i>Timing Differences:</i>						
Difference Between Tax depreciation and book depreciation	(9.70)	(34.02)	29.98	31.77	-	-
Expenses disallowed under 40A	-	-	-	5.05	-	-
Expenses disallowed under 43B	7.11	9.71	-	2.20	-	-
Total Timing Differences (E)	(2.59)	(24.31)	29.98	39.02	-	-
Profit set off against brought forward losses and unabsorbed depreciation of previous years (F)	-	-	-	-	-	-
Net adjustments (G) = (D) + (E) + (F)	(1.43)	(22.06)	37.21	45.27	-	-
Net impact of Adjustments (H) = (G) * (B)	(0.48)	(7.50)	12.65	15.39	-	-
Taxable Income (I) = (A+G)	1,713.96	3,184.09	1,939.71	479.70	-	-
Tax Provision based on taxable income (J) = (I * B)	569.33	1,082.27	659.31	163.05	-	-
Interest u/s 234 (b) of IT Act (K)	2.47	49.31	29.48	1.56	-	-
<b>Total Tax Provision (L) = (J) + (K)</b>	<b>571.80</b>	<b>1,131.58</b>	<b>688.79</b>	<b>164.61</b>	-	-

**ANNEXURE 13****DETAIL OF DIVIDEND DECLARED**

**(Rs. in Millions)**

<b>Particulars</b>	<b>30-Sep-10</b>	<b>31-Mar-10</b>	<b>31-Mar-09</b>	<b>31-Mar-08</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
Equity Shares - Face Value (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
-Final Dividend (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
-Final Dividend (Rs. in Millions)	-	-	-	-	-	-

**ANNEXURE 14**

**RELATED PARTY TRANSACTIONS**

**(c) Related Parties:**

<b>Sr. No.</b>	<b>Name of the Related Party</b>	<b>Relationship</b>
42.	S. Kumars Nationwide Limited	Parent Company
43.	Brandhouse Retails Limited	Enterprises over which Key Managerial Personnel are able to exercise significant influence
44.	Brandhouse Oviessa Limited	
45.	S. Kumars Enterprises (Synfabs) Limited	
46.	S.Kumars Textiles Limited	
47.	Belmonte Lifestyles Limited	
48.	N'Essence Holdings Limited	
49.	Anjani Finvest Pvt. Limited	
50.	Verve Properties & Investment Pvt. Limited	
51.	Ingenious Finance & Investment Pvt. Limited	
52.	Natty Finance & Investment Pvt. Limited	
53.	S. K. Worsteds Pvt. Limited	
54.	Tulja Enterprises Pvt. Limited	
55.	Sansar Exim Pvt. Limited	
56.	Chamundeshwari Mercantile Pvt. Limited	
57.	Maverick Mercantile Pvt. Limited	
58.	Anjaneya Foundation	
59.	SKNL Foundation	
60.	Reid & Taylor Ltd., U.K.	
61.	SKNL International B.V.	Wholly Owned Subsidiary of Parent Company
62.	SKNL Europe B.V.	Wholly Owned Subsidiary of Parent Company
63.	SKNL Italy S.p.A.	Wholly Owned Subsidiary of Parent Company
64.	SKNL Global Holdings B.V.	Wholly Owned Subsidiary of SKNL International B.V.
65.	SKNL North America B.V.	Wholly Owned Subsidiary of SKNL Global Holdings B.V.
66.	SKNL (U.K.) Ltd.	Subsidiary of SKNL Global Holdings B.V.
67.	Leggiuno S.p.A.	Wholly Owned Subsidiary of SKNL Italy S.p.A.
68.	Global Apparel (US) Ltd.	Wholly Owned Subsidiary of SKNL (U.K.) Ltd.
69.	Global Apparel (France) Ltd.	Wholly Owned Subsidiary of SKNL (U.K.) Ltd.
70.	7172931 Canada Ltd.	Wholly Owned Subsidiary of SKNL (U.K.) Ltd.
71.	Global Apparel (Hong Kong) Ltd.	Wholly Owned Subsidiary of SKNL (U.K.) Ltd.
72.	Marling & Evans Ltd.	Subsidiary of Leggiuno S.p.A.
73.	Remala Trading B.V.	Subsidiary of SKNL North America B.V.
74.	Copley Corp	Wholly Owned Subsidiary of Remala Trading B.V.
75.	HMX Poland sp. Z.o.o	Wholly Owned Subsidiary of Remala Trading B.V.
76.	HMX Poland sp S.o.o, Luxemburg	Wholly Owned Subsidiary of Remala Trading B.V.
77.	HMX Acquisition Corp.	Wholly Owned Subsidiary of HMX Poland sp Z.o.o

Sr. No.	Name of the Related Party	Relationship
78.	HMX Des Plaines LLC	Wholly Owned Subsidiary of HMX Acquisition Corp.
79.	Quartet Real Estate LLC	Wholly Owned Subsidiary of HMX Acquisition Corp.
80.	HMX LLC	Wholly Owned Subsidiary of HMX Acquisition Corp.
81.	HMX, DTC Co.	Wholly Owned Subsidiary of HMX Acquisition Corp.
82.	Shri. Nitin S. Kasliwal – Managing Director	Key Management Personnel

(d) **Details of Transaction:**

(Rs. in Millions)

Nature of Transactions	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
<b>Purchases</b>				
Goods				
Reid & Taylor Ltd., U.K.	NIL	19.94	35.60	7.59
S. Kumars Nationwide Limited	979.10	3.35	2.94	NIL
<b>Total</b>	<b>979.10</b>	<b>23.29</b>	<b>38.54</b>	<b>7.59</b>
Services				
S. Kumars Nationwide Limited	0.13	1.08	2.54	NIL
<b>Total</b>	<b>0.13</b>	<b>1.08</b>	<b>2.54</b>	<b>NIL</b>
<b>Capital Expenditure</b>				
HMX LLC	-	3.79	NIL	NIL
<b>Total</b>	<b>-</b>	<b>3.79</b>	<b>NIL</b>	<b>NIL</b>
<b>Loans &amp; Advances</b>				
Loans to S. Kumars Nationwide Limited	NIL	NIL	4400.0	400.00
Advances to S. Kumars Nationwide Limited	NIL	1040.92	237.91	NIL
<b>Total</b>	<b>NIL</b>	<b>1040.92</b>	<b>4637.91</b>	<b>400.00</b>
Loans recovered from S. Kumars Nationwide Limited	550.00	550.00	NIL	NIL
<b>Total</b>	<b>550.00</b>	<b>550.00</b>	<b>NIL</b>	<b>NIL</b>
<b>Sales</b>				
Goods				
Reid & Taylor Ltd., U.K.	9.93	11.37	2.07	1.25
Brandhouse Retails Limited (Net of returns & discount)	1674.91	3666.16	2596.72	554.89
Coppley Corp	1.39	0.61	NIL	NIL
HMX LLC	6.20	4.22	NIL	NIL
<b>Total</b>	<b>1692.43</b>	<b>3682.36</b>	<b>2598.79</b>	<b>556.14</b>
<b>Services</b>				
S. Kumars Nationwide Limited (Interest on Term Loan)	207.30	524.33	274.85	NIL
<b>Total</b>	<b>207.30</b>	<b>524.33</b>	<b>274.85</b>	<b>NIL</b>
<b>Outstanding as on 31<sup>st</sup> March 2010:</b>				
Debtors	1029.66	1410.39	1193.13	332.63
Creditors (Reid & Taylor U.K. Ltd.)	NIL	NIL	1.31	NIL
Creditors (S. Kumars Nationwide Ltd.)	55.23	NIL	NIL	NIL
Loans Given (S. Kumars Nationwide Ltd.)	3700.00	4250.00	4800.00	400.00
Advances (S. Kumars Nationwide Ltd.)	NIL	1040.92	237.91	NIL



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

*The following discussion and analysis of the Company's financial condition is based on the Company's restated audited financial statements as of and for the fiscal years ended March 31, 2008, 2009 and 2010 and as of and for the six month period ended September 30, 2010. This discussion contains forward-looking statements and reflects management's current views on the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this Draft Red Herring Prospectus. This discussion should be read together with the Company's Indian GAAP financial statements and related notes. The Company prepares its financial statements in accordance with Indian GAAP, which differs in some respects from IFRS and U.S. GAAP. See the section titled "Risk Factors — Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar" on page xxxii of this Draft Red Herring Prospectus.*

*As the Company's fiscal year ends on March 31 of each year, all references to a particular fiscal year are to the 12 months ended March 31 of that year.*

### Overview

The Company is a vertically integrated, premium clothing provider and fashion company, which manufactures and sells the internationally recognized licensed brands 'Reid & Taylor' and 'Stephens Brothers'. These two brands target the premium and super premium segments of the Indian fabric and ready-to-wear garment markets.

The Company's flagship brand, 'Reid & Taylor', was founded in Scotland in 1839 by weaver Alexander Reid and financier Joseph Taylor. Since that time, the 'Reid & Taylor' has won many awards for creating fine woollen cloths. The customers of Reid & Taylor's fabrics include several well-known fashion brands. 'Reid & Taylor' has become a widely recognized brand in India and received the title of "Superbrand" from the Economic Times Survey in 2009. The Company licenses the brand in India and certain other countries under a license agreement signed in July 2008, which became retroactively effective from January 1, 2008 and is valid in perpetuity. For further details on the 'Reid & Taylor' brand license agreement, see "Business – The License Agreements". The Company has expanded the brand beyond the textile to ready-to-wear garments.

The 'Stephens Brothers' brand is a heritage British brand owned by Austin Reed Limited UK. The brand was first established in Great Britain in 1919 and has since become recognized for fine English style clothing for men and women. The Company entered into a license agreement (through a novation agreement and guarantee in October 2008) with Austin Reed Limited for use of the 'Stephens Brothers' brand name and the processes it employs to manufacture its products for a term of five years from September 1, 2006 to December 31, 2011, which can be renewed for a further period of five years. For further details on the 'Stephens Brothers' brand license agreement, see "Business – The License Agreements".

The Company's brands target specific premium segments of the Indian apparel market, so as to compliment and not compete with one another. The 'Reid & Taylor' brand covers premium and super premium fabrics, such as worsted, all-wool and wool polyester blended suitings, which cater to the premium and super premium markets, as well as ready-to-wear garments that focus on the formal wear part of the premium segment. 'Stephens Brothers' targets the super premium segment and specialises in men's and women's ready-to-wear formal wear. Both the 'Reid & Taylor' and 'Stephens Brothers' brands are part of the Company's "Total Wardrobe Solutions", which was launched by the Company in 2004. This concept was conceived to provide customers with clothing solutions from belts to pants to shirts, all under the same brand name and at the same location. The 'Reid & Taylor' brand has been consciously extended from fabrics to ready-to-wear garments in order to leverage its existing brand equity and thereby optimizing brand building costs. In addition, the Company intends to launch its first Company-owned brand in the fourth quarter of fiscal 2011. This new brand will serve as the Company's casual clothes brand in the premium segment. The Company believes this targeted approach gives it a distinct advantage over its competitors.

The Company uses a mix of multi-brand outlets and exclusive brand outlets to distribute its products across a broad geographic area. Through its relationship with Brandhouse Retail Limited ("BHRL"), the Company intends to

increase the number of BHRL-leased exclusive brand outlets in the near term. In addition, the Company intends to supplement this model with Company-leased exclusive brand outlets. The new Company-leased exclusive brand outlets will be managed by BHRL, thereby allowing the Company to leverage BHRL's extensive retailing experience while capturing a greater share of the product margins.

In the fiscal year ended March 31, 2010, CARE Research estimates that the Company captured a market share of approximately 7.5% in the premium suiting segment and 24% of the worsted fabrics market. The Company's sales and services charges for the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010 were Rs. 6,526.0 million, Rs. 9,849.4 million and Rs. 5,665.5 million, respectively. The Company's EBITDA for the fiscal years ended March 31, 2009 and 2010 and the six month period ended September 30, 2010 were Rs. 2,196.4 million, Rs. 3,242.2 million and Rs. 1,894.8 million, respectively.

### **Factors Affecting Results of Operations**

The Company's results of operations have been influenced and will continue to be influenced by, but not limited to, the following key factors.

#### ***General Economic Conditions***

The Company is affected by general economic conditions in the countries where it operates and the countries to which it exports its products. Growth rates of the economy and income levels of consumers are one of the determinants of demand in the textile industry. The global financial crisis affected India's growth trajectory as reflected in the real GDP growth which moderated to 6.6% in fiscal year 2009 as compared to 9.0% in fiscal year 2008 and 9.7% in fiscal year 2007 according to the Government's Central Statistics Office (the "CSO"). India's economy has recently shown strong signs of recovery and the CSO has estimated GDP growth of 7.4% for fiscal 2010. The majority of the Company's revenue is derived within India. Any slowdown in the Indian economy or a decline in consumer spending will have an adverse impact on the Company's results of operations.

#### ***Growth in the Textile Industry***

The Company's business is dependent on the textile and apparel industry growth in Indian and international markets. The Indian menswear industry generated total revenues of US\$11.9 billion in 2009, representing a CAGR of 8.6% for the period from 2005-2009. The performance of the industry is forecasted to grow, with an anticipated CAGR of 6.4% for the five-year period from 2009-2014. This is expected to bring the industry to a value of US\$16.2 billion by the end of 2014 (*Source: Datamonitor*). Indian textile manufactures are likely to capture more global market share in the coming years through increasing technological, manufacturing and competitive pricing capabilities. The removal of international textile quotas has created significant market opportunities for textile manufactures from countries with relatively lower production costs such as India. According to India's Ministry of Textile, following the removal of quotas, India's textile and apparel exports are projected to increase from nearly US\$13 billion in 2005 to more than US\$50 billion by 2010, representing a CAGR of 31%. The Company expects to benefit from this macro shift in textile sourcing.

#### ***Raw Material Availability and Cost***

Most of the raw materials required for production are readily available in local and international markets. Raw materials constitute a major portion of the Company's expenses. Raw materials consumed net of stock adjustments constituted approximately 39.8%, 40.2%, 47.7% and 48.7% of the Company's net revenues in fiscal 2008, 2009 and 2010 and the six month period ended September 30, 2010, respectively. Adverse price fluctuations in raw materials could have a negative impact on the Company's performance. With an effective raw material procurement policy, management believes that the Company should be able to control its raw material cost and when necessary, pass on the cost increase to its customers, as market conditions permit.

#### ***Competition and Pricing Pressures***

The Company operates in a competitive market environment. In the international market, the Company competes

with global competitors to retain and gain market share and also faces competition in the domestic market from both the organized and unorganized sectors. While the removal of quantitative restrictions due to the dismantling of the Multi Fibre Agreement has increased the market share for textiles of developing countries including India, Bangladesh, China and Indonesia, it has also resulted in significant price competition among suppliers from these countries. The Company's continuing ability to anticipate and respond to pricing and other competitive pressures will be critical to its results of operations.

### *Fluctuations in Foreign Exchange Rates*

In fiscal 2010 and the six month period ended September 30, 2010, exports constituted Rs. 290.7 million and Rs. 177.6 million, respectively, or approximately 2.8% and 3.0%, respectively, of the Company's gross sales. Due to SKNL's acquisition of HMX LLC in 2009, however, the Company expects to increase its sales in the United States through HMX LLC. The Company's proposed capital expenditure plans include purchasing equipment and machinery denominated in currencies other than Indian rupees. Any decline in the value of the rupee against other currencies could increase the rupee cost of purchasing such equipment. Similarly, any increase in the value of the rupee against other currencies may impact the sales of the Company.

### *Successful Implementation of the Company's Growth Strategy*

One of the Company's growth strategies is focused on expansion into the non-urban markets of India. The Company intends to expand the presence of its brands in smaller cities and rural areas by increasing the number of retail outlets. A key component of the Company's growth in the non-urban market will be shifting consumers to branded garments from unbranded garments. The Company intends to work towards the goal by providing its non-urban consumers with an appropriate value proposition including price and positioning. There is a risk that the Company's products will not meet the same level of demand in less populated portions of the country that they have enjoyed in the larger cities.

### **Results of Operations**

The following table shows the Company's restated income statement for the fiscal years ended March 31, 2008, 2009 and 2010.

	Year Ended March 31,						Six Month Period Ended	
	2008 <sup>(1)</sup>		2009		2010		September 30,	
	(Audited)		(Audited)		(Audited)		(Audited)	
	Rs. millions	% of Net Revenues	Rs. millions	% of Net Revenues	Rs. Millions	% of Net Revenues	Rs. millions	% of Net Revenues
<b>INCOME</b>								
Sale and Service Charges	1,429.2	104.8%	6,526.0	91.5%	9,849.4	85.6%	5,665.5	89.6%
Other Income	8.1	0.6%	388.6	5.4%	562.9	4.9%	221.0	3.5%
Increase/(Decrease) in Stock	(73.5)	(5.4%)	219.2	3.1%	1,089.8	9.5%	437.0	6.9%
<b>Net Revenues</b>	<b>1,363.8</b>	<b>100.0%</b>	<b>7,133.8</b>	<b>100.0%</b>	<b>11,502.1</b>	<b>100.0%</b>	<b>6,323.5</b>	<b>100.0%</b>
<b>EXPENDITURE</b>								
Raw Materials Consumed/Purchased	498.0	36.5%	2,996.2	42.0%	6,059.4	52.7%	3,302.8	52.2%
Manufacturing Expenses	99.4	7.3%	429.4	6.0%	470.7	4.1%	298.8	4.7%
Personnel Expenses	48.4	3.5%	281.8	4.0%	321.3	2.8%	185.6	2.9%
Administrative Expenses	29.2	2.1%	124.3	1.7%	133.3	1.2%	81.0	1.3%
Selling and Distribution Expenses	120.7	8.9%	717.2	10.1%	711.2	6.2%	339.4	5.4%
Restructured Financial Costs Amortised / Misc. Expenditures	2.0	0.1%	252.7	3.5%	-	-	-	-
Interest	62.2	4.6%	271.2	3.8%	514.4	4.5%	356.1	5.6%
Depreciation	69.5	5.1%	158.5	2.2%	85.6	0.7%	44.3	0.7%
<b>Total</b>	<b>929.4</b>	<b>68.1%</b>	<b>5,231.3</b>	<b>73.3%</b>	<b>8,295.9</b>	<b>72.2%</b>	<b>4,608.1</b>	<b>72.9%</b>
<b>Profit / (Loss)</b>	<b>434.4</b>	<b>31.9%</b>	<b>1,902.5</b>	<b>26.7%</b>	<b>3,206.2</b>	<b>27.8%</b>	<b>1,715.4</b>	<b>27.1%</b>

	Year Ended March 31,						Six Month Period Ended September 30,	
	2008 <sup>(1)</sup>		2009		2010		2010	
	(Audited)		(Audited)		(Audited)		(Audited)	
	Rs. millions	% of Net Revenues	Rs. millions	% of Net Revenues	Rs. Millions	% of Net Revenues	Rs. millions	% of Net Revenues
<b>before Tax</b>								
Prior Period (Expenses)/Income	(2.2)	(0.2%)	-	-	(1.1)	0.0%	-	-
<b>Provision for Taxation</b>								
Current Tax	(164.6)	(12.1%)	(688.8)	(9.7%)	(1,131.6)	(9.8%)	(571.8)	(9.0%)
Fringe Benefit Tax	(1.1)	(0.1%)	(6.5)	(0.1%)	-	-	-	-
Wealth Tax	(0.2)	-	(0.1)	-	(0.1)	-	-	-
Deferred Tax Assets/(Liabilities)	6.2	0.5%	(5.2)	(0.1%)	(16.4)	(0.1%)	(0.9)	0.0%
Taxation of Earlier Years	(3.8)	(0.3%)	(6.7)	(0.1%)	-	-	-	-
<b>Profit Available for Appropriation</b>	<b>268.7</b>	<b>19.7%</b>	<b>1,195.2</b>	<b>16.7%</b>	<b>2,057.0</b>	<b>17.9%</b>	<b>1,142.7</b>	<b>18.1%</b>

Note:

(1) The Company commenced commercial operations in January 2008; therefore, the figures for fiscal year 2008 are for the three-month period ended March 31, 2008 only.

### Description of Components of Results of Operations

*Sales and Service Charges:* Sales and services charges include the sales of fabrics and ready-to-wear garments net of discounts and taxes.

*Other Income:* Other income represents the interest on loans extended to SKNL, interest on fixed deposits, exchange rate fluctuations, duty drawbacks, other export benefits and miscellaneous income.

*Raw Materials Consumed/Purchased:* Raw materials consumed/purchased represents materials purchased or consumed net of stock adjustments.

*Personnel Expenses:* Personnel expenses include employee expenses such as salaries, wages, allowances, bonuses and other statutory benefits.

*Other Operating Expenditure:* Other operating expenditure consists of administration expenses such as rent, rates and taxes, repairs and maintenance, bank charges, legal and professional charges and other manufacturing expenditure.

*Selling and Distribution Expenses:* Selling and distribution expenses include publicity, market survey and research, business promotion expenses and royalties.

*Restructured Financial Costs Amortised:* Restructured financial costs represents the Company's proportionate expenditure including the recompense incurred for SKNL's exit from the CDR Scheme.

*Interest:* Interest paid towards the Company's debt.

*Depreciation:* The depreciation on the fixed assets of the Company.

*Provision for Taxation:* Provision for taxes payable on the profits of the company.

### Critical Accounting Policies

The preparation of the Company's financial statements in accordance with Indian GAAP requires management to make judgments, estimates and assumptions that affect amounts reported in the financial statements and related notes, at the reporting date. The Company has identified certain accounting policies as critical to an understanding of its financial position and performance, as the application of these policies requires significant management

assumptions and estimates that could result in the reporting of materially different amounts if different assumptions or estimates are used. The Company's significant accounting policies and significant accounting judgments, estimates and assumptions are set out in Annexure 4 to the Company's audited restated financial statements included on page 147 of this Draft Red Herring Prospectus.

### **Six month period ended September 30, 2010**

#### ***Sales and Service Charges***

The Company generated sales and service charges of Rs. 5,665.5 million during the six month period ended September 30, 2010. Sales and service charges from the Company's fabrics business constituted Rs. 4,338.5 million, or 76.6%, of sales and service charges, while the Company's garments business constituted Rs. 1,327.0 million, or 23.4%, of sales and service charges.

#### ***Other Income***

The Company generated other income of Rs. 221.0 million, during the six month period ended September 30, 2010. Other income primarily consisted of interest income from the loan extended to SKNL as a part of the scheme of subsidiarisation. The repayment of the loan started in the third quarter of the fiscal year ended March 31, 2010.

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

Raw materials consumed net of stock adjustments during the six month period ended September 30, 2010 were Rs. 2,865.9, or 48.7% of net revenues. The Company continued to experience an increase in its sales product mix toward higher value added ready-to wear garments.

#### ***Personnel Expenses***

Personnel expenses during the six month period ended September 30, 2010 were Rs. 185.6 million, or 3.2% of net revenues. Personnel expenses primarily consist of wages paid to employees at the Company's manufacturing facilities and corporate offices. The Company experienced a slight increase in the total number of employees during the six month period ended September 30, 2010.

#### ***Other Operating Expenditure (Administrative Expense and Manufacturing Expense)***

Other operating expenditures were Rs. 379.9 million during the six month period ended September 30, 2010, or 6.5% of net revenues. Other operating expenditure consists of administration expenses such as rent, rates and taxes, repairs and maintenance, bank charges, legal and professional charges and other manufacturing expenditures.

#### ***Selling and Distribution Expenses***

Selling and distribution expenses during the six month period ended September 30, 2010 were Rs. 339.4 million, or 5.8% of net revenues. The Company increased its marketing efforts during the period, though not in proportion with the overall increase in sales. The Company believes its licensed brands continue to mature in the Indian marketplace, requiring less brand building expenses as a proportion of sales.

#### ***Interest***

Interest cost was Rs. 356.1 million during the six month period ended September 30, 2010, or 6.0% of net revenues. Interest cost incurred during the period is primarily attributable to the borrowings incurred by the Company to fund its growth and working capital loans for the Company's day-to-day operations. Total debt as of September 30, 2010 was Rs. 4,834.5 million.

### ***Depreciation***

Depreciation expense was Rs. 44.3 million in the six month period ended September 30, 2010, or 0.8% of net revenues.

### ***Profit before Tax***

Profit for the six month period ended September 30, 2010 was Rs. 1,715.4 million, or 29.1% of net revenues.

### ***Tax Expenses***

The tax expense for the six month period ended September 30, 2010 was Rs. 572.7 million, or 9.7% of net revenues. The Company's tax rate remained unchanged from the prior year.

### ***Net Profit***

As a result of the foregoing, net profit for the six month period ended September 30, 2010 was Rs. 1,142.7 million, or 19.4% of net revenues.

## **Year ended March 31, 2010 (fiscal 2010) compared to year ended March 31, 2009 (fiscal 2009)**

### ***Sales and Service Charges***

The Company generated sales and service charges of Rs. 9,849.4 million during fiscal 2010 compared to sales and service charges of Rs. 6,526.0 million during fiscal 2009, representing an increase of 50.9%. The growth in sales and service charges was primarily driven by increased sales volumes, more focused marketing efforts as well as an overall increase in the exclusive brand outlets operated by BHRL. Sales in the premium and super premium fabric segment grew by approximately 43.7% while the ready-to-wear garments segment grew by 81.9%.

### ***Other Income***

The Company generated other income of Rs. 562.9 million during fiscal 2010 as compared to other income of Rs. 388.6 million during fiscal 2009, representing an increase of 44.9%. Other income mainly consisted of interest income from the loan extended to SKNL, the parent company, as a part of the scheme of subsidisation. The loan was extended during the third quarter of fiscal 2009. The loan has earned interest for all of fiscal 2010 as compared to interest for part of the year during fiscal 2009.

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

Raw materials consumed net of stock adjustments during fiscal 2010 were Rs. 4,969.5 million as compared to Rs. 2,777.0 million during fiscal 2009, representing an increase of 79.0%. Raw materials consumed net of stock adjustments as a percentage of net revenues increased from 40.2% in fiscal 2009 to 47.7% in fiscal 2010. The increase was primarily a result of the increase in the Company's overall production levels. In addition, the Company experienced marginal increases in prices for its principal raw materials. The increase in the cost of raw materials consumed as a percentage of sales is also on account of higher proportion of ready-to-wear garment sold as a percentage of the Company's total sales.

### ***Personnel Expenses***

Staff costs during fiscal 2010 were Rs. 321.3 million as compared to Rs. 281.8 million during fiscal 2009, representing an increase of 14.0%. The increase in staff cost was primarily due to a general wage increase, which was commensurate with wage increases across India. There was only a slight increase in the total number of employees during fiscal year 2010.

### ***Other Operating Expenditure (Administrative Expense and Manufacturing Expense)***

Other operating expenditures were Rs. 604.1 million during fiscal 2010 compared to Rs. 553.7 million in fiscal 2009, representing an increase of 9.1%. This increase was primarily the result of the overall increase in the scale of the Company's operations. Other operating expenditure consists of administration expenses such as rent, rates and taxes, repairs and maintenance, bank charges, legal and professional charges and other manufacturing expenditure.

### ***Selling and Distribution Expenses***

Selling and distribution expenses during fiscal 2010 were Rs. 711.2 million compared to Rs. 717.2 million during fiscal 2009, which were in line with the previous year's expenses. The expenses are at the same level primarily on account of the lower spending on publicity and brand building expenses as a proportion to the sales of the Company. As the Company's brands continue to mature and sales continue to grow, less brand building expenses as a proportion of sales are necessary.

### ***Restructured Financial Costs Amortised***

Restructured financial costs amortised was Nil during fiscal 2010 compared to Rs. 252.7 million in fiscal 2009. This line item represents the expenses incurred as a result of SKNL's exit from the CDR Scheme in September 2008.

### ***Interest***

Interest cost was Rs. 514.4 million during fiscal 2010 as compared to Rs. 271.2 million during fiscal 2009, representing an increase of 89.7%. The increase in interest is attributable to the additional borrowing in order to fund the Company's growth as well as an increase in the working capital limits for the day-to-day operations of the Company. Total debt as of March 31, 2010 was Rs. 4,239.3 million as compared to Rs. 2,221.2 million as of March 31, 2009, which is mainly due to the increase in working capital facilities which is commensurate with the increase in the Company's sales.

### ***Depreciation***

Depreciation expense was Rs. 85.6 million in fiscal 2010 compared to Rs. 158.5 million in fiscal 2009, representing a decrease of 46.0%. Many of the assets originally installed at the time of establishment of the plant at Mysore reached full depreciation by charging depreciation under the straight line method. This decrease in depreciation expense was partially offset by the depreciation expense resulting from the acquisition of fixed assets during fiscal year 2010.

### ***Profit before Tax***

For the reasons stated above, profit for fiscal 2010 was Rs. 3,206.2 million as compared to a profit of Rs. 1,902.5 million for fiscal 2009, an increase of 68.5%.

### ***Tax Expenses***

The tax expense for fiscal 2010 was Rs. 1,148.0 million compared to Rs. 707.3 million in fiscal 2009, an increase of 62.3%. The increase in tax expense was a result of the higher profits for the year. The Company's tax rate remained unchanged from the prior year.

### ***Net Profit***

As a result of the foregoing, net profit for fiscal 2010 was Rs. 2,057.0 million as compared to Rs. 1,195.2 million for fiscal 2009, an increase of 72.1%.

## Year ended March 31, 2009 (fiscal 2009) compared to year ended March 31, 2008 (fiscal 2008)

The Company was subsidiarised and began commercial operations in January 2008. As a result, the financial results for fiscal 2008 and fiscal 2009 are not comparable. The Company believes a comparative discussion for the two fiscal years would not be useful for potential investors.

### Liquidity and capital resources

For the fiscal years ended March 31, 2008, 2009 and 2010 and the six month period ended September 30, 2010, the Company's principal source of liquidity has been cash from operations, short and long-term loans, lines of credit and raising of equity related funds.

### Cash flows

The following table summarizes the Company's cash flows for the years ended March 31, 2010, 2009 and 2008 and the six month period ended September 30, 2010.

	Year ended March 31,			Six Month Period Ended September 30, 2010
	2010	2009	2008 <sup>(1)</sup>	
	(Rs. millions)			
Net cash flow from / (used in) operating activities	(1,400.4)	(5,237.1)	(2,727.9)	(430.8)
Net cash flow from / (used in) investing activities	(1,102.6)	(444.2)	(915.4)	107.5
Net cash flow from / (used in) financing activities	2,603.6	6,254.1	3,671.2	239.2
Net change in cash and cash equivalents	100.7	572.8	27.8	84.1

Note:

<sup>(1)</sup> The Company commenced commercial operations in January 2008; therefore, the figures for fiscal year 2008 are for the three-month period ended March 31, 2008 only.

### Cash Flow from (used in) Operating Activities

Net cash used in operating activities was Rs. 430.8 million in the six month period ended September 30, 2010. The difference between the Company's net profits before tax and extraordinary items and tax and net cash used in operating activities primarily resulted from an increase in trade and other receivables of Rs. 2,082.8 million and inventories of Rs. 590.9 million.

Net cash used in operating activities was Rs. 1,400.4 million in fiscal 2010. The difference between the Company's net profits before tax and extraordinary items and tax and net cash used in operating activities primarily resulted from an increase in trade and other receivables of Rs. 3,449.4 million and inventories of Rs. 1,263.2 million.

Net cash used in operating activities was Rs. 5,237.1 million in fiscal 2009. The difference between the Company's net profits before tax and extraordinary items and tax and net cash used in operating activities primarily resulted from an increase in trade and other receivables of Rs. 6,916.6 million and inventories of Rs. 615.5 million.

Net cash from operating activities was Rs. 2,727.9 million in fiscal 2008. The difference between the Company's net profits before tax and extraordinary items and tax and net cash from operating activities primarily resulted from an increase in trade and other receivables of Rs. 2,871.0 million and inventories of Rs. 969.4 million.

### Cash Flow used in Investing Activities

Net cash flows used in investing activities was Rs. 107.5 million for the six month period ended September 30, 2010. The net cash used in investing activities primarily resulted from the acquisition of fixed assets (including working capital in progress) of Rs. 102.2 million as a part of the Company's ongoing expansion plans.

Net cash flows used in investing activities was Rs. 1,102.6 million for fiscal 2010. The net cash used in investing



activities primarily resulted from the acquisition of fixed assets (including working capital in progress) of Rs. 1,630.7 million as a part of the Company's ongoing expansion plans.

Net cash used in investing activities was Rs. 444.2 million for fiscal 2009. The net cash used in investing activities primarily resulted from the acquisition of fixed assets (including working capital in progress) of Rs. 845.8 million as a part of the ongoing expansion plans of the Company.

Net cash flows used in investing activities was Rs. 915.4 million for fiscal 2008. The net cash used in investing activities primarily resulted from the acquisition of fixed assets (including working capital in progress) of Rs. 915.5 million.

#### *Cash Flow from Financing Activities*

Net cash from financing activities was Rs. 239.2 million for the six month period ended September 30, 2010. Net cash from financing activities was primarily the result of proceeds from working capital facilities of Rs. 604.7 million.

Net cash from financing activities was Rs. 2,603.6 million for fiscal 2010. Net cash from financing activities was primarily the result of proceeds from the equity investment by Indivest Pte Ltd of Rs. 1,100.0 million and proceeds from working capital facilities and secured loans (net of repayment) of Rs. 2,018.0 million.

Net cash from financing activities was Rs. 6,254.1 million for fiscal 2009. Net cash from financing activities was primarily the result of the equity investment in RTIL by Indivest Pte Ltd, an affiliate of GICSI, of Rs. 7,900 million as well as proceeds from working capital facilities and secured loans (net of repayment) of Rs. 3,287.8 million. The proceeds were partially offset by the extension of a loan to SKNL for Rs. 4,400.0 million.

Net cash from financing activities was Rs. 3,671.2 million for fiscal 2008. Net cash from financing activities was primarily the result of proceeds from secured loans (net of repayment) of Rs. 3,333.4 million and proceeds from an equity placement to SKNL of Rs. 400.0 million.

### **Statement of Indebtedness and Contingent Liabilities**

#### *Borrowings*

As of September 30, 2010, the Company had outstanding secured loans of Rs. 4,834.5 million, as compared to Rs. 4,239.3 million (secured loans) as of March 31, 2010, Rs. 2,221.2 million (secured loans) as of March 31, 2009, and Rs. 3,333.4 million (secured loans) as of March 31, 2008.

#### *Gearing*

The Company's gearing ratio as of September 30, 2010 and March 31, 2010, 2009 and 2008 was 21.5%, 21.4%, 16.5% and 70.7%, respectively. For these purposes, the gearing ratio represents total debt over total assets.

#### *Contractual Obligations and Commercial Commitments*

The following table summarizes the Company's contractual obligations as of September 30, 2010 and the effect such obligations and commitments are expected to have on its liquidity and cash flows in future periods.

<b>Contractual Obligations</b>	<b>As of September 30, 2010</b>	<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More than 5 Years</b>
	<i>(Rs. millions)</i>				
Long-term debt	752.2	199.3	552.9	-	-
Lease rentals	181.0	31.6	89.9	31.2	28.3

### Contingent liabilities

The table below sets out material contingent liabilities that have not been provided for as of March 31, 2010, 2009 and 2008 and September 30, 2010.

	Nature of Contingent Liability	As of March 31,			As of September 30,
		2010	2009	2008	2010
		<i>(Rs. millions)</i>			
(a)	Corporate guarantees given to the lenders of SKNL	2,750.0	-	-	2,750.0
(b)	Entry tax liability – disputed	-	54.6	44.6	-
(c)	Disputed matters in respect of ESIC	-	0.1	0.1	-
(d)	Service tax on export agency commission - disputed	0.1	0.1	0.1	-
(e)	Excise duty on tow-to-top conversion – disputed	6.9	6.9	-	6.9
(f)	Customs CVD duty – disputed	2.1	2.1	-	2.1
(g)	Customs duty	Nil	-	-	0.4

### Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

### Working Capital

	Year ending March 31,		As of September 30, 2010
	2010	2009	
Net sales	4,868.2	6,526.0	5,665.5
Outstanding debtors	4,862.5	2,928.0	5,377.9
Debtors turnover (number of days of sales)	180	164	174
<b>Inventories</b>			
Raw materials	1,034.0	856.3	1,190.1
Semi finished fabrics	506.9	163.4	729.6
Finished fabrics, garments and made ups	1,280.9	534.6	1,495.2
Stores, fuel and packing material	26.2	30.6	24.1
<b>Total Inventories</b>	<b>2,848.0</b>	<b>1,584.9</b>	<b>3,439.0</b>
Inventory turnover (number of days of sales)	106	89	111

### Loan Extended to SKNL

The Company has extended a loan to the Promoter. As of September 30, 2010, the outstanding balance of this loan was Rs. 3,300.0 million. The interest rate charged on this loan is fixed at 12% per annum.

### Market Risks

In the normal course of business, the Company is exposed to certain market risks such as interest rate risk, foreign exchange risk, credit risk and commodity risk.

#### Interest Rate Risk

The Company is exposed to interest rate risk on its existing floating rate debt and on additional debt financing that may be needed for various reasons, including funding capital expenditures and the repayment or refinancing of outstanding debt. Upward fluctuations in interest rates increase the costs of both existing and new debt. Fluctuations in interest rates also impact the value of the Company's investment portfolio.

As at September 30, 2010, the Company had Rs. 4,834.5 million (including working capital facilities) aggregate principal amount of floating rate loans outstanding.

The table below provides information as at September 30, 2010 regarding the Company's obligations that are sensitive to interest rates.

	Expected year of maturity			
	2013 and thereafter	2012	2011	2010
	(in millions)			
Variable rate term loans (Rs. millions)	-	151.4	401.5	199.3

As of September 30, 2010, the Company had Rs. 4,082.3 million of outstanding working capital advances.

The average interest rate on the Company's variable rate outstanding rupee term loans as at September 30, 2010 was 12.64%. Interest rates on the Company's long term variable rate rupee term loans are based on the respective prime lending rates of the term lenders.

#### *Foreign Exchange Risk*

Changes in currency exchange rates influence the Company's results of operations. The Company reports its financial results in Indian rupees, while a portion of the Company's total income and expenses are denominated, generated or incurred in currencies other than Indian rupees. Due to SKNL's acquisition of HMX LLC in 2009, the Company expects to increase its sales in the United States through HMX LLC. An appreciation of the Indian rupee would have a negative impact on revenue derived in foreign currencies when such revenue is included in the Company's Indian rupee denominated financial statements.

#### *Credit Risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to an agreement fails to meet its contractual obligations, and arises principally from the Company's trade receivables. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. Thus, the Company has established detailed credit policies under which each new customer is reviewed individually for creditworthiness before standard payment and delivery terms and conditions are implemented. The Company ensures that sales on account are made to customers with appropriate credit history. The Company has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The Company also manages its credit risk mainly through the application of transaction limits and close risk monitoring. The Company's policy is to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

#### *Commodities Risk*

The Company is exposed to fluctuations in the price and availability of the primary raw materials it requires for its manufacturing plants. The availability of the Company's raw materials can fluctuate due to unpredictable factors such as weather, level of crop plantings, government programs and policies, changes in global demand resulting from population growth and migration, changes in standards of living and global and domestic production of similar, competitive products.

#### *Unusual or infrequent events or transactions*

To the Company's knowledge and except as disclosed herein, there have been no events or transactions that may be described as "unusual" or "infrequent".

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

To the Company's knowledge and except as disclosed herein, there are no significant economic changes that have materially and adversely affected or are likely to have a material adverse effect on the Company's income from continuing operations.

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

The Company's business has been impacted and is expected to continue to be impacted by the trends identified above in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors Affecting Results of Operations" beginning on page 179 of this Draft Red Herring Prospectus and the uncertainties described in the section titled "Risk Factors" beginning on page xii of this Draft Red Herring Prospectus. To the Company's knowledge, except as has been described in this Draft Red Herring Prospectus, there are no known factors, which the Company would expect to have a material adverse impact on its revenues or income from continuing operations.

***Future changes in relationship between costs and income***

Other than as described in the chapters "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in the Draft Red Herring Prospectus, to the Company's knowledge, there are no known factors which will have a material adverse impact on its operation and finances.

***Increase in revenue***

In addition to increases in the volume of sales of the Company's products, the introduction of the new products and/or brands would also likely contribute to increases in the Company's revenues.

***New product or business segment***

Other than as described in the section titled "Business" beginning on page 79 of this Draft Red Herring Prospectus, to the Company's knowledge, there are no new products or business segments.

***Seasonality of business***

The Company experiences a material increase for its winter booking between the months of August and October each year. The Company believes this seasonality is standard in the Indian textile industry and does not have a material adverse impact on its business.

***Significant dependence on a single or few suppliers or customers***

The Company does not believe it is dependent on a single or few suppliers or customers.

***Competitive conditions***

The Company may face significant competition from existing and new players in the premium and super premium textile markets. For more details, please refer to the discussions of the Company's competition in the chapters "Risk Factors" and "Business" beginning on pages xii and 79, respectively, in this Draft Red Herring Prospectus.

**Sundry Debtors**

	As of March 31,			As of September 30,
	2010	2009	2008	2010
	(Rs. millions)			
Sundry debtors (unsecured)	3,912.9	2,432.3	1,722.7	4,347.8

	As of March 31,			As of September 30,
	2010	2009	2008	2010
Outstanding for more than six months:				
(i) Considered good	950.6	495.7	186.2	1,030.1
(ii) Considered doubtful	9.1	7.7	2.3	9.1
Other debts – considered good	-	-	-	-
<b>Total</b>	4,872.6	2,935.7	1,911.2	5,387.0
Less: Provision for doubtful debts	(9.1)	(7.7)	(2.3)	(9.1)
<b>Total debtors (as restated)</b>	4,863.5	2,928.0	1,908.9	5,377.9

### Significant Developments

There are no significant developments impacting the Company's results of operations or financial condition since September 30, 2010.

## FINANCIAL INDEBTEDNESS

The details of indebtedness of the Company, as of September 30, 2010, are set forth below:

### Secured Loans

Sr. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (in Rs. million)		Interest (in % p.a.) /Commission	Amount outstanding as of September 30, 2010 (in Rs. million)	Tenure	Repayment	Security
1	Bank of India ("Lead Bank")  State Bank of Indore  IDBI Bank Limited  Jammu & Kashmir Bank  Export Import Bank of India  State Bank of India	Working capital facilities  Working capital consortium agreement dated January 6, 2009 as amended by the first supplemental working consortium agreement dated July 27, 2009	Aggregate = Fund based: 4,100.0; and non fund based: 400.0		As may be stipulated from time to time by the individual banks	Aggregate = Fund base: 3,070.1	Valid until revoked in writing by the Company or until all the money due with respect to the working capital facilities are paid in full to the banks, whichever is later	On demand	Refer to note 1
			Bank of India = 1,228.0**	Fund based = 1,100.0	0.75% over BPLR p.a. (present rate 12.75%)	643.8	One year (subject to annual review)	On demand	
			Facility agreement dated July 28, 2009, credit facility agreement dated June 5, 2010 and sanction letter dated November 26, 2008 as	Non fund based = 128.0	Letter of credit = 64.0*	-			
					Commission at 50% of the normal charges as per head office/RBI guidelines plus service tax as applicable				

Sr. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (in Rs. million)		Interest (in % p.a.) /Commission	Amount outstanding as of September 30, 2010 (in Rs. million)	Tenure	Repayment	Security
			amended by sanction letter dated June 02, 2010.	Guarantee = 64.0*	Performance & financial guarantees:- commission at 50% of the normal charges as per head office/RBI guidelines + service tax as applicable	-			
				Guarantee favouring customs under 'Export Promotion Capital Goods Scheme' = 64.0*	Performance & financial guarantees:- commission at 50% of the normal charges as per head office/RBI guidelines plus service tax as applicable	-			
			State Bank of Indore = 507.2	Cash credit = 405.2	0.75% above BPLR (floating) p.a.	409.9	One year (subject to annual review)	On demand	
			Sanction letter dated March 4, 2010 and supplementary working capital	Import/inland letter of credit = 50.5	Rate of commission as per bank's instruction subject to	-		Usance of 180 days and for import letter of credits 90 days	

Sr. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (in Rs. million)		Interest (in % p.a.) /Commission	Amount outstanding as of September 30, 2010 (in Rs. million)	Tenure	Repayment	Security
			consortium agreement dated July 27, 2009	Bank guarantee = 51.5	change	-		36 months	
			IDBI Bank Limited = 1,250.4  Facility agreement dated August 4, 2009 and the sanction letter dated July 31, 2009 as amended by letter dated August 5, 2009 and January 9, 2010.	Cash credit = 1,144.2	BPLR minus 50bps p.a.	769.0	12 months in line	On demand	
				Letter of credit Facility = 84.8	0.75% flat plus service tax for 90 days	-		Honoring of commitments on due date	
				Bank guarantee = 21.4	2.5% p.a. for performance guarantee and 3% p.a. for other guarantees.	-		Return of original guarantee on or before the date of expiry	
			Jammu and Kashmir Bank = 242.1  Loan Agreement dated March 5, 2010 and the sanction letter dated January 16, 2010	Cash credit = 221.2	PLR + 1.0% p.a. (present rate 13.75% p.a.)	220.6	One year	On demand	
				Letter of credit = 20.9	0.75% per quarter	-		Maximum usance period of 180 days for letter of credit	



Sr. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (in Rs. million)	Interest (in % p.a.) /Commission	Amount outstanding as of September 30, 2010 (in Rs. million)	Tenure	Repayment	Security
			Export Import Bank of India = 129.3  Dual currency pre-shipment loan agreement dated September 19, 2009 and the sanction letter dated August 28, 2009	<ul style="list-style-type: none"> <li>• INR: 8.5% p.a.</li> <li>• US\$: LIBOR (six months) + 400 bps</li> </ul>	129.3	Two years or 30 days from the Lead Bank's next assessment, whichever is earlier	Within 180 days from the date of each disbursement or out of export proceeds, whichever is earlier	
			State Bank Of India = 997.0  Agreement of loan for overall limit dated March 13, 2009, the supplemental agreement of loan for increase in the overall limit dated August 28, 2009 and the sanction letter dated August 27, 2009	Cash credit = 897.0  Interest on loan at 1.5% p.a. above/below State Bank Advanced Rate ("SBAR")	897.5	12 months	On demand (usance up to 180 days for letter of credit)	
				Export packing credit = 100.0***  Export bills negotiation = 100.0***	<ul style="list-style-type: none"> <li>• 2.75% below SBAR p.a.</li> <li>• 2.75% below SBAR p.a.</li> <li>• For overdue period up to six months from the date of shipments SBAR + 1.85% p.a.</li> </ul>			

Sr. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (in Rs. million)			Interest (in % p.a.) /Commission	Amount outstanding as of September 30, 2010 (in Rs. million)	Tenure	Repayment	Security
						<ul style="list-style-type: none"> <li>Beyond six months of shipment SBAR + 2.50% p.a.</li> <li>Inland bill negotiation = 100.0*** <ul style="list-style-type: none"> <li>Tenor of the bill 1-90 days = 2.75% below SBAR p.a.</li> <li>Tenor of the bill 91-180 days 2.25% below SBAR p.a.</li> </ul> </li> </ul>				
				Letter of credit = 58.0		Standard rates as applicable from time to time	-			
				Bank guarantee = 42.0			-			
2.	IDBI Bank Limited	Term loan Loan agreement dated December 30, 2009 and the sanction letter dated December 23,	800.0			BPLR – Nil (Present effective rate to be 12.75%)	750.0	Till September 30, 2012	In eight equal quarterly instalments of Rs. 100 million to be paid from December 31, 2010	Refer to note 2

Sr. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (in Rs. million)	Interest (in % p.a.) /Commission	Amount outstanding as of September 30, 2010 (in Rs. million)	Tenure	Repayment	Security
		2009						
3.	Indian Overseas Bank	Working capital facility  Credit sanction advice dated August 13, 2010	Cash credit = 265.0	Base rate + 5.00% or such rate of interest charged by leader of the consortium, whichever is higher, with a minimum of 13.25%	267.6	One year	On demand	Refer to note 3
4.	Punjab National Bank	Working capital facility  Sanction letter dated August 18, 2010	Cash credit = 945.4	Base rate + 4.75%, in line with the consortium leader which is currently 12.75%	744.6	12 months	On demand	Refer to note 4

\* These limits are fungible.

\*\* This limit has been further enhanced to Rs. 1,685 million by a sanction letter dated October 14, 2010 issued by the Bank of India in favour of the Company.

\*\*\*These limits are fungible

Additionally, the Company has also availed loans from ICICI Bank Limited, for the purpose of purchase of vehicles and the aggregate loan amount outstanding as of September 30, 2010 is Rs. 2.2 million.

**Notes:**

**Note 1:**

For the entire facility:

- (a) Pari passu first charge by way of hypothecation and/or pledge of the Company's current asset with other working capital lenders; and

- (b) Pari passu second charge/mortgage in favour of the consortium banks on the Company's movable and immovable properties (other than current assets), with other working capital lenders.

*Bank of India*

- (a) Margin on letter of credit and bank guarantee at 5% in the form of the term deposit receipt;
- (b) Personal guarantee of Nitin S. Kasliwal; and
- (c) Corporate guarantee of Anjani Finvest Private Limited and SKNL.

*State Bank of Indore*

- (a) Personal guarantee of Nitin S. Kasliwal and corporate guarantee of Anjani Finvest Private Limited.

*IDBI Bank Limited*

- (a) Personal guarantee of Nitin S. Kasliwal, corporate guarantee of Anjani Finvest Private Limited and SKNL.

*Jammu and Kashmir Bank Limited*

- (a) Personal guarantee of Nitin S. Kasliwal;
- (b) Corporate guarantee of SKNL; and
- (c) Corporate guarantee of Anjani Finvest Private Limited.

*Export Import Bank of India*

- (a) Irrevocable and unconditional personal guarantee of Nitin Kasliwal.

*State Bank India*

- (a) For cash credit and export packing credit:
  - (i) Personal guarantee of Nitin S. Kasliwal; and
  - (ii) Corporate guarantee of Anjani Finvest Private Limited.

- (b) For export bills negotiation:
  - (i) Goods covered under export bills not backed by letter of credit; and
- (c) For inland bills negotiation:
  - (i) Usance/demand bills, with a maturity period not exceeding 180 days drawn by the Company on the importers abroad accompanied by documents of title of goods.
- (d) For letter of credit:
  - (i) Personal guarantee of Nitin S. Kasliwal; and
  - (ii) Corporate guarantee of Anjani Finvest Private Limited.
- (e) For bank guarantee:
  - (i) Omnibus counter guarantee (wherever applicable); and
  - (ii) Pari passu second charge on land and building and plant and machinery.

**Note 2:**

- (a) Exclusive first charge by way of hypothecation in favour of IDBI Bank Limited of all the Company's movable properties value aggregating to Rs. 890 million acquired/to be acquired out of the loan;
- (b) First mortgage and charge in favour of IDBI Bank Limited of all the Company's immovable properties both present and future;
- (c) First charge by way of hypothecation in favour of IDBI Bank Limited of all the Company's movables over both present and future;
- (d) Second charge by way of hypothecation on the Company's stock of raw materials, semi-finished goods, consumable stores and other current asset both present and future; and
- (e) Irrevocable and unconditional guarantee from Nitin S. Kasliwal.

**Note 3:**

- (a) First charge on the current assets of the Company including stocks and book debts, on pari passu basis with other working capital lenders;
- (b) Second charge on the Company's entire block assets, both moveable and immovable, including all immovable properties and plant and machinery, on

pari passu basis with other lenders in the working capital consortium;

- (c) Personal guarantee of Nitin S. Kasliwal; and
- (d) Corporate guarantee of SKNL and Anjani Finvest Private Limited.

**Note 4:**

*Punjab National Bank*

- (a) First exclusive charge of hypothecation of entire stocks of raw materials, stocks in process, finished goods, consumable stores and spares, inward RRs/GRs, receivables and all other current assets of the borrower, on pari passu basis with other consortium banks;
- (b) Second pari passu charge on all immovable properties of the Company including fixed plant and machinery, machinery spares, tools and accessories and other movables excluding assets exclusively charge to the other lenders.
- (c) Personal guarantee of Nitin S. Kasliwal and a corporate guarantee of Anjani Finvest Private Limited and SKNL

**Restrictive Covenants with Respect to the Borrowings of the Company**

Certain corporate actions for which the Company requires the prior written consent of the lenders include:

- (a) Effect any change in the capital structure;
- (b) Formulate any scheme of amalgamation or reconstruction;
- (c) Implement any scheme of expansion/diversification/modernisation other than incurring routine capital expenditure;
- (d) Make any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with, any other concern except give normal trade credits or place security deposits in the normal course of business or make advances to employees; provided that the borrower may make such investments by way of deposits or advances that are statutorily required;
- (e) Undertake guarantee obligations on behalf of any third party or any other company;
- (f) Change its registered office;
- (g) Sell, assign, mortgage or otherwise dispose off any of the fixed assets or the movable charged or mortgaged to the banks;
- (h) Change its constitution;

- (i) Enter into borrowing arrangements either secured or not with other bank/financial institution/company;
- (j) Declare dividends for any year except out of profits relating to that year after making all dues and necessary provisions; and
- (k) Withdraw money brought in by the principal shareholders/directors/depositors/other associate firms/group companies for financing the programme and the working capital needs of the Company.

Further, under the terms of the loan agreements, the Company is required to maintain certain limits on financial ratios such as current asset cover.

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against the Company, its Promoter, Directors and the Group Companies and there are no defaults, non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoter, Directors or the Group Companies.*

For details of the contingent liabilities of the Company, refer to the section “Financial Statements” on page 139 of this Draft Red Herring Prospectus.

#### **Cases involving Directors**

There are no litigations pending by or against any of the Directors of the Company.

#### **Cases involving the Company**

##### *Cases filed against the Company*

#### **Tax Proceedings**

1. SKNL (now the Company, pursuant to the spinoff from SKNL in January 2008) has filed an appeal before the Commissioner of Customs (Appeals), Mumbai, against the Assistant Commissioner of Customs, Raigad, challenging order dated March 20, 2007. An application dated October 17, 2006 was filed by SKNL before the Assistant Commissioner of Customs, Raigad, claiming refund of the excess custom duties paid on the import of fabric by SKNL. The Assistant Commissioner by order dated March 20, 2007 rejected the abovementioned application and advised SKNL to either produce a copy of the order-in-appeal or undertake reassessment of the bill of entry. The amount involved in the matter is Rs. 0.28 million. The matter is currently pending.
2. The Company has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal, Bengaluru, against the Commissioner of Central Excise, Customs and Service, Mysore order dated September 24, 2009. A show cause notice dated March 9, 2009 was issued by the Commissioner of Central Excise, Customs and Service, Mysore to the Company alleging wrongful availment of cenvat credit on the excise duty leviable on the polyester tops manufactured and captively consumed by the Company for the period July 2004 to June 2008. The Commissioner of Central Excise, Customs and Service, Mysore, by order dated September 24, 2009 confirmed the demand made under the show cause notice dated March 9, 2009, ordered appropriation of the amount paid by the Company under protest and imposed a penalty of Rs. 24.97 million on the Company. The aggregate amount involved in the matter is Rs. 43.68 million. The Customs, Excise and Service Tax Appellate Tribunal by its order dated June 28, 2010 has granted a waiver of the pre-deposit of Rs. 43.68 million and granted a stay on the execution of the order dated September 24, 2009 until the disposal of the appeal. The matter is currently pending.
3. SKNL (now the Company, pursuant to the spin-off in January 2008) has filed an appeal before the Customs, Excise and Service Tax Appellate Tribunal, Mumbai against the Commissioner of Customs (Export), Nhava Sheva against order dated March 30, 2007. A show cause notice dated October 27, 2006 was issued by the Commissioner of Customs (Export), Nhava Sheva, asking the Company to show cause as to why the goods imported should not be confiscated under the section 111(m) Customs Act, 1962 on the grounds of misrepresentation of the goods imported as polyester fabric instead of polviscose fabric. The Commissioner of Customs (Export), Nhava Sheva, by order dated March 30, 2007 held that the goods



imported should be confiscated and imposed a penalty on SKNL of Rs. 0.5 million. The Customs, Excise and Service Tax Appellate Tribunal, Mumbai by an order dated July 10, 2007 granted a stay on the execution of the order dated March 30, 2007 and the said stay was extended until the disposal of the appeal pursuant to its order dated August 27, 2010. The aggregate amount involved in the matter is Rs.2.5 million. The matter is currently pending.

- SKNL (now the Company, pursuant to the spin-off in January 2008) has filed an appeal before the Commissioner of Customs (Appeals), Nhava Sheva, against the Assistant Commissioner of Customs, Mumbai, challenging the order dated February 23, 2007. SKNL had filed a refund claim dated October 19, 2006 claiming refund of the excess customs duties paid by SKNL on the import of polyviscose fabric. Assistant Commissioner of Customs, Mumbai, pursuant to order dated February 23, 2007 rejected the claim made by SKNL. The amount involved in the matter is Rs.0.28 million. The matter is currently pending.

#### *Cases filed by the Company*

Nil

#### **Small Scale Industries**

Except as disclosed below, the Company does not owe any small scale industries any amounts exceeding Rs. 100,000 which is outstanding for more than 30 days except for those small scale sector industry entities where the payment terms are in excess of 30 days. There are no disputes with such entities in relation to payments to be made to them.

(in Rs. million)

<b>Sr. No.</b>	<b>Name</b>	<b>Amount outstanding as on September 15, 2010</b>
1.	Jyoren Enterprises	2.4
2.	Foraml Clothing Co. (a division of Bang Overseas Limited)	2.0
<b>Total</b>		<b>4.4</b>

#### **Cases involving Promoter**

##### **S. Kumars Nationwide Limited**

#### *Cases filed against SKNL*

##### *Criminal Cases*

- Sadan Singh (“Complainant”) has filed a criminal complaint before the Judicial Magistrate First Class, Dewas, against SKNL alleging that he was illegally laid off. The Complainant has claimed for direction from the court imposing penalty on SKNL under the Madhya Pradesh Industrial Relations Act, 1960. SKNL has filed its reply dated November 2, 2004. The matter is currently pending.

##### *Labour Cases*

- SKNL has filed a writ petition before the High Court of Madhya Pradesh against Durgadas (“Respondent”) challenging the order dated August 5, 2010. The Respondent had filed a complaint before the Labour Court, Dewas, claiming for permanency on the post of mettle winder. The Labour Court by an order dated March 9, 2010 allowed the said complaint. SKNL filed an appeal before the Industrial Court, Indore, against the order dated March 9, 2010 which was dismissed by the Industrial Court by its order dated August 5, 2010. The amount involved in the matter is Rs. 0.09 million. The matter is currently pending.
- SKNL has filed a writ petition before the High Court of Madhya Pradesh against Kanhaiyalal (“Respondent”) challenging the order dated August 5, 2010. The Respondent had filed a complaint before the Labour Court, Dewas, claiming for permanency on the post of humidity attendant. The Labour Court by an order dated November 4, 2009 dismissed the said complaint. The Respondent filed an appeal before the

Industrial Court, Indore, against the order dated November 4, 2009. The Industrial Court pursuant to order dated August 5, 2010 allowed the appeal by the Respondent. The amount involved in the matter is Rs. 0.08 million. The matter is currently pending.

3. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Kesharam Devaji (“Respondent”) challenging the order dated August 3, 2009. The Respondent had filed a complaint before the Labour Court, Dewas, alleging that the Respondent was wrongfully deployed on lower post i.e. on doffer. The Respondent claimed for the post of ‘sider’. The Labour Court by an order dated March 12, 2009 allowed the said complaint. SKNL filed an appeal before the Industrial Court, Indore, against the order dated March 12, 2009 which was dismissed by the Industrial Court by its order dated August 3, 2009. The matter is currently pending.
4. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Kesharam Devaji (“Respondent”) in relation to challenging the order dated August 3, 2009. The Respondent had filed a complaint before the Labour Court, Dewas, alleging that his services were illegally terminated on grounds of being absent from work and refusing to carry out the assigned work. The Complainant had claimed for reinstatement. The Labour Court by an order dated March 12, 2009 dismissed the said complaint. The Respondent filed an appeal before the Industrial Court, Indore, against the order dated March 12, 2009. The Industrial Court partially allowed the said appeal and directed SKNL to reinstate the Respondent pursuant to order dated August 3, 2009. The amount involved in the matter is Rs. 0.37 million. The matter is currently pending.
5. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Rameshwar Mukati (“Respondent”) challenging the order dated January 27, 2009. The Respondent had filed a complaint before the Labour Court, Dewas, claiming for, inter alia, 15 days retrenchment compensation and three months notice pay. The Labour Court by an order dated September 20, 2008 passed an order in favour of the Respondent. SKNL has filed an appeal before the Industrial Court, Indore, against the order dated September 20, 2008. The Industrial Court by an order dated January 27, 2009 passed an order in favour of the Respondent. The matter is currently pending.
6. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Kamalkishore (“Respondent”) challenging the order dated January 6, 2009. The Respondent had filed a complaint before the Labour Court, Dewas, alleging that his services were illegally terminated on the grounds of misconduct. The Labour Court by an order dated January 8, 2003 directed SKNL to reinstate the Respondent and along with payment of 50% back wages. SKNL filed an appeal before the Industrial Court, Indore, against the order dated January 8, 2003. The Industrial Court dismissed the said appeal pursuant to its order dated January 6, 2009. The amount involved in the matter is Rs. 0.11 million. The matter is currently pending.
7. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Bhagwati Jaswant (“Respondent”) in relation to challenging the order dated March 27, 2006. The Respondent had filed a complaint before the Labour Court, Dewas, alleging that his services were illegally terminated on the grounds of misbehaviour. The Respondent claimed for back wages for the period of lock-out. The Labour Court by an order dated November 17, 2004 directed SKNL to reinstate the Respondent and along with payment of full back wages. SKNL filed an appeal before the Industrial Court, Indore, against the order dated November 17, 2004. The Industrial Court partially allowed the said appeal by directing SKNL to reinstate the Petitioner but disallowing the back wages pursuant to order dated March 27, 2006. The amount involved in the matter is Rs. 0.08 million. The matter is currently pending.
8. Purshottam Narayan (“Petitioner”) has filed a writ petition before the High Court of Madhya Pradesh against SKNL claiming back wages for the period for which his services were illegally terminated. The Petitioner had filed a complaint before the Labour Court, Dewas, alleging that his services were illegally terminated on the grounds of misbehaviour. The Labour Court by an order dated August 29, 2005 directed SKNL to reinstate the Respondent and along with payment of full back wages. SKNL filed an appeal before the Industrial Court, Indore, against the order dated August 29, 2005. The Industrial Court partially allowed the said appeal by directing SKNL to reinstate the Petitioner but disallowing the back wages pursuant to its order dated April 2, 2007. SKNL has filed its reply. The amount involved in the matter is Rs.

0.32 million. The matter is currently pending.

9. Two complaints have been filed by the workers of SKNL before the Presiding Officer, Labour Court, Dewas against SKNL alleging that they were not allowed to resume their duties as per the direction of the labour court pursuant to its orders dated December 9, 2004 and November 17, 2004. The complainants have claimed for full wages for the period of lock-out. SKNL has filed its replies. The aggregate amount involved in these matters is Rs. 0.48 million. The matters are currently pending.
10. Bhagwati Jaswant (“Petitioner”) has filed a writ petition before the High Court of Madhya Pradesh against SKNL claiming back wages for the period for which his services were illegally terminated. The Petitioner had filed a complaint before the Labour Court, Dewas, alleging that his services were illegally terminated on the grounds of misbehaviour. The Labour Court by an order dated November 17, 2004 directed SKNL to reinstate the Respondent along with payment of full back wages. SKNL filed an appeal before the Industrial Court, Indore, against the order dated November 17, 2004. The Industrial Court partially allowed the said appeal by directing SKNL to reinstate the Petitioner but disallowing the back wages pursuant to order dated March 27, 2006. SKNL has filed its reply. The amount involved in the matter is Rs. 0.37 million. The matter is currently pending.
11. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Ramesh Mangilal (“Respondent”) challenging the order dated July 12, 2001 passed by the Industrial Court, Indore. The Respondent had filed a complaint before the Labour Court, Dewas, alleging that his services were illegally terminated on the grounds of theft. The Respondent claimed for reinstatement and full back wages. The Labour Court pursuant to its order dated May 16, 1997 passed an order in favour of the Respondent. SKNL filed an appeal before the Industrial Court, Indore, against the order dated May 16, 1997. The Industrial Court dismissed the said appeal by its order dated July 12, 2001. The amount involved in the matter is Rs. 0.37 million. The matter is currently pending.
12. Shital Nigam (“Complainant”) has filed a complaint before the Presiding Officer, Labour Court, Dewas, against SKNL alleging illegal termination of his services as beldar on grounds of being absent from work and refusing to carry out the assigned work. The Complainant has claimed for reinstatement along with back wages. SKNL has filed its reply. The amount involved in the matter is Rs. 0.50 million. The matter is currently pending.
13. Dewas Mazdoor Sangh (“Complainant”) has filed a complaint before the Presiding Officer, Labour Court, Dewas, against SKNL alleging that the Company illegally stopped the operations of the all the machines placed at the Chamunda Standard Mills and that such an act amounts to an act of ‘illegally change’. SKNL has filed its reply. The matter is currently pending.
14. Nine cases have been filed by substitute labourers before the Presiding Officer, Labour Court, Dewas, against SKNL alleging that the act of the complainants being asked to undertake training in departments other than their own resulting in an illegal change. The complainants have claimed for job permanency. SKNL has filed its replies. The aggregate amount involved in these matters is approximately Rs. 0.05 million. The matters are currently pending.
15. Kanhaiyalal Jeevanlal (“Complainant”) has filed a complaint before the Presiding Officer, Labour Court, Dewas against SKNL, alleging non-payment of wages despite regular attendance at duty. The Complainant claimed for wages for return days. SKNL has filed its reply. The matter is currently pending.
16. 32 cases have been filed by the workers of SKNL before various authorities against SKNL alleging non-payment of wages by SKNL to the complainants during the period of lock-out in year 2005. The Complainants claimed for full back wages. The aggregate amount involved in these matters is approximately Rs. 3.98 million. The matters are currently pending.
17. Sadashiv Kurle has filed a complaint before the Presiding Officer, Labour Court, Dewas against SKNL alleging that his services were suspended illegally. The complainants have claimed for full wages. SKNL has filed its reply. The amount involved in the matter is Rs. 0.02 million. The matter is currently pending.

18. Kesharam Devaji has filed a complaint before the Presiding Officer, Labour Court, Dewas against SKNL claiming back wages for the period for which his services were illegally terminated. SKNL has filed its reply. The amount involved in the matter is Rs. 0.10 million. The matter is currently pending.
19. Three complaints have been filed by the workers of SKNL before the Presiding Officer, Labour Court, Dewas against SKNL alleging claiming for back wages for the period for which their services were illegally terminated. SKNL has filed its replies. The aggregate amount involved in these matters is Rs. 0.52 million. The matters are currently pending.
20. 25 cases have been filed by the workers of SKNL before the various authorities against SKNL in relation to gratuity on full earning wages including allowances. The aggregate amount involved in these matters is Rs. 0.38 million. The matters are currently pending.
21. Krishna Haldhar, widow of late Haldha, has filed a case before the Controlling Authority, Dewas, against SKNL claiming gratuity on full earning wages including allowances. The amount involved in the matter is Rs. 0.02 million. The matter is currently pending.
22. Textiles Employees Union (“Complainant”) has raised a dispute before the Government Labour Officer, Dewas, against SKNL, claiming, *inter alia*, permanency of substitute workers, fulfilment of strength, dearness allowance. The matter is currently pending.
23. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Vishnu (“Respondent”) challenging the order passed by the Industrial Court dated March 19, 2010. The Respondent had filed a complaint before the Labour Court, Dewas, claiming for job permanency. The Labour Court pursuant to its order dated May 22, 2009 allowed the said complaint. SKNL filed an appeal before the Industrial Court, Indore, against the order May 22, 2009 passed by the Labour Court which was further dismissed by the Industrial Court by its order dated March 19, 2010. The amount involved in the matter is Rs. 0.32 million. The matter is currently pending.
24. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Ravindra (“Respondent”) challenging the order passed by the Industrial Court dated March 19, 2010. The Respondent had filed a complaint before the Labour Court, Dewas, claiming for job permanency. The Labour Court pursuant to its order dated May 22, 2009 allowed the said complaint. SKNL filed an appeal before the Industrial Court, Indore, against the order May 22, 2009 passed by the Labour Court which was further dismissed by the Industrial Court by its order dated March 19, 2010. The amount involved in the matter is Rs. 0.32 million. The matter is currently pending.
25. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Dattatray (“Respondent”) challenging the order passed by the Industrial Court dated March 19, 2010. The Respondent had filed a complaint before the Labour Court, Dewas, claiming for job permanency. The Labour Court pursuant to its order dated May 22, 2010 allowed the said complaint. SKNL filed an appeal before the Industrial Court, Indore, against the order May 22, 2010 passed by the Labour Court which was further dismissed by the Industrial Court by its order dated March 19, 2010. The amount involved in the matter is Rs. 0.32 million. The matter is currently pending.
26. SKNL has filed a writ petition before the High Court of Madhya Pradesh against Madanlal Ramchandra (“Respondent”) challenging the order passed by the Industrial Court dated March 4, 2010. The Respondent had filed a complaint before the Labour Court, Dewas, claiming for job permanency. The Labour Court pursuant to its order dated September 30, 2009 allowed the said complaint. SKNL filed an appeal before the Industrial Court, Indore, against the order September 30, 2009 passed by the Labour Court which was further dismissed by the Industrial Court by its order dated March 4, 2010. The amount involved in the matter is Rs. 0.09 million. The matter is currently pending.

### *Taxation Cases*

1. SKNL has filed an appeal against the assessment order of the Income Tax department dated July 29, 2008 pursuant to which SKNL was liable to pay an additional income tax of Rs. 3.4 million for the assessment year 2001-2002. SKNL made payment of the said amount, in two instalments to the Income Tax department. The matter is pending before the Income Tax Tribunal for hearing and disposal.

### *Civil Cases*

1. Prithviraj Jaychand Oswal and Rekha Prithviraj Oswal (“Complainants”) have filed a revision petition before the National Consumer Disputes Redressal Commission, New Delhi on February 20, 2009 against the order dated November 11, 2008 passed by the State Consumer Disputes Redressal Commission, Maharashtra. The Complainants had initially filed a consumer complaint before the District Consumer Forum, Kolhapur, against SKNL in relation to defects and deficiencies in fulfilment of the terms and conditions of the equity warrant certificates. SKNL had allotted 400 zero interest, zero dividend convertible preference shares with detachable equity warrants to the Complainants jointly. In accordance with the terms and conditions of the equity warrant certificates, SKNL would decide the due date and mode of application for conversion of warrants into equity shares in their board meeting between October 1999 to September 2002 and accordingly inform the holders. On inquiry by the Complainants in this regard, SKNL pursuant to its letter dated November 11, 2005 denied the issuance of equity shares stating that the due date for the same has lapsed. Thus, the Complainants filed the present complaint which was dismissed pursuant to the order dated February 22, 2008. The Complainants filed an appeal before the State Consumer Disputes Redressal Commission, Maharashtra on March 7, 2008 challenging the said order which was dismissed by an order dated November 11, 2008. The matter is currently pending.
2. Vivtib Apparels has filed a title suit before the Civil Court, Kamrup against SKNL in relation to the termination of a distribution agreement dated January 17, 2009 between SKNL and Vivtib Apparels (the “Distribution Agreement”). SKNL had terminated the Distribution Agreement on November 17, 2009 on the ground of non performance by Vivtib Apparels. Vivtib Apparels has challenged the termination of the Distribution Agreement stating that the termination was unilateral and has sought a direction restraining SKNL from invoking the bank guarantee of Rs. 1.0 million furnished by Vivtib Apparels in accordance with the terms of the Distribution Agreement. The Civil Court has passed an order dated January 5, 2010 directing the parties to maintain status quo until further orders. Vivtib Apparels has now filed a civil miscellaneous (caveat) application before the High Court of Assam seeking reasonable opportunity to respond in the event SKNL files a petition before the High Court to vacate the order passed by the Civil Court on January 5, 2010. The matter is currently pending.
3. SKNL (“Petitioner”) has filed a writ petition before the High Court of Madhya Pradesh against Bharat Petroleum Corporation Limited (“BPCL”) challenging the order dated April 2, 2005 passed by the Additional District Court, Dewas. BPCL, had filed a recovery suit before the Additional District Court, Dewas, Madhya Pradesh, against SKNL for recovery of an amount due and payable in relation to the supply of oil and lubricates. The Additional District Court by its order dated April 2, 2005, decreed the suit in favour of BPCL. The amount involved in the matter is Rs. 0.26 million. The matter is currently pending.

### *Cases filed by SKNL*

#### *Criminal Cases*

1. SKNL (Belmonte) has filed a complaint before the 13<sup>th</sup> Metropolitan Magistrate Court, Dadar, against Shree Sai Prakash Distributors under section 138 of Negotiable Instruments Act, 1882 in connection with dishonour of cheque dated March 30, 2009 issued towards outstanding amount payable in connection with the purchase of fabric. The amount involved in this matter is Rs. 0.46 million. The matter is currently pending.
2. SKNL (Belmonte) has filed a complaint before the 13<sup>th</sup> Metropolitan Magistrate Court, Dadar, against Shree Sai Prakash Distributors under section 138 of Negotiable Instruments Act, 1882 in connection with

dishonour of two cheques dated March 30, 2009 and March 31, 2009 issued towards outstanding amount payable in connection with the purchase of fabric. The amount involved in this matter is Rs. 0.75 million. The matter is currently pending.

3. SKNL (Belmonte) has filed a complaint before the 7<sup>th</sup> Metropolitan Magistrate Court, Dadar, against Parshottamchand Sharma, proprietor of Raj Trading Company and partner of Parshottam Sons, under section 138 of Negotiable Instruments Act, 1882 in connection with dishonour of cheque dated September 22, 2009 issued towards outstanding amount payable in connection with the purchase of fabric. The total amount involved in this matter is Rs. 0.36 million. The matter is currently pending.
4. SKNL (Belmonte) has filed a complaint before the 7<sup>th</sup> Metropolitan Magistrate Court, Dadar, against Parshottamchand Sharma, proprietor of Raj Trading Company and partner of Parshottam Sons, under section 138 of Negotiable Instruments Act, 1882 in connection with dishonour of cheque dated December 25, 2009 issued towards outstanding amount payable in connection with the purchase of fabric. The amount involved in this matter is 0.30 million. The matter is currently pending.
5. SKNL (Belmonte) has filed a complaint before the 7<sup>th</sup> Metropolitan Magistrate Court, Dadar, against Pradip Agarwal, proprietor of Pradeep & Co., under section 138 of Negotiable Instruments Act, 1882 in connection with dishonour of nine cheques dated December 29, 2008, December 31, 2008, November 17, 2008, December 22, 2008, November 29, 2008, November 24, 2008, December 8, 2008 and December 1, 2008 issued towards outstanding amount payable in connection with the purchase of fabric. The amount involved in this matter is Rs. 0.72 million. The matter is currently pending.
6. SKNL (Belmonte) has filed a complaint before the 7<sup>th</sup> Metropolitan Magistrate Court, Dadar, against Sanjay Modi under section 138 of Negotiable Instruments Act, 1882 in connection with dishonour of cheque dated December 24, 2009 issued towards outstanding amount payable in connection with the purchase of fabric. The amount involved in this matter is Rs. 0.10 million. The matter is currently pending.
7. SKNL has filed a criminal complaint before the Judicial Magistrate First Class at Bhiwandi, against Uttaranchal Marketing, a distributor of Total Home Expression (a division of SKNL) and others, (the “Complainants”) alleging cheating and criminal breach of trust on account of failure on the part of Uttaranchal Marketing to pay SKNL a sum of Rs. 4.58 million. The matter is currently pending.

### **Cases involving Group Companies**

#### *Cases filed against the Group Companies*

##### HMX Poland sp. Z o. o

1. Emerisque Brands Limited (“Emerisque”) has initiated an arbitration proceedings before the London Court of International Arbitration against HMX Poland Sp Z.o.o. (“HMX”) for terminating a Consultancy Services Agreement dated August 7, 2009 executed between HMX and Emerisque. Emerisque has claimed a compensation of US \$ 4.26 million towards the termination of the above-mentioned agreement. HMX has filed its reply. The matter is currently pending.

##### Remala Trading B.V.

1. Emerisque Brands Jersey Limited (“Emerisque”) has filed a case before the Dutch Court, Netherlands, against Remala Trading B. V and SKNL North America B.V. in relation to a shareholder agreement dated August 31, 2009 executed between Remala Trading B. V., SKNL North America B.V. and Emerisque (“Shareholders Agreement”). Emerisque alleged the non compliance of the Shareholders Agreement. Emerisque also claimed for an interim relief by way of issuance of shares convertible into ordinary shares of Remala Trading B.V. (subject to certain specified conditions) up to 7% of its total ordinary shares capital to Emerisque and the appointment of a nominee director of Emerisque on the board of Remala pursuant to the shareholder agreement dated August 31, 2009. The Dutch Court by an interim order dated September 16, 2010, directed SKNL North America B.V. to issue B1 shares to Emerisque and appoint a nominee

director of Emerisque on the board of Remala. The matter is currently pending.

SKNL North America B. V.

1. Emerisque Brands Jersey Limited (“Emerisque”) has filed a case before the Dutch Court, Netherlands, against Remala Trading B. V and SKNL North America B.V. in relation to a shareholder agreement dated August 31, 2009 executed between Remala Trading B. V., SKNL North America B.V. and Emerisque. Emerisque alleged the non compliance of the shareholders agreement. Emerisque also claimed for an interim relief by way of issuance of shares convertible into ordinary shares of Remala Trading B.V. (subject to certain specified conditions) up to 7% of its total ordinary shares capital to Emerisque and the appointment of a nominee director of Emerisque on the board of Remala pursuant to the shareholder agreement dated August 31, 2009. The Dutch Court by an interim order dated September 16, 2010, directed SKNL North America B.V. to issue B1 shares to Emerisque and appoint a nominee director of Emerisque on the board of Remala. The matter is currently pending.

## GOVERNMENT APPROVALS

*In view of the approvals listed below, the Company can undertake this Issue and its current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue the business activities. Unless otherwise stated, these approvals are all valid as of the date of this Draft Red Herring Prospectus.*

### Approvals for the Issue

1. The Board of Directors have, pursuant to resolution passed at its meeting held on September 27, 2010, authorised the Issue, subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act.
2. The shareholders have, pursuant to a resolution dated September 27, 2010 under Section 81(1A) of the Companies Act, authorised the Issue.
3. SKNL and Indivest have consented to the transfer of shares pursuant to the Offer for Sale in terms of the board resolutions passed by them on September 27, 2010.
4. In - principle approval from the NSE dated [●].
5. In - principle approval from the BSE dated [●].
6. The Company will apply to RBI to approve the transfer of the Equity Shares by the Selling Shareholders in the Offer for Sale.

### Incorporation Details

1. Certificate of incorporation dated April 19, 2000 issued by the Registrar of Companies, Maharashtra.
2. Certificate of commencement of business on July 29, 2008 issued by the Registrar of Companies, Maharashtra.

### Tax related approvals/licenses/registrations

1. Permanent Account Number AACCR2067H
2. Tax Payers Deduction Account Number BLRR06985G under the Income Tax Act, 1961.
3. Tax Payers Deduction Account Number BLRR07201F under the Income Tax Act, 1961.
4. Tax Payers Identification Number 29280802533 under the Karnataka Value Added Tax Act, 2003.
5. Tax Payers Identification Number 29560828472 under the Karnataka Value Added Tax Act, 2003.
6. Tax Payers Identification Number 27510681335V under the Maharashtra Value Added Tax Act, 2002.
7. Tax Payers Identification Number 27510681335C under the Central Sales tax Act, 1956.
8. Service Tax Code AACCR2067H-ST001 in relation to the registration with the Central Excise Department.
9. Central Excise Registration Certificate (registration no. AACCR2067H-XM001) certifying the registration for manufacturing of excisable goods issued by Assistance Commissioner of Central Excise under the provisions of the Central Excise Rules, 2002.

### Approvals in relation to manufacturing units

1. Consent order (no. KSPCB/SEO(N-EIA)/09-10/726) dated October 16, 2009 issued by the Karnataka State Pollution Control Board to the Company for discharge of effluents under the Water (Prevention and



- Control of Pollution) Act, 1974 and emissions under the Air (Prevention and Control of Pollution) Act, 1981 from the Company's manufacturing unit at Thandya Industrial Area, Thandavapura, Nanjangud, Mysore.
2. License (no. P/HQ/KA/15/847(P11816) dated April 28, 1999 issued by the Petroleum and Explosives Safety Organization, Ministry of Commerce and Industry, Government of India, to the Company to import and store petroleum in installation of 610 KL (petroleum class B and C in bulk) at the Company's manufacturing unit at Thandya Industrial Area, Thandavapura, Nanjangud, Mysore. The said license is valid till December 31, 2010.
  3. Approval letter (no. FEE 52 ECO 2008) dated October 12, 2009 issued by the Forest, Ecology and Environment Department, Government of Karnataka, to the Company for expansion of existing industry to increase production of worsted fabrics from 12,000 meters per day to 18,000 meters per day and establishment of new combined effluent treatment plant, in the existing premises at Thandya Industrial Area, Thandavapura, Nanjangud, Mysore District. The clearance is valid for five years from the date of issue.
  4. Certificate of Importer-Exporter Code (file no. 03/04/130/02145/AM/09) dated June 13, 2008 issued by the Ministry of Commerce, Government of India, to the Company. The Importer-Exporter Code of the Company is 0308019849.
  5. Certificate of Registration (no. CLA/RC/MYS-208/96) dated October 29, 1996 issued by the Department of Labour to the Company under the Contract (Regulation and Abolition) Act, 1970 for the existing premises at Thandya Industrial Area, Thandavapura, Nanjangud, Mysore District.
  6. Approval letter (no. PCB/22/CFE/08/12) dated April 23, 2008 issued by the Karnataka State Pollution Control Board, to SKNL (now the Company, pursuant to the spin off) for expansion of existing industry to increase production of worsted fabrics from 12,000 meters per day to 18,000 meters per day and establishment of new combined effluent treatment plant, in the existing premises at Thandya Industrial Area, Thandavapura, Nanjangud, Mysore District. The consent is valid for a period of 3 years from the date of issue.
  7. Factory Registration and License (no. MYM-1266) dated July, 01 1998 issued by the Department of Factories and Boilers, Government of Karnataka, to the Company for the running of the factory of the Company located in Thandya Industrial Area, Thandavapura, Nanjangud Taluk, Mysore District. The said license shall expire on December 31, 2010.
  8. Allotment letter (no. KN/PF/SRO/MYS/ENF/MDN/III) dated December 16, 1998 issued by Employees Provident Funds Organisation, Mysore to the SKNL (now the Company, pursuant to the spin off) under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, for allotment of separate code number with effect from April 1, 1998. The separate code number is KN/22442.
  9. Registration (no. Kar. Inspn./53-16113-15) dated January 8, 1999 issued by Employees' State Insurance Corporation to SKNL (now the Company, pursuant to the spin off) under the Employees' State Insurance Act, 1948.

#### **Pending Approvals**

1. Company has made an application, vide letter dated March 18, 2010 to the Environment Officer, Karnataka State Pollution Control Board for renewal of consent to operate its industrial plant and to make discharge of effluents and emissions from its premises and for amendment to the mentioned capacity from 12,000 meters per day to 18,000 meters per day.
2. Company has made an application, vide letter dated June 4, 2010 to the Environment Officer, Karnataka State Pollution Control Board for renewal of authorisation for storage of hazardous waste.
3. Company has made an application dated September 29, 2010 before the Trade Marks Registry, Mumbai,

for registration of a trade mark “Kruger” in respect of clothing under class 25 specified under the Trade Marks Act, 1999.

## **OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for the Issue**

The Issue has been authorised by a resolution of the Board of Directors passed at their meeting held on September 27, 2010, subject to the approval of shareholders of the Company through a special resolution to be passed pursuant to Section 81 (1A) of the Companies Act.

The Shareholders of the Company have authorised the Issue by a special resolution passed pursuant to Section 81(1A) of the Companies Act, passed at the EGM of the Company held on September 27, 2010.

SKNL and Indivest have authorised the Offer for Sale of the Equity Shares held by them pursuant to the terms of a resolution of the Board of Directors both dated September 27, 2010.

The Company received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively.

The Selling Shareholders have confirmed that they have held the Equity Shares proposed to be offered and sold in the Issue for more than one year prior to the date of filing of this Draft Red Herring Prospectus and that the Selling Shareholders have not been prohibited from dealings in securities market and the Equity Shares offered and sold are free from any lien, encumbrance or third party rights.

The Company will apply to RBI to approve the transfer of the Equity Shares by the Selling Shareholders in the Offer for Sale.

### **Prohibition by SEBI, RBI or Other Governmental Authorities**

The Company, its Promoter, the Directors, Promoter Group entities and the Selling Shareholders, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or any other regulatory or governmental authority.

The companies, with which the Promoter, Directors or persons in control of the Company are associated as promoter, directors or persons in control have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or any other regulatory or governmental authority.

Except as disclosed under section "Management" on page 106 of this Draft Red Herring Prospectus, none of the Directors are in any manner associated with the securities market. There has been no action taken by the SEBI against the Directors or any entity the Directors are involved in as promoters or directors.

### **Prohibition by RBI**

Neither the Company, its Promoter or Directors are identified as wilful defaulters by the RBI or any other governmental authority. There are no violations of securities laws committed by them in the past or are pending against them.

### **Eligibility for the Issue**

The Company is eligible for the Issue in accordance with the Regulation 26(1) of the SEBI Regulations as explained under the eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets.
- The Company has a track record of distributable profits in accordance with Section 205 of the Companies Act, for at least three of immediately preceding five years.

- The Company has a net worth of at least Rs. 10 million in each of the three preceding full years (of 12 months each);
- The aggregate of the proposed Issue and all previous issues made in the same financial years in terms of the issue size is not expected to exceed five times the pre-Issue net worth of the Company; and
- The Company has not changed its name in the last fiscal year.

The Company's net profit, dividend, net worth, net tangible assets and monetary assets derived from the restated financial statements included in this Draft Red Herring Prospectus as at, and for the last five years ended fiscal year 2010 are set forth below:

(Rs. in million)

Particulars	fiscal year 2010	fiscal year 2009	fiscal year 2008	fiscal year 2007	fiscal year 2006
Net Tangible Assets <sup>(1)</sup>	12,911.54	9,753.59	667.86	0.44	0.44
Distributable Profits <sup>(2)</sup>	3,520.89	1,463.88	268.68	0.00	0.00
Net Worth <sup>(3)</sup>	12,911.54	9,754.53	669.18	0.44	0.44
Monetary Assets <sup>(4)</sup>	701.31	600.63	27.81	0.01	0.01
Monetary Assets as a percentage of the Net Tangible Assets	5.43%	6.16%	4.16%	2.27%	2.27%

<sup>(1)</sup> 'Net Tangible Assets' means the sum of all assets of the Company (excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India) and net of borrowed funds, current liabilities & provision.

<sup>(2)</sup> 'Distributable Profits' have been defined in terms of Section 205 of the Companies Act.

<sup>(3)</sup> 'Net Worth' means aggregate of paid up share capital, share premium account, and reserves and surplus (excluding revaluation reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and the debit balance of profit and loss account.

<sup>(4)</sup> 'Monetary Assets' comprises of cash and bank balances.

Further, in accordance with Regulation 26(4) of the SEBI Regulations, the Company shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

#### Disclaimer Clause of SEBI

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE GLOBAL COORDINATORS AND THE BOOK RUNNING LEAD MANAGERS AND THE BOOK RUNNING LEAD MANAGERS HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDERS ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE GLOBAL COORDINATORS AND THE BOOK RUNNING LEAD MANAGERS AND THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE GLOBAL COORDINATORS AND THE BOOK RUNNING LEAD MANAGERS AND THE BOOK RUNNING LEAD MANAGERS, HAVE FURNISHED TO SEBI, A DUE**

**DILIGENCE CERTIFICATE DATED DECEMBER 9, 2010 WHICH READS AS FOLLOWS:**

**WE, THE LEAD MERCHANT BANKER(S) TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS:**

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL DOCUMENTS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS (IN CASE OF A BOOK BUILT ISSUE)/DRAFT PROSPECTUS PERTAINING TO THE SAID ISSUE;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, 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 COMPANY, WE CONFIRM THAT:**
  - (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA 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 SECURITIES AND EXCHANGE BOARD OF INDIA, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
  - (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**
- 3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**
- 4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – NOTED FOR COMPLIANCE**
- 5. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**
- 6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO EQUITY SHARES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED**

**HERRING PROSPECTUS. - NOTED FOR COMPLIANCE**

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 PROMOTER'S 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 PROMOTER'S 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 COMPANY SPECIFICALLY CONTAINS THIS CONDITION. - NOTED FOR COMPLIANCE
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE.  
  
AS THE ISSUE SIZE IS MORE THAN RS. 100 MILLION, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT ONLY.
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.
12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
  - (A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE 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. - NOTED FOR COMPLIANCE**

- 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 COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S EXPERIENCE, ETC.**
- 15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

The filing of the Draft Red Herring Prospectus does not, however, absolve the Company and the Selling Shareholders from any liabilities under Section 63 or 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 GCBRLMs and the BRLMs, any irregularities or lapses in the Draft Red Herring Prospectus.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of Section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

**Caution - Disclaimer from the Company, the Selling Shareholders, the GCBRLMs and the BRLMs**

The Company, the Directors, the Selling Shareholders, the GCBRLMs and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at the Company's instance and anyone placing reliance on any other source of information, including the Company's website <http://www.bondwiththebest.com>, would be doing so at his or her own risk.

The GCBRLMs and the BRLMs accept no responsibility, save to the limited extent as provided in the Issue Agreement and the Underwriting Agreement to be entered into between the Underwriters, the Selling Shareholders and the Company.

All information shall be made available by the Company, the Selling Shareholders, the GCBRLMs and the BRLMs 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 bidding centres or elsewhere.

Neither the Company, the Selling Shareholders nor any member of the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors who Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not Issue, sell, pledge, or transfer the Equity Shares of the Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholders, Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

The GCBRLMs and the BRLMs and their respective associates and affiliates may engage in transactions with, and perform services for, the Company and their respective Group Companies, affiliates or associates or third parties in

the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Company and their respective Group Companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

### **Disclaimer in respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, 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 applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds, insurance funds set up and managed by the army and navy and insurance funds set up and managed by the Department of Posts, India) and to FIIs, Eligible NRIs and other eligible foreign investors (viz. FVCIs, multilateral and bilateral development financial institutions). This Draft Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for its observations and SEBI shall give its observations in due course. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" as defined in Rule 144A under the Securities Act and referred to in the Draft Red Herring Prospectus as "U.S. QIBs" (for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs") in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (ii) outside the United States in reliance on Regulation S under the Securities Act.**

### **Disclaimer Clause of BSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to the Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

### **Disclaimer Clause of the NSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to the Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.



## **Filing**

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No.C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Everest 5<sup>th</sup> Floor, 100, Marine Drive, Mumbai 400 002.

## **Listing**

Applications will be made to the Stock Exchanges for permission to deal in and for an official quotation of the Equity Shares. [●] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company and the Selling Shareholders will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after the Company and the Selling Shareholders become liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, the Selling Shareholders and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of interest of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 Working Days from the Bid/Issue Closing Date. Further, the Selling Shareholders confirms that all steps, as may be reasonably required and necessary, will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days from the Bid/Issue Closing Date.

## **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the statutory Auditors, the legal advisors, the Bankers to the Issue, the Bankers to the Company, and (b) the GCBRLMs, the BRLMs, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, will be obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents shall not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and SEBI Regulations Haribhakti & Co., Chartered Accountants, the Company's statutory auditors, have given their written consent to the inclusion of their audit report dated November 25, 2010 and statement of the tax benefits dated December 1, 2010 in the form and context in which it appears in this Draft Red Herring Prospectus and such consent has not been withdrawn up to the time of submission of the Draft Red Herring Prospectus with SEBI.

## **Expert to the Issue**

Except as stated below, the Company has not obtained any expert opinions:

[●], the IPO grading agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, have given their written consent as experts to the inclusion of their report in the form and context in which they will appear in the Red Herring Prospectus and such consents and reports will not be withdrawn up to the time of delivery of the Red Herring Prospectus and Prospectus for registration with the RoC.

### **Fees Payable to the Syndicate**

The total fees payable to the Syndicate (including underwriting commission and selling commission and reimbursement of their out-of-pocket expense) will be as per the Engagement Letter dated October 6, 2010 with the GCBRLMs and the BRLMs, a copy of which is available for inspection at the Registered Office.

### **Fees Payable to the Registrar to the Issue**

The fees payable by the Company and the Selling Shareholders 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 stated in Memorandum of Understanding dated November 27, 2010 signed among the Company the Registrar to the Issue and the Selling Shareholders, a copy of which is available for inspection at the Registered Office.

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 it to send refund in any of the modes described in the Red Herring Prospectus or Allotment advice by registered post/speed post/under certificate of posting.

### **Underwriting commission, brokerage and selling commission on Previous Issues**

Since this is an initial public offering of the Company, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since inception of the Company.

### **Particulars regarding Public or Rights Issues by the Company during the last Five Years**

The Company has not made any public or rights issues during the five years preceding the date of this Draft Red Herring Prospectus.

### **Previous issues of Equity Shares otherwise than for cash**

Except as disclosed in the section "Capital Structure" on page 25 of this Draft Red Herring Prospectus, the Company has not issued any Equity Shares for consideration otherwise than for cash.

### **Commission and Brokerage paid on previous issues of the Equity Shares**

Since this is the initial public issue of Equity Shares, 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 the Equity Shares since the Company's inception.

### **Previous capital issue during the previous three years by listed Group Companies and associates of the Company**

None of the Group Companies and associates of the Company are listed on any stock exchange.

### **Performance vis-à-vis objects – Public/Rights Issue of the Company and/or listed Group Companies and associates of the Company**

The Company has not undertaken any previous public or rights issue. None of the Group Companies, associates of the Company are listed on any stock exchange.

### **Outstanding Debentures or Bonds**

The Company does not have any outstanding debentures or bonds as of the date of filing this Draft Red Herring

Prospectus.

### **Outstanding Preference Shares**

The Company does not have any outstanding preference shares as on date of this Draft Red Herring Prospectus.

### **Stock Market Data of Equity Shares**

This being an initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

### **Mechanism for Redressal of Investor Grievances**

The Memorandum of Understanding between the Registrar to the Issue, the Company and the Selling Shareholders will provide for retention of records with the Registrar to the Issue for a period of at least three years from the last date of despatch 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, application number, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

### **Disposal of Investor Grievances by the Company**

The Company estimates that the average time required by the Company or the Registrar to the Issue or the SCSB in case of ASBA Bidders, for the redressal of routine investor grievances shall be 10 working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has appointed a Shareholders' Grievances Committee comprising Dr A. C. Shah, Dara P. Mehta and Anil Channa as members.

The Company has also appointed Nihar R. Avasare, Company Secretary of the Company as the Compliance Officer for this Issue and he may be contacted in case of any pre-Issue or post-Issue related problems at the following address:

#### **Nihar R. Avasare**

*Compliance Officer and Company Secretary*

Reid & Taylor (India) Limited

2<sup>nd</sup> Floor, Inga Complex

Mahakali Caves Road, Andheri (East)

Mumbai 400 093

Tel: (91 22) 2825 0797

Fax: (91 22) 2826 5628

Email: [nihar.avasare@reidntaylor.co.in](mailto:nihar.avasare@reidntaylor.co.in)

### **Changes in Auditors**

There has been no change in the Auditors of the Company during the last three years.

### **Capitalisation of Reserves or Profits**

The Company has not capitalised its reserves or profits at any time during the last five years, except as stated in the section “Capital Structure” on page 25 of this Draft Red Herring Prospectus.

**Revaluation of Assets**

The Company has not re-valued its assets in the last five years.

## SECTION VII: ISSUE INFORMATION

### TERMS OF THE ISSUE

The Equity Shares being issued and transferred pursuant to the Issue shall be subject to the provisions of the Companies Act, the SCRR, the Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid cum Application Form, ASBA Bid cum Application Form, the Revision Form, the CAN 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, 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, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act and the Memorandum and Articles of Association and shall rank *pari-passu* with the existing Equity Shares of the Company including rights in respect of dividend. The Allotees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details, please see the section “Main Provisions of the Articles of Association” on page 260 of this Draft Red Herring Prospectus.

#### Mode of Payment of Dividend

The Company shall pay dividends, if declared to its shareholders in accordance with the provisions of the Companies Act and the Memorandum and Articles of Association.

#### Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] per Equity Share. The Anchor Investor Issue Price is Rs. [●] per Equity Share.

At any given point of time there shall be only one denomination for the Equity Shares.

#### Compliance with SEBI Regulations

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability subject to applicable law; and

- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges and the Company's Memorandum and Articles of Association.

For a detailed description of the main provisions of the Articles of Association relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please see the section "Main Provisions of the Articles of Association" on page 260 of this Draft Red Herring Prospectus.

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

In terms of Section 68B of the Companies Act, the Equity Shares shall be Allotted only in dematerialised form. As per the SEBI Regulations, the trading of the Equity Shares shall only be in dematerialised form. Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one (1) Equity Share subject to a minimum Allotment of [●] Equity Shares.

The Price Band and the minimum Bid Lot size for the Issue will be decided by the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs and advertised in two national newspapers (one each in English and Hindi) and one in Marathi newspaper with wide circulation, at least two working days prior to the Bid/Issue Opening Date.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Mumbai.

### **Nomination Facility to Investor**

In accordance with Section 109A of the Companies Act, the Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares 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 the Company or to the Registrar and Transfer Agent of the Company.

Further, 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.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective depository participant.

### **Minimum Subscription**

If the Company does not receive the minimum subscription of 90% of the Fresh Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount, the Company shall pay interest as prescribed under Section 73 of the Companies Act.

Further, the Company shall ensure that the number of prospective Allotees to whom Equity Shares will be Allotted shall not be less than 1,000, failing which the entire subscription amount shall be refunded.

The requirement for minimum subscription is not applicable to the Offer for Sale. The proceeds from the Issue will be utilised in the first instance towards meeting minimum subscription requirements for the Fresh Issue and the balance proceeds will be proportionately distributed towards the Offer for Sale portion and the Fresh Issue portion 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 Bids may not be made by persons in any such jurisdiction.**

### **Arrangement for disposal of Odd Lots**

The Equity Shares will be traded in dematerialized form only. The market lot for the Equity Shares will be one. Thus, there are no arrangements for disposal of odd lots.

### **Restriction on transfer of Equity Shares**

Except for lock-in of certain pre-Issue Equity Shares, Promoter's minimum contribution and Anchor Investor lock-in in the Issue as detailed in the section "Capital Structure" on page 25 of this Draft Red Herring Prospectus, and except as provided in the Articles of Association, there are no restrictions on transfers of Equity Shares. There are no restrictions on transmission of Equity Shares and on their consolidation/splitting except as provided in the Articles of Association. For details, please see the section "Main Provisions of the Articles of Association" on page 260 of this Draft Red Herring Prospectus.

## ISSUE STRUCTURE

Issue of [●] Equity Shares for cash at a price of Rs. [●] per Equity Share (including share premium of Rs. [●] per Equity Share) aggregating to Rs. [●] million. The Issue consists of a Fresh Issue of [●] Equity Shares aggregating up to Rs. 5,000 million and an Offer for Sale of 11,964,218 Equity Shares by S. Kumars Nationwide Limited and 2,991,055 Equity Shares by Indinvest Pte Ltd aggregating to Rs. [●] million and Rs. [●] million, respectively. The Issue also includes an Employee Reservation Portion of up to [●] Equity Shares. The Issue less the Employee Reservation Portion is referred to as the Net Issue, aggregating to [●] million. The Issue will constitute [●]% of the post-Issue paid-up equity share capital of the Company and the Net Issue will constitute [●]% of the post Issue paid up capital of the Company.

The Issue is being made through the 100% Book Building Process.

	<b>QIBs<sup>#</sup></b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
Number of Equity Shares*	Not more than [●] Equity Shares	Not less than [●] Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than [●] Equity Shares available for allocation or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to [●] Equity Shares.
Percentage of Issue size available for Allotment/allocation	Not more than 50% of the Issue size being allocated. However, up to 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation proportionately to Mutual Funds only.	Not less than 15% of Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of the Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to [●] Equity Shares.
Basis of Allotment/allocation if respective category is oversubscribed	Proportionate as follows: (a) [●] Equity Shares shall be allocated on a proportionate basis to Mutual Funds only; and (b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 200,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 200,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter	[●] Equity Shares and in multiples of [●] Equity Shares thereafter
Maximum Bid	Such number of Equity	Such number of	Such number of	Such number of



	<b>QIBs<sup>#</sup></b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
	Shares not exceeding the Net Issue, subject to applicable limits.	Equity Shares not exceeding the Net Issue, subject to applicable limits.	Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs. 200,000.	Equity Shares per eligible employees so as to ensure that the Bid Amount does not exceed Rs. 200,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	<input type="checkbox"/> Equity Shares and in multiples of <input type="checkbox"/> Equity Shares thereafter.	<input type="checkbox"/> Equity Shares and in multiples of <input type="checkbox"/> Equity Shares thereafter.	<input type="checkbox"/> Equity Shares and in multiples of <input type="checkbox"/> Equity Shares thereafter.	<input type="checkbox"/> Equity Shares and in multiples of <input type="checkbox"/> Equity Shares thereafter.
Allotment Lot	<input type="checkbox"/> Equity Shares and in multiples of one Equity Share thereafter	<input type="checkbox"/> Equity Shares and in multiples of one Equity Share thereafter	<input type="checkbox"/> Equity Shares and in multiples of one Equity Share thereafter	<input type="checkbox"/> Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	QIBs as defined on page v of this Draft Red Herring Prospectus.	Resident Indian individuals, Eligible NRIs, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts, sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals.	Resident Indian individuals, Eligible NRIs and HUF (in the name of Karta)	Eligible Employees
Terms of Payment	Full Bid Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members. (except for Anchor Investors) <sup>##</sup>	Full Bid Amount shall be payable at the time of submission of Bid cum Application Form. <sup>##</sup>	Full Bid Amount shall be payable at the time of submission of Bid cum Application Form. <sup>##</sup>	Full Bid Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. <sup>##</sup>
Margin Amount	Full Bid Amount on	Full Bid Amount	Full Bid Amount	Full Bid Amount

	<b>QIBs<sup>#</sup></b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
	bidding	on bidding	on bidding	on bidding

<sup>#</sup> The Company and the Selling Shareholders may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors. For details, please see the section "Issue Procedure" beginning on page 229 of this Draft Red Herring Prospectus.

<sup>##</sup> In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account of the Bidder that are specified in the ASBA Bid cum Application Form.

<sup>\*</sup> Subject to valid Bids being received at or above the Issue Price, this Issue is being made in accordance with Rule 19(2)(b)(ii) of the SCRR, as amended under the SEBI Regulations, where the Issue will be made through the 100% Book Building Process wherein not more than 50% of the Net Issue will be allocated on a proportionate basis to QIBs. Out of the QIB Portion (excluding the Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders in proportion to their Bids. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in any category will be allowed to be met with spill-over from other categories at the discretion of the Company and the Selling Shareholders in consultation with the GCBRLMs, the BRLMs and the Designated Stock Exchange.

A total of up to [●] Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue Portion.

<sup>\*\*</sup> In case the Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

## **Withdrawal of the Issue**

The Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date. In such an event the Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/Issue Closing Date, providing reasons for not proceeding with the Issue. The GCBRLMs and the BRLMs, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one day of receipt of such notification. The Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

If the Company withdraws the Issue after the Bid/Issue Closing Date and thereafter determine that they will proceed with an issue of the Company's Equity Shares, the Company shall file a fresh draft red herring prospectus with SEBI.

## **Bid/Issue Programme**

<b>BID/ISSUE OPENS ON</b>	[●] <sup>*</sup>
<b>BID/ISSUE CLOSES ON</b>	[●] <sup>**</sup>

<sup>\*</sup> The Company may, in consultation with the GCBRLMs and the BRLMs, consider participation by Anchor Investors. The Anchor Investor Bid/Issue Period shall be one Working Day prior to the Bid/Issue Opening Date.

<sup>\*\*</sup> The Company may, in consultation with the GCBRLMs and the BRLMs, consider closing the Bid/Issue Period for QIB Bidders one day prior to the Bid/Issue Closing Date

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time, "IST") during the Bid/Issue Period as mentioned above at the bidding centres and designated branches of SCSBs as mentioned on the Bid cum Application Form. On the Bid/Issue Closing Date, the Bids and any revision in the Bids shall be accepted only between 10.00 a.m. and 12.00 p.m. (IST) and shall be uploaded until (i) 4.00 p.m. (IST) in case of Bids by QIB Bidders and Non-Institutional Bidders, and (ii) until 5.00 p.m. (IST) or such extended time as permitted by the Stock Exchanges, in case of Bids by Retail Individual Bidders. It is clarified that the Bids not uploaded in the book would be rejected. Bids by ASBA bidders shall be uploaded by the SCSB's in the electronic system to be provided by the Stock Exchanges. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid cum Application Form, for a particular Bidder, the details as per the physical Bid cum Application Form of the Bidder may be taken as the final data for the purpose of Allotment.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 12.00 p.m. (IST) on the Bid/Issue Closing Date. All times mentioned in this Draft Red Herring Prospectus are Indian Standard Times. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Working Days. Neither the Company, the Selling Shareholders nor any member of the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the total number of Bids received and as reported by the GCBRLMs and the BRLMs to the Stock Exchanges.

The Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, reserves the right to revise the Price Band during the Bid/Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly.

In case of revision of the Price Band, the Bid/Issue Period will be extended for at least three additional Working Days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the changes on the website of the GCBRLMs, the BRLMs and at the terminals of the Syndicate Members.

## ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that may be different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all the Bidders are required to make payment of the full Bid Amount along with the Bid cum Application Form. In case of ASBA Bidders, an amount equivalent to the full Bid Amount will be blocked by the SCSB.

In respect of QIBs that apply in the Anchor Investor Portion, the Issue procedure set out below should be read with, and is qualified by, the paragraphs below relating to Anchor Investors, including without limitation, the section “Maximum and Minimum Bid Size – For Bidders in the Anchor Investor Portion” on page 233 of this Draft Red Herring Prospectus.

### **Book Building Procedure**

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue shall be allocated to QIBs on a proportionate basis. Out of the QIB Portion (excluding the Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to [●] Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. Allocation to Anchor Investors shall be on a discretionary basis and not on a proportionate basis.

All Bidders other than the ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids through the SCSBs.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders’ depository account, including DP ID, PAN and Beneficiary Account Number, shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form.

### **Bid cum Application Form**

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis (ASBA as well as non ASBA Bidders*)	[●]
Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis (ASBA as well as non ASBA Bidders)	[●]
Eligible Employees	[●]
Anchor Investors**	[●]

\* Bid cum Application forms for ASBA Bidders and the abridged prospectus will also be available on the website of the NSE ([www.nseindia.com](http://www.nseindia.com)) and BSE ([www.bseindia.com](http://www.bseindia.com)) at least one day prior to Bid/Issue Opening Date. A hyperlink to the website of the Stock Exchanges for this facility will be provided on the website of the GCBRLMs, BRLMs and the SCSBs.

\*\* Bid cum Application forms for Anchor Investors have been made available at the offices of the GCBRLMs and the BRLMs.

Bidders (other than ASBA Bidders) are required to submit their Bids through the Syndicate. Such Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of

making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids.

ASBA Bidders shall submit an ASBA Bid cum Application Form through the SCSB authorising blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form only.

Further, as per circular issued by SEBI dated October 12, 2010, the Syndicate and sub-syndicate members have been permitted to procure ASBA Bid cum Application Forms from the ASBA Bidders and submit the forms to the SCSBs. However, SEBI is yet to notify relevant instructions for modification of existing systems and procedures.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Upon the filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completion and submission of the Bid cum Application Form to a Syndicate or the SCSB, the Bidder or the ASBA Bidder is deemed to have authorised the Company and the Selling Shareholders to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder or the ASBA Bidder.

#### **Who can Bid?**

- Indian nationals resident in India who are not minors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in Equity Shares;
- Mutual Funds registered with SEBI;
- 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;
- Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Regulations and other laws, as applicable);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual under the QIB category;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category.
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital investors registered with SEBI;
- Multilateral and bilateral development financial institutions;
- State Industrial Development Corporations;

- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their respective constitutions to hold and invest in Equity Shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- National Investment Fund;
- Insurance funds set up and managed by the army, navy or air force of the Union of India;
- Insurance funds set up and managed by Department of Posts, India; and
- Eligible Employees

As per the existing regulations, OCBs cannot participate in this Issue.

#### **Participation by associates and affiliates of the GCBRLMs and the BRLMs and the Syndicate Members**

The GCBRLMs, the BRLMs and the Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, the associates and affiliates of the GCBRLMs, the BRLMs and Syndicate Members may subscribe to or purchase Equity Shares in the Issue, either in the QIB Portion or in Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis.

The GCBRLMs, the BRLMs and any persons related to the GCBRLMs and the BRLMs or the Promoter and the Promoter Group cannot apply in the Issue under the Anchor Investor Portion.

#### **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand in the Mutual Fund Portion is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

Bids by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such bids are made.

One-third of the Anchor Investor Portion shall be reserved for allocation to domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.

**In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.**

**No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single 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.**

#### **Bids by Eligible NRIs**

Eligible NRIs applicants should note that only such Bid cum Application Form that are accompanied by payment in free foreign exchange shall be considered. Eligible NRIs should use the Bid cum Application Form which is [●] in colour. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts should use the form meant for Resident Indians.

#### **Bids by FIIs**

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 total post-Issue paid-up share capital. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total paid-up share capital or 5% of the Company's total paid-up share capital in case such sub-account is a foreign corporate or a foreign individual. As of now, the aggregate FII holding in the Company cannot exceed 24% of the Company's total paid-up share capital. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "SEBI FII Regulations"), an FII, as defined in the SEBI FII Regulations, may issue or otherwise deal in or hold, offshore derivative instruments (as defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. An FII is also required to ensure that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI FII Regulations. Associates and affiliates of the underwriters including the GCBRLMs, the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such Offshore Derivative Instrument does not constitute any obligation or claim on or an interest in, the Company.

#### **Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors**

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended *inter alia* prescribe the investment restrictions on VCFs and FVCIs registered with SEBI.

Accordingly, the holding by any individual VCF registered with SEBI in one venture capital undertaking should not exceed 25% of the corpus of the venture capital fund. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an IPO of a venture capital undertaking whose shares are proposed to be listed.

**The above information is given for the benefit of the Bidders. The Company, the Selling Shareholders, the GCBRLMs, the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and Bidders are advised to ensure that any single Bid from them does not exceed the applicable 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 Red Herring Prospectus.**

### *Maximum and Minimum Bid Size*

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 200,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 200,000. In case the Bid Amount is over Rs. 200,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off Price option, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price option is an option given only to the Retail Individual Bidders indicating their agreement to Bid for and purchase the Equity Shares at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 200,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the Bid Amount upon submission of the Bid. The Company may close Bid/Issue Period for QIBs one Working Day prior to the Bid/ Issue Closing Date. Accordingly, a QIB investor will not be allowed to withdraw their Bids after the Bid/Issue Closing Date or one Working Day prior to the Bid/ Issue Closing Date as may be applicable.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 200,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 200,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off Price'.

- (c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount payable by Eligible Employee does not exceed Rs. 200,000. In case of revision of Bids, the Eligible Employees have to ensure that the Bid Amount does not exceed Rs. 200,000. Any Bids in the Employee Reservation Portion exceeding Rs. 200,000 would be rejected. The Cut-off option is an option given only to the Retail Individual Bidders and Eligible Employees indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process. Eligible Employees bidding under the Employee Reservation Portion may also Bid under the Retail Portion and Non-Institutional Portion and such Bids shall not be treated as multiple Bids.
- (d) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount is at least Rs. 100 million and in multiples of [●] Equity Shares thereafter. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. A Bid cannot be submitted for more than 30% of the QIB Portion under the Anchor Investor Portion. Bids by individual schemes of a Mutual Fund will be consolidated to calculate the minimum application of Rs. 100 million. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/Issue Period and are required to pay the Bid Amount at the time of submission of the Bid. In case the Anchor Investor Issue Price is lower than the Issue Price, the balance amount shall be payable as per the pay-in-date mentioned in the revised Anchor Investor Allocation Notice.**

### **Information for the Bidders:**

- (a) The Company, the GCBRLMs and the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national newspapers (one each in English and Hindi) and in one Marathi newspaper with wide circulation. This advertisement shall be in the prescribed format.
- (b) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue



#### Opening Date.

- (c) The Company may decide to close Bidding by QIBs one Working Day prior to the Bid/Issue Closing Date provided that Bidding shall be kept open for a minimum of three days for all categories of Bidders. The Company's decision to close Bidding by QIBs one Working Day prior to the Bid/Issue Closing Date shall be disclosed in the Red Herring Prospectus to be filed with the RoC.
- (d) Copies of the Bid cum Application Form and copies of the Red Herring Prospectus will be available with the Syndicate. For ASBA Bidders, ASBA Bid cum Application Forms will be available with the designated branch of the SCSBs and on the website of the Stock Exchanges.
- (e) Any Bidders who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Registered Office of the Company.
- (f) Eligible Bidders who are interested in subscribing for the Equity Shares should approach any of the GCBRLMs, the BRLMs or Syndicate Members or their authorised agent(s) to register their Bids. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.
- (g) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than the ASBA Bid cum Application Forms) should bear the stamp of the Syndicate, otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard. Bidders applying through the ASBA process also have an option to submit the ASBA Bid cum Application Form in electronic form.
- (h) The demat accounts of Bidders for whom PAN details have not been verified, excluding persons resident in the state of Sikkim, who, may be exempted from specifying their PAN for transacting in the securities market, shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue will be made into the accounts of such Bidders.

**The applicants may note that in case the DP ID and Client ID and PAN mentioned in the Bid cum Application Form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate do not match with the DP ID and Client ID and PAN available in the database of Depositories, the application is liable to be rejected.**

#### **Method and Process of Bidding**

- (a) The Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs will decide the Price Band and the minimum Bid lot size for the Issue and the same shall be advertised in two national newspapers (one each in English and Hindi) and in one Marathi newspaper with wide circulation at least two Working Days prior to the Bid/Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period.
- (b) The Bid/Issue Period shall be for a minimum of three Working Days and shall not exceed 10 Working Days. The Bid/Issue Period maybe extended, if required, by an additional three Working Days, subject to the total Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one Marathi newspaper with wide circulation and also by indicating the change on the websites of the GCBRLMs, the BRLMs and at the terminals of the Syndicate.
- (c) During the Bid/Issue Period, Bidders, other than QIBs, who are interested in subscribing for the Equity Shares should approach the Syndicate or their authorised agents to register their Bids. The Syndicate shall accept Bids from all Bidders and have the right to vet the Bids during the Bid/Issue Period in accordance with the terms of the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.

- (d) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph “Bids at Different Price Levels” below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.
- (e) The Bidder cannot Bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or the SCSBs. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate or SCBS will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids”.
- (f) Except in relation to the Bids received from the Anchor Investors, the Syndicate/the SCSBs will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) The GCBRLMs and the BRLMs shall accept the Bids from the Anchor Investors during the Anchor Investor Bid/Issue Period i.e. one Working Day prior to the Bid/Issue Opening Date. Bids by QIBs under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.
- (h) Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in “- Escrow Mechanism, terms of payment and payment into the Escrow Accounts” on page 236 of this Draft Red Herring Prospectus.
- (i) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.
- (j) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
- (k) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.
- (l) The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount against the Allotted Equity Shares to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid cum Application Form, as the case may be. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

#### **Bids at Different Price Levels and Revision of Bids**

- (a) The Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs and without the prior approval of, or intimation, to the Bidders, reserves the right to revise the Price Band

during the Bid/Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two days prior to the Bid/Issue Opening Date and the Cap Price will be revised accordingly.

- (b) The Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs will finalise the Issue Price within the Price Band, without the prior approval of, or intimation, to the Bidders.
- (c) The Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, can finalise the Anchor Investor Issue Price within the Price Band, without the prior approval of, or intimation, to the Anchor Investors.
- (d) The Bidders can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion may Bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.
- (e) Retail Individual Bidders and Bidders in the Employee Reservation Portion, who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Bidders in the Employee Reservation Portion shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the Cap Price with the Syndicate. In case of ASBA Bidders (excluding Non-Institutional Bidders and QIB Bidders) bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block an amount based on the Cap Price.

#### **Escrow mechanism, terms of payment and payment into the Escrow Accounts**

For details of the escrow mechanism and payment instructions, please see “Payment Instructions” in the section “Issue Procedure” on page 245 of the Draft Red Herring Prospectus.

#### **Electronic Registration of Bids**

- (a) The Syndicate and the SCSBs will register the Bids using the on-line facilities of the Stock Exchanges.
- (b) The Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Bid/Issue Closing Date.
- (c) There will be at least one on-line connectivity facility in each city, where a stock exchange is located in India and where Bids are being accepted. The Syndicate Members and/or SCSBs shall be responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to Bids by ASBA Bidders, Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.
- (d) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with the Syndicate and their authorised agents and the SCSBs during the Bid/Issue Period. The Syndicate Members and the Designated Branches of the SCSBs can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for Book Building on a regular basis. On the Bid/Issue Closing Date, the Syndicate and the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (e) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price as available on the websites of the

Stock Exchanges would be made available at the Bidding centres during the Bid/Issue Period.

(f) At the time of registering each Bid other than ASBA Bids, the Syndicate shall enter the following details of the Bidders in the on-line system:

- Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, etc.;
- Numbers of Equity Shares Bid for;
- Bid Amount;
- Cheque Details;
- Bid cum Application Form number;
- DP ID and client identification number of the beneficiary account of the Bidder; and
- PAN.

With respect to Bids by ASBA Bidders, at the time of registering such Bids, the SCSBs shall enter the following information pertaining to the ASBA Bidders into the online system:

- Application Number;
- PAN (of First ASBA Bidder, in case of more than one ASBA Bidder);
- Investor Category and Sub-Category – Individual, Corporate, FII, NRI, Mutual Funds, etc.;
- Employee/shareholder (if reservation);
- DP ID and client identification number of the beneficiary account of the Bidders;
- Numbers of Equity Shares Bid for;
- Bid Amount; and
- Bank account number;

(g) TRS will be generated for each of the bidding options when the Bid is registered. It is the Bidder's responsibility to obtain the TRS from the Syndicate or the Designated Branches of the SCSBs. The registration of the Bid by the member of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated/Allotted either by the Syndicate, the Company or the Selling Shareholders.

(h) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(i) In case of QIB Bidders, only the GCBRLMs and the BRLMs and their Affiliate Syndicate Members have the right to accept the Bid or reject it. However, such rejection shall be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, Bids will be rejected on technical grounds listed herein. The Members of the Syndicate may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect. The SCSBs shall have no right to reject Bids, except on technical grounds.

(j) The permission given by the Stock Exchanges to use their network and software of the online IPO

connectivity system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company, the Selling Shareholders and/or the GCBRLMs and/or the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoter, the management or any scheme or project of the Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

- (k) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. Members of the Syndicate and the SCSBs will be given up to one day after the Bid/Issue Closing Date to verify DP ID and Client ID uploaded in the online IPO system during the Bid/Issue Period after which the Registrar to the Issue will receive this data from the Stock Exchanges and will validate the electronic bid details with depository's records.
- (l) Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of the electronic facilities of the Stock Exchanges.

#### **Build up of the book and revision of Bids**

- (a) Bids received from various Bidders (except Bids by Anchor Investors) through the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the GCBRLMs and the BRLMs at the end of the Bid/Issue Period.
- (c) During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, the Bidder must still fill the details of the other two options that are not being revised, in the Revision Form. The Syndicate and the Designated Branches of the SCSBs will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 200,000 if the Bidder wants to continue to Bid at Cut-off Price), with the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 200,000 by Retail Individual Bidders, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

- (g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or unblocked by the SCSBs.
- (h) The Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.
- (i) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. With respect to the Bids by ASBA Bidders, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid Amount. In case of Bids, other than ASBA Bids, the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders. In such cases, the Syndicate will revise the earlier Bids details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.
- (j) When a Bidder revises his or her Bid, he or she should surrender the earlier TRS and request for a revised TRS from the Syndicate or the SCSB, as proof of his or her having revised the previous Bid.

#### **Price Discovery and Allocation**

- (a) Based on the demand generated at various price levels, the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs shall finalise the Issue Price and Anchor Investor Issue Price.
- (b) Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs and the Designated Stock Exchange. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post Issue capital of the Company.
- (c) Allocation to Non-Residents, including Eligible NRIs and FIIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.
- (d) Allocation to Anchor Investors shall be at the discretion of the Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs, subject to compliance with the SEBI Regulations.
- (e) QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date. Further, the Anchor Investors shall not be allowed to withdraw their Bids after the Anchor Investor Bid/Issue Period.

#### **Signing of the Underwriting Agreement and the RoC Filing**

- (a) The Company, the Selling Shareholders, the GCBRLMs, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, the Company and the Selling Shareholders will update and file the updated Red Herring Prospectus with the RoC in accordance with the applicable law, which then would be termed as the 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue size, the Anchor Investor Issue Price and the underwriting arrangements and will be complete in all material respects.

### **Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, the Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in one English language national newspaper (one each in English and Hindi) and one Marathi newspaper, each with wide circulation.

### **Advertisement regarding Issue Price and Prospectus**

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price and the Anchor Investor Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### **Issuance of Confirmation of Allotment Note (“CAN”)**

- (a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Syndicate a list of the Bidders who have been Allotted Equity Shares in the Issue.
- (b) The Registrar will then dispatch CANs to the Bidders who have been Allotted Equity Shares in the Issue.
- (c) The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.
- (d) The Issuance of CAN is subject to “Notice to Anchor Investors: Allotment Reconciliation and CANs” as set forth below.

### **Notice to Anchor Investors: Allotment Reconciliation and CANs**

A physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Company in consultation with the GCBRLMs and the BRLMs, selected Anchor Investors will be sent an Anchor Investor Allocation Notice and, if required, revised Anchor Investor Allocation Notice. All Anchor Investors will be sent Anchor Investor Allocation Notice post Anchor Investor Bid/Issue Period and in the event that the Issue Price is higher than the Anchor Investor Issue Price, the Anchor Investors will be sent a revised Anchor Investor Allocation Notice within one day of the Pricing Date indicating the number of Equity Shares allocated to such Anchor Investor and the pay-in date for payment of the balance amount. Anchor Investors should note that they shall be required to pay any additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised Anchor Investor Allocation Notice within the pay-in date referred to in the revised Anchor Investor Allocation Notice. The revised Anchor Investor Allocation Notice will constitute a valid, binding and irrevocable contract (subject to the issue of CAN) for the Anchor Investor to pay the difference between the Issue Price and the Anchor Investor Issue Price and accordingly the CAN will be issued to such Anchor Investors. In the event the Issue Price is lower than the Anchor Investor Issue Price, the Anchor Investors who have been Allotted Equity Shares will directly receive CAN. The CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of Equity Shares to such Anchor Investors.

The final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors.

### **Designated Date and Allotment of Equity Shares**

- (a) The Company will ensure that (i) the Allotment of Equity Shares; and (ii) credit to the successful Bidder’s depository account will be completed within 12 Working Days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company will ensure the credit to the successful Bidder’s depository account is completed within two Working Days from the date of Allotment.

- (b) In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees.
- (c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/Allotted to them pursuant to this Issue.**

## **GENERAL INSTRUCTIONS**

### **Do's:**

- (a) Check if you are eligible to apply;
- (b) Ensure that you have Bid within the Price Band;
- (c) Read all the instructions carefully and complete the Bid cum Application Form;
- (d) Ensure that the details about the Depository Participant and the beneficiary account are correct as Allotment of Equity Shares will be in the dematerialised form only;
- (e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders, ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the Bidder for bidding has a bank account;
- (f) With respect to Bids by ASBA Bidders ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;
- (g) Ensure that you request for and receive a TRS for all your Bid options;
- (h) Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB;
- (i) Ensure that the full Bid Amount is paid for the Bids submitted to the Syndicate and funds equivalent to the Bid Amount are blocked in case of any Bids submitted through the SCSBs.
- (j) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- (k) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (l) Except for Bids submitted on behalf of the Central Government or the State Government and officials appointed by a court and residents of Sikkim, for whom submission of PAN is not mandatory, all Bidders should mention their PAN allotted under the IT Act;
- (m) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;

### **Don'ts:**

- (a) Do not Bid for lower than the minimum Bid size;



- (b) Do not Bid/revise Bid Amount to less than the Floor Price or higher than the Cap Price;
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the Syndicate or the SCSBs, as applicable;
- (d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or the SCSBs only;
- (f) Do not submit more than five ASBA Bid cum Application forms with respect to any single ASBA Account;
- (g) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders, for Bid Amount in excess of Rs. 200,000);
- (h) Do not Bid for a Bid Amount exceeding Rs. 200,000 (for Bids by Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion);
- (i) Do not fill up the Bid cum Application Form such that the Equity Shares Bid 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;
- (j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and
- (k) Do not submit the Bids without the full Bid Amount.

#### **INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM**

Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the Syndicate and/or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.
- (c) Information provided by the Bidders will be uploaded in the online IPO system by the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/Allotment. The Bidders should ensure that the details are correct and legible.
- (d) For Retail Individual Bidders and Eligible Employees, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 200,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 200,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (f) For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100 million and in multiples of [●] Equity Shares thereafter.
- (g) In single name or in joint names (not more than three, and in the same order as their Depository Participant

details).

- (h) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

#### **Bidder's PAN, Depository Account and Bank Account Details**

**Bidders should note that on the basis of PAN of the Bidders, DP ID and beneficiary account number provided by them in the Bid cum Application Form, the Registrar will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) or unblocking of ASBA Account. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/credit of refunds to Bidders or unblocking of ASBA Account at the Bidders sole risk and neither the GCBRLMs, the BRLMs or the Registrar or the Escrow Collection Banks or the SCSBs nor the Company or the Selling Shareholders shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/allocation advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar, the required Demographic Details as available on its records.

**Refund orders/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder (other than ASBA Bidders) in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at such Bidder's sole risk and neither the Company, the Selling Shareholders, the Escrow Collection Banks, Registrar, the GCBRLMs, the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories, which matches the two parameters, namely, PAN of the Bidder and the DP ID/Client ID, then such Bids are liable to be rejected.

#### **Bids by Non-Residents including Eligible NRIs, FIIs and Foreign Venture Capital Investors on a repatriation basis**

Bids and revision to Bids must be made in the following manner:

1. On the Bid cum Application Form or the Revision Form, as applicable ([●] in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant Details).
3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased**

abroad, such payments in Indian Rupees will be converted into 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 Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company and the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

**There is no reservation for Eligible NRIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.**

### **Bids by Eligible Employees**

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so as to ensure that the Bid Price payable by the Eligible Employee does not exceed Rs. 200,000. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion may Bid at Cut off Price.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. [●] colour form).
- (b) The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed Rs. 200,000. The maximum Bid in this category by an Eligible Employee cannot exceed Rs. 200,000.
- (c) Eligible Employees should mention their employee number at the relevant place in the Bid cum Application Form.
- (d) The Bidder should be an Eligible Employee as defined above.
- (e) Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- (f) Bids by Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for Allotment under this category.
- (g) Eligible Employees can apply at Cut-off Price. The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of Rs. 200,000.
- (h) Bid by Eligible Employees can be made also in the “Net Issue to the Public” and such Bids shall not be treated as multiple Bids.
- (i) If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- (j) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post-Issue share capital of the Company.
- (k) If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to “Basis of Allotment” on page 253 of this Draft Red Herring Prospectus.

### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies,

FIIIs, Mutual Funds, insurance companies and provident funds with a minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million, 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 Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

In addition to the above, certain additional documents are required to be submitted by the following entities:

- (a) With respect to Bids by FIIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.
- (b) With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form.
- (c) With respect to Bids made by provident funds with a minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form.

The Company and the Selling Shareholders in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that the Company, the Selling Shareholders, the GCBRLMs and the BRLMs may deem fit.

## **PAYMENT INSTRUCTIONS**

### **Escrow Mechanism for Bidders other than ASBA Bidders**

The Company, the Selling Shareholders and the Syndicate shall open Escrow Account(s) with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the funds represented by allocation of Equity Shares (including the amount due to the Selling Shareholders and other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Selling Shareholders, the Syndicate, the Escrow Collection Banks and the Registrar to facilitate collections from the Bidders.

### **Payment mechanism for ASBA Bidders**

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form or for unsuccessful ASBA Bid cum Application

Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the Bids by ASBA Bidder, as the case may be.

### **Payment into Escrow Account for Bidders other than ASBA Bidders**

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the Bid Amount payable on the Bid as per the following terms:

1. All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.
2. The Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the Syndicate. If the payment is not made favouring the Escrow Account along with the Bid cum Application Form, the Bid of the Bidder shall be rejected.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of Resident QIB Bidders: “[●]”
  - (b) In case of Non-Resident QIB Bidders: “[●]”
  - (c) In case of Resident Retail and Non-Institutional Bidders: “[●]”
  - (d) In case of Non-Resident Retail and Non-Institutional Bidders: “[●]”
  - (e) In case of Eligible Employees: “[●]”
4. Anchor Investors would be required to pay the Bid Amount at the time of submission of the Bid cum Application Form. In the event of the Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price as per the pay-in date mentioned in the revised Anchor Investor Allocation Notice. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.
5. For Anchor Investors, the payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of resident Anchor Investors: “[●]”
  - (b) In case of non-resident Anchor Investors: “[●]”
6. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
7. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian

Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

8. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
9. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
10. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
11. Payments should be made by cheque, or a demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

## **OTHER INSTRUCTIONS**

### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the first Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### **Multiple Bids**

A Bidder should submit only one (and not more than one) Bid.

In case of a Mutual Fund, a separate Bid may be made in respect of each scheme of the Mutual Fund and such Bids in respect of over one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. Eligible Employees can Bid in the Employee Reservation Portion and the Net Issue and such Bids shall not be considered as multiple Bids. Bids by QIBs under the Anchor Investor Portion and the QIB Portion (excluding Anchor Investor Portion) will not be treated as multiple Bids.

After submitting a bid using an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid has been submitted to the SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, whether on another ASBA Bid cum Application Form, to either the same or another Designated Branch of the SCSB, or on a non-ASBA Bid cum Application Form. Submission of a second Bid in such manner will be deemed a multiple Bid and would be rejected either before entering the Bid into the electronic Bidding system or at any point of time prior to the allocation or Allotment of the Equity Shares in the Issue. However, ASBA Bidders may revise their Bids through the Revision Form, the procedure for which is described in “– Build up of the Book and Revision of Bids” on page 238 of this Draft Red Herring Prospectus.

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs will not accept a total of more than five ASBA Bid cum Application Forms with respect to any single ASBA Account.

Duplicate copies of ASBA Bid cum Application Forms downloaded and printed from the website of the Stock Exchanges bearing the same application number shall be treated as multiple Bids and are liable to be rejected.

The Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs, reserves the right to reject, in its absolute discretion, all (or all except one) multiple Bid(s) in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple Bids are provided below:

1. All Bids will be checked for common PAN as per the records of Depository. For Bidders other than Mutual Funds and FII sub-accounts, Bids bearing the same PAN will be treated as multiple Bids and will be rejected.
2. The Bids from Mutual Funds and FII sub-accounts, which were submitted under the same PAN, as well as Bids on behalf of the Central or State Government, an official liquidator or receiver appointed by a court and residents of Sikkim, for whom the submission of PAN is not mandatory, the Bids were scrutinised for DP ID and Beneficiary Account Numbers. In case such Bids bear the same DP ID and Beneficiary Account Numbers, these were treated as multiple Bids and were rejected.

#### **Permanent Account Number or PAN**

Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, the Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid cum Application Form without the PAN is liable to be rejected, except for resident in the state of Sikkim, may be exempted from specifying their PAN for transactions in the securities market. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

#### **REJECTION OF BIDS**

In case of QIB Bidders, the Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by RTGS/NEFT/NES/Direct Credit/cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. With respect to Bids by ASBA Bidders, the Designated Branches of the SCSBs shall have the right to reject Bids by ASBA Bidders if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the Bid by ASBA Bidder by the SCSB, the Company would have a right to reject the ASBA Bids only on technical grounds.

#### ***Grounds for Technical Rejections***

Bidders are advised to note that Bids 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 Bid for. With respect to Bids by ASBA Bidders, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid 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;
- Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended including minors, insane persons;
- PAN not mentioned in the Bid cum Application Form;

- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than the Floor Price;
- Bids at a price more than the Cap Price;
- Signature of sole and/or joint Bidders missing;
- Submission of more than five ASBA Bid cum Application Forms per bank account;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders;
- Bids for more than Rs. 200,000 by Eligible Employees;
- Bids for number of Equity Shares which are not in multiples of [●];
- Category not indicated;
- Multiple Bids as defined in the Draft Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Bid cum Application Forms does not have the stamp of the GCBRLMs or the BRLMs or Syndicate Members or the SCSB;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches the Depository Participant's identity (DP ID) and the beneficiary's account number;
- With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by QIBs not submitted through the GCBRLMs or the BRLMs or in case of ASBA Bids for QIBs not intimated to the GCBRLMs and the BRLMs;
- Bids by persons in the United States excluding "qualified institutional buyers" as defined in Rule 144A of the Securities Act;



- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids not uploaded on the terminals of the Stock Exchanges; and

**IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE BID CUM APPLICATION FORM AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES BY THE SYNDICATE/THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITORIES, THE APPLICATION IS LIABLE TO BE REJECTED.**

#### **EQUITY SHARES IN DEMATERIALIZED FORM WITH NSDL OR CDSL**

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar:

- Agreement dated January 9, 2009 between NSDL, the Company and the Bigshare Services Private Limited;
- Agreement dated [●], between CDSL, the Company and [●].

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- (a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- (c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- (d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- (e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- (f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- (g) Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (h) The trading of the Equity Shares of the Company would be in dematerialised form only for all Bidders in the demat segment of the respective Stock Exchanges.
- (i) Non transferable advice or refund orders will be directly sent to the Bidders by the Registrar to the Issue.

## Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar quoting the full name of the Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate or the Designated Branch of the SCSBs where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, bank account number in which the amount equivalent to the Bid Amount was blocked.

**Bidders can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the Designated Branches of the SCSBs.**

## PAYMENT OF REFUND

Bidders other than ASBA Bidders must note that on the basis of Bidder's DP ID and beneficiary account number provided by them in the Bid cum Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf to make refunds.

On the Designated Date and no later than 12 Working Days from the Bid/Issue Closing Date, the Escrow Collection Banks shall despatch refund orders for all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also the excess amount paid on bidding, if any, after adjusting for allocation/Allotment to such Bidders.

### *Mode of making refunds for Bidders other than ASBA Bidders*

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

1. NECS – 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. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the centres where such facility is made available, except where the applicant, is eligible and opts to receive refund through direct credit or RTGS.
2. Direct Credit – Applicants having bank accounts with the Refund Bank (s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
3. RTGS – Applicants having a bank account at any of the centres where such facility is available and whose refund amount exceeds Rs. 100,000 will be considered to receive refund through RTGS. For such eligible applicants, IFSC code will be derived based on MICR code of the Bidder as per depository records. In the event the same is not available as per depository's records, 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 – 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 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.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### *Mode of making refunds for ASBA Bidders*

In case of ASBA Bidders, the Registrar shall instruct the SCSBs to unblock the funds in the relevant ASBA Accounts to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date.

#### **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY**

With respect to Bidders other than ASBA Bidders, the Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants of the Bidders and submit the documents pertaining to the Allotment to the Stock Exchanges within two Working Days of the 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 Bid/Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 12 Working Days of Bid/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 and the Selling Shareholders shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 12 Working Days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 12 Working Days of the Bid/Issue Closing Date; and
- With respect to Bidders other than ASBA Bidders, 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 Working Days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder's Bank Account shall be made within 12 Working Days from the Bid/Issue Closing Date.

The Company and the Selling Shareholders shall pay interest at 15% p.a. for any delay beyond 15 days from the Bid/Issue Closing Date 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 12 Working Days prescribed above. If such money is not repaid within eight days from the day the Company becomes liable to repay, the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the applicable law.

#### **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.”*

## **BASIS OF ALLOTMENT**

### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment, refer below.

### **B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to QIBs and Retail shall be available for Allotment to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares, and in multiples of [●] Equity Shares thereafter. For the method of proportionate Basis of Allotment refer below.

### **C. For QIBs (other than Anchor Investors)**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the successful QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding Anchor Investor Portion) shall be determined as follows:
    - (i) In the event that Bids by Mutual Fund exceeds 5% of the QIB Portion (excluding Anchor Investor Portion), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding Anchor Investor Portion).
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor Portion) then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;
  - (b) In the second instance Allotment to all QIBs shall be determined as follows:
    - (i) In the event that the oversubscription in the QIB Portion (excluding Anchor Investor Portion), all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders (excluding Anchor Investor Portion).
    - (iii) Under-subscription below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares.

#### **D. For Employee Reservation Portion**

- The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Eligible Employees does not exceed Rs. 200,000. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion may Bid at Cut-off Price.
- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue

Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiple of one Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

- Only Eligible Employees can apply under Employee Reservation Portion.

#### **E. For Anchor Investor Portion**

- Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of the Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, subject to compliance with the following requirements:
  - (a) not more than 30% of the QIB Portion will be allocated to Anchor Investors;
  - (b) one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
  - (c) allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation up to Rs. 2,500 million and minimum number of five Anchor Investors for allocation more than Rs. 2,500 million.
- The number of Equity Shares allocated to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the GCBRLMs and the BRLMs before the Bid/Issue Opening Date by intimating the same to the Stock Exchanges.

#### **Method of Proportionate Basis of Allotment in the Issue**

In the event of the Issue being over-subscribed, the Company and the Selling Shareholders shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the GCBRLMs and the BRLMs and the Registrar shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be Allotted a minimum of [●] Equity Shares.

- e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.
- f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.
- g) Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of the Company, in consultation with the GCBRLMs and the BRLMs.

#### **Letters of Allotment or Refund Orders or instructions to the SCSBs**

The Company and the Selling Shareholders shall credit the Allotted Equity Shares to the beneficiary account with depository participants within 12 Working Days from the Bid/Issue Closing Date. Applicants residing at the centres where clearing houses are managed by the RBI, will get refunds through NECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. The Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the Bidder’s sole risk within 12 Working Days of the Bid/Issue Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 12 Working Days of the Bid/Issue Closing Date. In case of ASBA Bidders, the Registrar shall instruct the relevant SCSBs to, on the receipt of such instructions from the Registrar unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Form or the relevant part thereof, for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date.

#### **Interest in case of delay in despatch of Allotment Letters or Refund Orders/instruction to the SCSBs by the Registrar.**

The Company and the Selling Shareholders agree that (i) Allotment of Equity Shares; and (ii) credit to the successful Bidders’ depository accounts will be completed within 12 Working Days of the Bid/Issue Closing Date. The Company and the Selling Shareholders further agree that it shall pay interest at the rate of 15% p.a. if the Allotment letters or refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within 15 days from the Bid/Issue Closing Date.

The Company and the Selling Shareholders will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### **UNDERTAKINGS BY THE COMPANY AND THE SELLING SHAREHOLDERS**

The Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;
- That all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days of the

Bid/Issue Closing Date;

- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working Days of the Bid/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;
- That the certificates of the securities/refund orders to Eligible NRIs shall be despatched within specified time;
- That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and
- That adequate arrangements shall be made to collect all ASBA Bid cum Application Forms and to consider them similar to non-ASBA applications while finalising the Basis of Allotment.

The Selling Shareholders undertakes that:

- That the Equity Shares being sold pursuant to the Issue, have been held by them for a period of more than one year;
- The Equity Shares being sold pursuant to the Offer for Sale in the Issue are free and clear of any liens or encumbrances and shall be transferred to the eligible investors within the specified time;
- The funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Selling Shareholders;
- That the complaints received in respect of this Issue shall be attended to by the Selling Shareholders expeditiously and satisfactorily. The Selling Shareholders have authorized the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;
- That the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time;
- That the Selling Shareholders shall not have recourse to the proceed of the Issue until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received; and
- No further offer of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Company shall transfer to the Selling Shareholders, the net proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

#### **Utilisation of Issue proceeds**

The Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;



- details of all monies utilised out of Issue shall be disclosed, and continue to be disclosed till the time any part of the issue proceeds remains unutilised, under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- the utilisation of monies received under the Employee Reservation Portion shall be disclosed, and continue to be disclosed till the time any part of the Issue proceeds remains unutilised, under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- the details of all unutilised monies out of the funds received under the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet of the issuer indicating the form in which such unutilised monies have been invested.

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the 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. The government bodies responsible for granting foreign investment approvals are FIPB and RBI.

### **Subscription by foreign investors (NRIs/FIIs)**

FIIs 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 between an Indian resident and 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 foreign direct investment (“FDI”) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

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 Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold (i) within the United States only to persons reasonably believed to be “qualified institutional buyers” as defined in Rule 144A under the Securities Act and referred to in the Draft Red Herring Prospectus as “U.S. QIBs” (for the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investor defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as “QIBs”) in transactions exempt from, or not subject to, the registration requirements of the Securities Act, and (ii) outside the United States in reliance on Regulation S under the Securities Act.**

**The above information is given for the benefit of the Bidders. The Company, the Selling Shareholders, the GCBRLMs and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the Bids are not in violation of laws or regulations applicable to them.**

## **SECTION VIII: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION**

*Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company. Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association of the Company are detailed below:*

No regulations contained in Table “A”, in the First Schedule to the Companies Act, 1956, shall apply to this Company but the regulations for the management of the Company and for the observations of the Members thereof and their representatives, shall subject to any exercise of the statutory powers of the Company with reference to the repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, 1956 and subject to exclusion or modifications as hereinafter provided be such as are contained in these Articles

### **Authorised Share Capital**

Article 3 provides that “The Authorised share capital of the Company is Rs. 150,00,00,000/- (Rupees One Hundred Fifty Crores Only) divided into 15,00,00,000 (Fifteen Crores) Equity shares of Rs. 10/- each (Rupees Ten Only) with power to increase the capital of the Company in accordance with the provisions of these Articles and the Act to divide the shares of the- increased capital into several classes and attach thereto respectively such preferential, qualified or special rights, privileges or conditions in such manner as may be permitted by these Articles for the time being.”

### **Increase of Capital**

Article 4 provides that “The Company may in a general meeting from time to time by a Special Resolution increase the capital by creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such amounts as the resolution shall prescribe. 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 dividend, in distribution of assets of the Company, and with a right of voting in general meetings of the Company in conformity with sections 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.”

### **Shares at the disposal of the Directors**

Article 4A provides that “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 persons, 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 the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares, and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.”

### **New capital to be the same as existing capital**

Article 5 provides that “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 subject to the provisions of these Articles, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting or otherwise.”

### **Conversion of Shares into Warrants**

Article 6 provides that “The Company may from time to time issue share warrants in accordance with section 114 and 115 of the Act.”

### **Redeemable Preference Shares**

Article 8 provides that “Subject to the provisions of section 80 of the Act the Company shall have the power to issue preference shares of all kinds including redeemable, convertible cumulative, non-cumulative, which are or at the option of the company are to be liable, to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption. Such redemption of preference shares may be done by converting the same into equity shares in the manner and on such terms and conditions as the shareholders may decide in a general meeting.”

### **Reduction of Share Capital**

Article 11 provides that “The Company may under these Articles, reduce its share capital in accordance with section 78, 80, 100, 101,102,103 and 104 of the Act.”

### **Alteration of Share Capital**

Article 12 provides that “The Company may, alter the conditions of its memorandum in accordance with section 94 of the Act.”

### **Calls**

Article 17 provides that “Subject to the provisions of these Articles and sections 91, 292 and all other applicable provisions of the Act, the Directors may from time to time in accordance with the terms on which the shares have been issued and subject to the conditions of allotment by a resolution passed at a meeting of the Board make such calls as, they think fit, upon the Members in respect of all money's unpaid on their respective shares. A call may be made payable by installments.”

### **Further issue of capital**

Article 18 provides that

- “(a) Where at any time it is proposed to increase the subscribed capital of the company by allotment of further shares then:
- i. Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at that date ;
  - ii. The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;
  - iii. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;
  - iv. After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company.

- (b) Notwithstanding anything contained in sub-clause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
- i. If a special resolution to that effect is passed by the company in general meeting, or
  - ii. Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company.
- (c) Nothing in sub-clause (c) of (1) hereof shall be deemed:
- i. To extend the time within which the offer should be accepted; or
  - ii. To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (d) Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company:
- i. To convert such debentures or loans into shares in the company; or
  - ii. To subscribe for shares in the company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- i. Either has been approved by the central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf ; and
- ii. In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of the loans.

### **Calls etc. to be payable immediately**

Article 20 provides that “The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of call in respect of any shares allotted by them, shall immediately on the inscription of the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.”

### **Liability of Members**

Article 21 provides that “Every Member, or his heirs, executors, or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid in such amounts, at such time or times, and in such manner as, the Board shall, from time to time, in accordance with the Company's Regulations require or fix for the payment thereof.”

## Share Certificate

Article 22 provides that

- “a) Every Member or allottee of shares shall be entitled, without payment, to receive a certificate or more certificates in the marketable lot, for all the shares of each class or denomination registered in his name, or if the Board so approves (upon paying such fee as the Board so 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 receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every such certificate shall be issued 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 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. Every such certificate shall be issued under the signature of the Directors, Secretary, authorized person in the manner laid down in the Companies (Issue of Share Certificate) Rules, 1960. Particulars of every share certificate so issued shall be entered in the Register of Members against the name of the persons to whom it has been issued, indicating the date of the issue.
- b) Any two or more joint allottees of shares shall, for the purpose of this Article, be treated as 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. For any further certificate, the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding one rupee. The Company shall comply with the provisions of sections 113 of the Act.
- c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as, engraving in metal or lithography, but not by means of a rubber stamp, Provided that the Directors shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

## Renewal of Share Certificate

Article 23 provides that

- “a) No certificate of any shares shall be issued either in exchange of those which are subdivided, divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the cages on the reverse for recording transfers have been duly utilized, 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 certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any stock exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

- b) When a new share certificate has been issued in pursuance of sub Article (a) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is “Issued in lieu of share certificate no. \_\_\_\_\_ sub-divided/replaced/on consolidation of shares.
- c) If a share certificate is lost or destroyed, 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 Board so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Board shall prescribe.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any stock exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable thereof in this behalf.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

- d) When a new share certificate has been issued in pursuance of sub Article (c) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is a duplicate issued in lieu of share certificate no.\_\_\_\_\_. The word 'DUPLICATE' shall be stamped or punched in bold letters across the face of the share certificate.
- e) Where a new share certificate has been issued in pursuance of sub Article (a) or sub Article (c) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against the names of the persons to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued, and the necessary changes shall be indicated in the Register of Member of suitable cross references in the “Remarks” column.
- f) All blank forms to be used for issue of share certificates shall be printed, and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively numbered and the forms and the blocks, engravings, facsimiles and dyes relating to the printing of such forms shall be kept in the custody of the secretary or such other persons as the Board may appoint for the purpose, and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.
- g) The Managing Director of the Company for the time being, or if the Company has no Managing Director every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms or share certificate referred to in sub-Article (f).
- h) All books referred to in sub-article (g) shall be preserved in good order.”

#### **Company not bound to recognize any interest in a share, other than that of registered holder**

Article 25 provides that “Except as ordered by a court of competent jurisdiction, or as by law required, the Company shall not be bound to recognise any equitable, contingent, future or partial interest, other claim to or interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than the absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof or whose name appears as the beneficial owner of shares in the records of the Depository as the absolute owner thereof, but the Board shall be at liberty at its sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.”

#### **Funds of the Company not to be applied for the purchase of its shares**

Article 26 provides that ”None of the funds of the Company shall be applied in the purchase of any shares of the Company, and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding Company save as provided by section 77 of the Act.”

#### **No option on shares**

Article 27 provides that “No option or right to call of shares shall be given to any person except with the sanction of the Company in general meeting.”

### **Directors may make calls**

Article 30 provides that “The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the Members in respect of any moneys unpaid on the shares held by them respectively and each Member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments.”

### **Notice of call**

Article 31 provides that “At least 14 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 made.”

### **Call to date from Board resolution**

Article 32 provides that “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.”

### **Liability of joint holders**

Article 33 provides that “The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.”

### **Directors may extend time**

Article 34 provides that “The Board may, from time to time, at its discretion extend the time fixed for the payment of any call, and may extend such time as to all or any of the Members who, because of their residence at a distance or for some other cause, the Board may deem fairly entitled to such extension save as a matter of grace and favour.”

### **Call to carry interest**

Article 35 provides that “If any Member fails to pay any call due from him on the day appointed for payment thereof, or any extended day authorised by the Board under the preceding Articles, he shall be liable to pay interest on the same from the day so appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board. But, nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such Member.”

### **Proof on trial of action for money due on share**

Article 36 provides that “On the trial or hearing of any action or suit brought by the Company against any Member, or his 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, appears entered on the Register of Members as the holder at or subsequently to the date at which the money sought to be recovered, that the resolution making the calls is duly recorded in the minute book; and that notice of such call was duly given to the Member or his representatives used in pursuance of these Articles and, it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever, but, the proof of the matters aforesaid shall be conclusive of the debt.”

### **Payment in anticipation of calls may carry interest**

Article 37 provides that

- “a) The Board may, if it thinks fit, subject to provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same, all or any part of the moneys due upon the shares held by him beyond



the sums actually called for, and upon the money so paid or satisfied in advance, or upon so much thereof, from time to time exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made, the Company may pay interest, at such rate as shall as the Member paying such sum in advance and the Board may agree to upon provided that No such payment of call moneys in advance shall entitle the Member concerned to a right to dividend or to participate in profits. The Board may at any time repay the amount so advanced.

- b) No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would, but for such payment, become presently payable.
- c) The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.”

### **Interest may be paid out of capital**

Article 38 provides that “The Company may pay interest subject to the conditions and restrictions provided under section 208 of the Act.”

### **Lien on shares**

Article 39 provides that “The Company shall have first and paramount lien upon all the shares (other than fully paid-up shares) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and no equitable interest in any share shall be created except upon the footing and condition this Article hereof will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien if any, on such shares. The Directors may at any time declare any shares wholly or in part to be exempt from the provisions of this Article.”

### **Notice of forfeiture**

Article 42 provides that “If any Member fails to pay any call or installment of a call on or before the day appointed for the payment of the same, or any such extension thereof the Board may, at any, time thereafter, during such time as the call or installment remain unpaid, give notice to him requiring him to pay the same together with any interest that may have been incurred by the Company by reason of such non payment.”

### **Forfeiture on non payment**

Article 44 provides that “If the requirements of any such notice as aforesaid were not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board 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 Member**

Article 45 provides that “When any share have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeitures and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall in any manner be invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.”

### **Member to continue liable notwithstanding forfeiture**

Article 47 provides that “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 as the Board may determine and the Board may enforce, the payment thereof, as

it thinks fit.”

#### **Effect of forfeiture**

Article 48 provides that “The forfeiture of a share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demands 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.”

#### **Evidence of forfeiture**

Article 49 provides that “A declaration in writing that the declaring is a Director or Secretary of the Company and that a 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 shares.”

#### **Cancellation of shares certificates in respect of forfeited shares**

Article 51 provides that “Upon any sale, re-allotment or other disposal of shares under the provisions of the preceding Articles; the certificate or certificates originally issued in respect of the 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.”

#### **Power to annul**

Article 52 provides that “The Board may at any time before any share so forfeited shall have been sold, re-alloted or otherwise disposed off, annul the forfeiture thereof upon such conditions as it thinks.”

#### **Register of Transfers**

Article 53 provides that “The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.”

#### **Instrument of Transfer**

Article 53A provides that “The instrument of transfer shall be in writing and all provisions of Section 108 of the Act, and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.”

#### **Transfer Books and Register of Members when closed**

Article 55 provides that “The Company shall have the power on giving not less than seven days previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate to close the Transfer Books, the Register of Members or Register of Debenture-holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year.”

#### **Power to refuse transfer**

Article 56 provides that “Subject to the provisions of Section 111 and Section 111A of the Act, 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 or acknowledge any transfer of, or the transmission by operation of law of the right to any shares or interest of a member in or debentures or any other scrip or security whether fully paid or not of the Company. The Company shall within one month from the date on which the instrument of transfer of, 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 registration of a transfer of shares

shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on the shares.”

#### **Death of one or more joint holders of shares**

Article 58 provides that “In the 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 recognized by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person.”

#### **Title to shares of a deceased Member**

Article 59 provides that “The executors or administrators or holders of a succession certificate or the legal representatives of 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 Member, and the Company shall not be bound to recognise such executors or administrators or holders of a succession certificate or the legal representatives unless such executors or administrators or legal representatives shall have first obtained probate or letters of administration or succession certificate as the case may be, from a duly constituted Court in India; provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with the production of probate or letters of administration or succession certificate upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased Member, as Member.”

#### **Transfer to minor etc.**

Article 60 provides that “No partly paid share shall be transferred to any minor. No share shall be transferred to an insolvent or person of unsound mind.”

#### **Transmission Article**

Article 61 provides that “Subject to the provisions of the Act and these Articles any person becoming entitled to shares as a consequence of the death, lunacy, bankruptcy, or insolvency of any Member, or by any lawful means other than by a transfer in accordance with these Articles, may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that sustains the character in respect of which he proposes to act under this Article, or of his title, as the Board thinks sufficient, either be registered himself as the holder of the shares 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 nominees registered, he shall testify the election by executing in favour of his nominees 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 Article is hereafter referred to as "the Transmission Article."

#### **Person entitled may receive dividend without being registered as a Member**

Article 62 provides that “A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or moneys as is herein provided, be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the shares.”

#### **Company not liable for disregard of notice prohibiting registration of transfer**

Article 64 provides that “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 received 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 or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest, or be under any liability whatsoever for refusing or

neglecting 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.”

### **Dematerialisation of Securities**

Article 66 provides:

“Definitions: For the purpose of this Article:

“*Beneficial Owner*” means a person whose name is recorded as such with a depository.

“*Bye-Laws*” means Bye-laws made by a Depository under Section 26 of the Depositories Act, 1996.

“*Depositories Act*” means the Depository Act, 1996, including any statutory modifications or re-enactment for the time being in force.

“*Depository*” means a Company formed and registered under the Act and which has been granted a Certificate of Registration under the Securities and Exchange Board of India Act 1992.

“*Member*” means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as beneficial owner in the records of the depository.

“*Participant*” means a person registered as such under Section 12 (1A) of the Securities and Exchange Board of India Act, 1992.

“*Record*” includes the records maintained in form of books or stored in a computer or in such other form as may be determined by the Regulations issued by the Securities and Exchange Board of India in relation to the Depository Act, 1996.

“*Registered Owner*” means a depository whose name is entered as such in the records of the Company.

“*SEBI*” means the Securities and Exchange Board of India

“*Security*” means such security as may be specified by the Securities and Exchange Board of India from time to time.

Words imparting the singular number only includes the plural number and vice versa.

Words imparting persons include corporations.

Words and expressions used and not defined in the Act but defined in the Depositories Act, 1996 shall have the same meaning respectively assigned to them in that Act.

(ii) *Company to Recognize Interest in Dematerialized Securities Under the Depositories Act, 1996.*

Either the Company or the investor may exercise an option to issue, de-link, hold the securities (including shares) with a depository in Electronic form and the certificates in respect thereof shall be dematerialized, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto shall be governed by the provisions of the Depositories Act, 1996 as amended from time to time or any statutory modification(s) thereto or re-enactment thereof.

(iii) *Dematerialisation/Re-Materialisation Of Securities:*

Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialize its existing securities, re-materialize its securities held in Depositories and/or offer its fresh

securities in the de-materialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any.

(iv) *Option To Receive Security Certificate Or Hold Securities With Depository:*

Every person subscribing to or holding securities of the Company shall have the option to receive the security certificate or hold securities with a Depository. Where a person opts to hold a security with the Depository, the Company shall intimate such Depository of the details of allotment of the security and on receipt of such information, the Depository shall enter in its record, the name of the allottees as the beneficial owner of that security.

(v) *Securities In Electronic Form:*

All securities held by a Depository shall be dematerialized and held in electronic form. No certificate shall be issued for the securities held by the Depository. Nothing contained in Section 153, 153A, 153B, 187 B, 187 C and 372 of the Act, shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

(vi) *Beneficial Owner Deemed As Absolute Owner:*

Except as ordered by the Court of competent jurisdiction or by law required, the Company shall be entitled to treat the person whose name appears on the register of members as the holders of any share or whose name appears as the beneficial owner of the shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami, Trust Equity, equitable contingent, future, partial interest, other claim to or interest in respect of such shares or (except only as by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has expressed or implied notice thereof but the Board shall at their sole discretion register any share in the joint names of any two or more persons or the survivor or survivors of them.

(vii) *Rights Of Depositories And Beneficial Owners:*

Notwithstanding anything to the contrary contained in the Act, or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.

Save as otherwise provided above, the Depository is the registered owner of the securities, and shall not have any voting rights or any other rights in respect of the securities held by it.

Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository

(viii) *Register And Index Of Beneficial Owners:*

The Company shall cause to be kept a Register and Index of members with details of shares and debentures held in materialized and dematerialized forms in any media as may be permitted by law including any form of electronic media.

The Register and Index of beneficial owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be a Register and Index of members for the purposes of this Act. The Company shall have the power to keep in any state or country outside India a Branch register of Members resident in that State or Country.

(ix) *Cancellation Of Certificates Upon Surrender By Person:*

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificates and shall substitute in its record, the name of the depository as the Registered Owner in respect of the said securities and shall also inform the Depository

accordingly.

(x) *Service Of Documents:*

Notwithstanding anything contained in the Act, or these Articles, to the contrary, where securities are held in a depository, the record of the beneficial ownership may be served by such depository on the Company by means of hard copies or through electronic mode or by delivery of floppies or discs.

(xi) *Allotment Of Securities:*

Where the securities are dealt within a Depository, the Company shall intimate the details of allotment of relevant securities to the Depository on allotment of such securities.

(xii) *Transfer Of Securities:*

The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly, particulars of every transfer or transmission of any share held in material form. Nothing contained in these Articles shall apply to transfer of securities held in depository.

(xiii) *Distinctive Number Of Securities Held In A Depository*

The shares in the capital shall be numbered progressively according to their several denominations, provided, however that the provisions relating to progressive numbering shall not apply to the share of the Company which are in dematerialized form. Except in the manner provided under these Articles, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.

(xiv) *Provisions Of Articles To Apply To Shares Held In Depository:*

Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act, 1996.

(xv) *Depository To Furnish Information:*

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 laws and the Company in that behalf.

(xvi) *Option To Opt Out In Respect Of Any Such Security:*

If a beneficial owner seeks to opt out of a Depository in respect of any security, he shall inform the Depository accordingly. The Depository shall on receipt of such information make appropriate entries in its records and shall inform the Company. The Company shall within 30 (thirty) days of the receipt of intimation from a 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.

(xvii) *Overriding Effect Of This Article:*

Provisions of the Articles will have full effect and force notwithstanding anything to the contrary or inconsistent contained in any other Articles of these presents.”

**Power to borrow**

Article 67 provides that “The Board may borrow from time to time subject to the provisions of sections 58A, and 293 of the Act.”

### **Issue of debentures**

Article 69 provides that “Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on the condition that they shall be convertible into shares of any denominations, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at general meetings, appointment of Directors and otherwise. Debentures with the right of conversion into or allotment of shares shall be issued only with the consent of the Company in general meeting by a special resolution.”

### **Register of Charges**

Article 70 provides that “The Company shall keep a Register of Charges in accordance with section 143 of the Act.”

### **Conversion of shares into stock and vice versa**

Article 71 provides that “The Company may in a general meeting convert any paid-up shares into stock; and when any shares shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as, the shares from which the stock arose might have been transferred, as if no such conversion had taken place, or as near thereto as circumstances will admit, the Company may at any time reconvert any stock into paid-up shares of any denomination”

### **Rights of stockholders**

Article 72 provides that “The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held the 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 that privilege or advantage.”

### **Annual General Meeting**

Article 74 provides that “The Company shall hold in each year in addition to any other meetings a general meeting as Annual General Meeting in accordance with these Articles and section 166 of the Act at the Office of the Company (or as may be permitted under Applicable Law and these Articles, such other location inside or outside of India as may be agreed by unanimous consent of all the members to the extent permissible under the Act).”

### **General Meeting**

Article 75 provides that “All General Meetings other than the Annual General Meeting shall be called Extra Ordinary General Meeting. An Extra Ordinary General Meeting may be called: (a) by the Board or if there are not within India Directors capable of acting who are sufficient in number to form a quorum, by any Director or any two Members in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board, or (b) in accordance with the provisions of section 169 of the Act.”

### **Quorum**

Article 77 provides that

- “a) The quorum for the Extra Ordinary General Meeting and the Annual General Meeting shall be in accordance with section 174 of the Act. Five members or such other number of members as the law for the time being in force prescribes, shall be entitled to be personally present shall be quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the meeting.

- b) Any corporation which is a member of the Company may, in accordance with Section 187 of the Act, by resolution of its Board of Director or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company and the said person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could have exercised if it were an individual member of the Company.”

### **Voting at Shareholder Meetings**

Article 85 provides that

- “a) Subject to Applicable Law, all voting at shareholder meetings shall be by a show of hands or poll vote.
- b) At any General Meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) is demanded in accordance with the provisions of Section 179 of the Act. Unless a poll is so demanded, a declaration by the Chairman that the resolution had, on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

Passing Resolutions by Postal Ballot

- c) Notwithstanding any of the provisions of these Articles the Company may, and in the case of resolutions relating to such business as notified under the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 to be passed by postal ballot, shall get any resolution passed by means of a postal ballot, instead of transacting the business in the general meeting of the Company.

Where the Company decides to pass any resolution by resorting to postal ballot, it shall follow the procedures as prescribed under section 192A of the Act and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, as amended from time.”

### **Members in arrears of calls, etc.**

Article 88 provides that “No Member shall be entitled to vote either personally or by proxy at any General Meeting or at any meeting of a class of shareholders upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised any right of lien.”

### **Number of votes to which Member entitled**

Article 89 provides that “Subject to the provisions of these Articles, every Member, not disqualified by the last preceding Article, shall be entitled to be present, and to speak and vote at such meeting, and on a show of hands every Member present in person shall have one vote and upon a poll every Member present in person or by proxy shall have one vote for every share held by him either alone or jointly with any other person or persons. Provided, however, if any preference shareholder be 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 placed before the meeting which directly affect the rights attached to his preference shares.”

### **Casting of votes by a Member entitled to more than one vote**

Article 90 provides that “On a poll taken at a meeting of the Company, a Member entitled to more than one vote, or his proxy, or other person entitled to vote for him, as the case may be, need not if he votes, use all his votes or cast in the same way all the votes he uses.”



### **Votes of Members of unsound mind, minors**

Article 91 provides that “A Member/of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his legal guardian, and any such legal guardian may, on a poll, vote by proxy; if any Member be a minor, the vote in respect of his share or shares shall be by his legal guardian, or any one of his legal guardians, if more than one, to be elected in case of dispute by the Chairman of the meeting.”

### **Votes of Joint Members**

Article 92 provides that “If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a Member or not) as his 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, one of the said persons so present whose name stands higher on the register shall alone be entitled to speak and to vote 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.”

### **Voting in person or by proxy**

Article 93 provides that “Subject to the provision 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 and such representative 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.”

### **Votes in respect of shares owned by deceased or insolvent Members**

Article 94 provides that “Any person entitled under the Transmission Article (i.e. Article 61) of any shares in his favour may vote at any Annual General Meeting or Extra Ordinary General Meeting in the same manner as if the deceased Member in that meeting were the registered holder of such shares, provided that at least forty-eight hours before the time of holding the meeting, at which he proposes to vote he shall satisfy the Directors of his right to the transmission of such shares and give such indemnity or other documents as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting.”

### **Appointment of proxy**

Article 95 provides that “Every proxy (whether a Member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, or be signed by an officer or an attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meeting.”

### **Number of Directors**

Article 104 provides that

- a) The composition of the Board shall be in accordance with the Act and Applicable Law. Subject to the foregoing, the Board (including independent Directors, if any) shall comprise of not less than 4 and not more than 12 Directors.

The First Directors of the Company on the date of its incorporation were:

1. Mr. Vikas Kasliwal
2. Mr. Mukul Kasliwal
3. Mr. Nitin Kasliwal

Article 104A provides that “Not less than 2/3rd of the total number of directors of the Company may be appointed according to the principle of proportional representation whether by a single transferable vote or by a system of cumulative voting or otherwise in accordance with section 265 of the Act.”

### **Corporation Director**

Article 105 provides that “Whenever the Company enters into a contract with any government, central, state or local, any bank or financial institution or any person or persons (hereinafter referred to as "the Appointer") for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting of shares or whatsoever the Appointer shall have, subject to the provisions of section 255 of the Act, the power to appoint or nominate by a notice in writing addressed to the Company one or more persons, who are acceptable to the Board, as Director on the Board mentioned in the agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Directors may also agree that any such Director or Directors may be removed from time to time by the Appointer, entitled to appoint another or others in his or their place and also fill in any vacancy which may occur as a result of any such Director ceasing to hold that office for any reason whatsoever. The Director appointed or nominated under this Article 105 shall be called "Corporation Director". The Corporation Director shall be, entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the Directors of the Company including payment of fees or remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with the Appointer.”

### **Appointment and term of Alternate Directors**

Article 106 provides that

- “a) The Alternate Directors appointment and term of office will be in accordance with section 313 of the Act and these Articles.
- b) Any Director appointed to the Board shall be entitled to nominate an alternate (and such nominee shall be appointed by the Board as an alternate Director) to attend and vote at Board meetings in his absence.”

### **Additional Directors**

Article 107 provides that “In accordance with section 260 of the Act, the Board may appoint Additional Directors.”

### **Qualification of the Directors**

Article 109 provides that “A Director shall not be required to acquire hold any qualification shares.”

### **Remuneration of Directors**

Article 110 provides that “The remuneration of Directors including Managing Directors and or whole time Directors may be paid in accordance with section 198, 309, 310, 311 and 314 of the Act.”

### **Interested Director not to participate or vote for Board proceeding**

Article 116 provides that “In accordance with section 300 of the Act, and in subject to these Articles a Director shall not take part in any discussions on or vote on any contract, arrangement or transaction proposed to be entered into, by or on behalf of the Company, if such Director is in any way, directly or indirectly, concerned or interested in the contract, arrangement or transaction nor shall such Director’s presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if such Director does vote, his vote shall be void. Nothing contained in this Article 116 shall apply to any contract, arrangement or transaction between the Company and any other company where any or two or more of the Directors of the Company holds or together hold not more than two per cent (2%) of the issued and paid-up share capital in the second-mentioned company.”

### **Rotation and Retirement of Directors**

Article 121 provides that “At every Annual General Meeting of the Company, one third of such of the directors for the time being who are liable to retire by rotation shall retire by rotation in accordance with section 255 on the Act, In case if their number is not three or a multiple of three then, the number nearest to one third shall retire from office.”

### **Company may increase or reduce the number of Directors**

Article 123 provides that “Subject to sections 258 and 255 and 259 of the Act the Company, by Ordinary Resolution may from time, increase or reduce the number of Directors, and may alter their qualifications and the Company may (subject to the provisions of section 284 of the Act) remove any Director before the expiration of his period of office and appoint another person in his stead. The person so appointed shall hold office during such time as his predecessor would have held office if he had not been removed as aforesaid.”

### **Making liability of directors unlimited**

Article 125 provides that “The Company may, by special resolution in a general meeting, alter it memorandum of association so as to render unlimited the liability of its directors or of any director or manager in accordance with section 323 of the Act.”

### **Power of the Board to appoint**

Article 126 provides that “Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint a Managing Director to appoint from time to time any one or more of the Directors as the Managing Director of the Company for a fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit and, subject to the next succeeding article, the Board may, by resolution, vest in such Managing Director such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods, and upon such conditions and subject to such restrictions as it may determine. The remuneration of the Managing Director may be by way of monthly payment, or participation in profits, or by any or all of these modes or any other mode not expressly prohibited by the Act.”

### **Power to appoint whole-time Directors**

Article 129 provides that “Subject to the provisions of the Act, the Board may, from time to time, appoint one or more Directors to be whole-time Director or Directors of the Company 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.”

### **Remuneration of whole-time Directors and their powers**

Article 131 provides that

- “(a) Subject to the provisions of sections 309,310,311 and 314 of the Act, a wholetime Director shall receive such remuneration as may from time to time be determined by the Board.
- (b) Subject to the provisions of the Act and in particular to the prohibitions and restrictions contained in section 292 thereof the Board may, from time to time entrust to and confer upon a whole time Director for the time being such of the power exercisable by the Board as it may think fit and may confer such power for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as it thinks fit, and the Board may from time to time revoke, withdraw, alter or vary all or any if such powers.”

## **Functions of the Board**

Article 132 provides that “Subject to these Articles and Applicable Law, all strategic policy decisions of the Company and/or in connection with the Business shall be referred to the Board before implementation and execution and the Board shall be directly responsible for such policy and management decisions.”

## **Notice of Meeting**

Article 134 provides that

- “a) The notice of every meeting of the Board shall be given to every Director, in accordance with section 286 of the Act. Notice may be given to the address, fax number and/or e-mail address notified to the Company for these purposes, provided that if a notice is required to be sent outside India, such notice shall be sent by international courier, and if notice is required to be sent by telex or e-mail a copy of such notice shall also be sent by post (and international courier if the address is overseas); subject to any additional requirements specified;
- b) Each notice of a Board meeting shall be accompanied by a full agenda (which agenda shall include all the items suggested by any Director) and supporting papers;”

## **Quorum for Board meeting**

Article 135 provides that

- “a) Save as hereinafter provided, the quorum for all Board meetings including adjourned Board meetings shall be in accordance with section 287 of the Act.
- b) Subject to Applicable Law, the Directors may participate in a meeting of the Directors by means of a conference telephone, a video conference telephone or similar communications equipment by which all persons participating in the meeting are able to hear or see and be heard or seen throughout the meeting by all other participants without the need for a Director to be in the physical presence of another Director(s) and participation in the meeting in this manner shall be deemed to constitute presence in person at such meeting. The Directors participating in any such meeting shall be counted in the quorum for such meeting and, subject to there being a requisite quorum under Article 135 (a) at all times during such meeting, all resolutions agreed by the Directors in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held. If, notwithstanding the foregoing, any resolution approved by the Board is not legally valid or effective by reason of some or all of the Directors attending by video conference facilities or telephone the Directors shall sign such resolution in writing pursuant to Article 145 (b) (any Director having the right to circulate the same to all Directors for signature). A meeting conducted by means of a conference telephone or a video conference telephone or similar communications equipment as aforesaid is deemed to be held at the place agreed upon by the Directors attending the meeting, provided that at least one of the Directors present at the meeting was at that place for the duration of the meeting;”

## **Voting at Board meetings**

Article 140 provides that

- “a) Subject to the provisions of the Act, all voting at Board meetings shall be by a show of hands. Each Director (or his alternate) present at each Board meeting shall be entitled to cast one (1) vote on each issue put to the vote.
- b) The Board shall act by majority vote”

## **Powers of Board**

Article 142 provides that

- “(a) The Board of Directors, through a properly convened meeting of the Board, shall be competent to exercise all or any of the authorities, powers and discretions which by or under the Act or these Articles are for the time being vested in or exercisable by the Board generally.
- (b) The Board may exercise all such powers of the Company and do all such acts and things in accordance with section 292 of the Companies Act.”

## **Passing of resolution by circulation**

Article 145 provides that

- “(a) The Board or a Committee thereof may pass a resolution by circulation in accordance with section 289 of the Act.
- (b) Subject to these Articles and Applicable Law, a resolution of the Board in writing, circulated in draft together with the 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 of the meeting of the Board or the Committee, as the case may be and to all other Directors or members at their usual address in India and approved and signed by such of the Directors as are then in India or by a majority of such of them as are entitled to vote at the resolution, shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held, and such duly signed resolution shall take effect on the date on which the last Director signs the resolution. Any such resolution may consist of several documents in like form, each signed or approved by one or more Directors and any resolution bearing the signature of a Director dispatched by facsimile transmission shall constitute a document for this purpose.”

## **The Seal**

Article 149 provides that

- (a) The Board shall adopt a common seal for the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof, and the Board shall provide for the safe custody of the seal for the time being, and the seal shall never be used except by the authority of the Board or a Committee of the Board previously given.
- (b) The Company shall also be at liberty to have an official seal in accordance with section 50 of the Act, for use in any territory, district or place outside India.

## **Dividend**

Article 151 provides that “The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles, and subject to the provisions of these Articles, shall be divisible among the Members in proportion to the amount of capital paid up on the shares held by them.”

## **Declaration of Dividend by Company**

Article 152 provides that “The Company may in a general meeting declare, a dividend, to be paid to Members according to their respective rights. No dividends declared in a general meeting shall exceed the amount recommended by the Board, but the Company may in a general meeting reduce the dividend recommended by the Board.”

### **Dividend only out of profits etc.**

Article 153 provides that “No dividend shall be declared or paid otherwise than out of the profits of the financial year arrived at after providing for depreciation in accordance with the provisions of section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both, provided that-

- (a) if the Company has not provided for depreciation for any previous financial year or years it shall, before declaring or paying dividend for any financial year provide for such depreciation out of the profits of that financial year or out of the profits of any other previous financial year or years;
- (b) if the Company has incurred any loss in any previous financial year or years; the amount of the loss, or an amount which is equal to the amount provided for depreciation for that year or those year whichever is less, shall be set off against the profits of the Company for the year for which the dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at, in both cases, after providing for depreciation in accordance with the provisions of sub-section (2) of the section 205 of the Act or against both.”

### **Capital paid in advance**

Article 155 provides that “Where capital is paid in advance of calls upon the footing that the same shall carry an interest, such capital shall not whilst carrying interest, confer a right to participate in profits.”

### **Dividend in proportion to the amount paid up**

Article 156 provides that “The Company shall pay dividends in accordance with the dividend policy of the Company.”

### **Retention of dividend until the completion of transmission**

Article 157 provides that “The Board may retain the dividends payable upon shares in respect of which any person is under the Article 61 entitled to become a Member, or which any person under that Article is entitled to transfer, until such person shall become a Member, in respect of such shares of shall duly transfer the same.”

### **Receipts by any of joint holders**

Article 158 provides that “Any one of several persons who are registered as the joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.”

### **Indebted Members not entitled to dividend etc.**

Article 159 provides that “No Member shall be entitled to receive payment of any interest or dividend 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 howsoever, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.”

### **Transfer of Shares shall not pass the right to any dividend**

Article 160 provides that “A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.”

### **Unpaid dividend accounts etc.**

Article 162 provides that “No unpaid or unclaimed dividend shall be forfeited by the Board. Where a dividend has been declared by the Company but which has not been paid or claimed in the accounts, within thirty (30) days as

stipulated in the Act, from the date of the declaration, the Company shall within the said period of 30 days as stipulated in the Act, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the Company in that behalf in any scheduled bank called "The Unpaid Dividend account of REID & TAYLOR (INDIA) LIMITED. Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for the period of seven years from the date of such transfer shall be transferred by the Company to such Fund known as Investor Education and Protection Fund established under section 205C of the Act."

### **Interest on unpaid dividend**

Article 163 provides that "No unpaid dividend shall bear interest against the Company."

### **Dividend and call together**

Article 164 provides that "Any general meeting declaring a dividend may, on the dividend recommendation of the Directors, make a call on the Members and all of such amounts as the meeting fixes, but so that the call on together 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 agreed between the Company and the Members, be set off against the calls."

### **Capitalisation**

Article 165 provides that

- “(a) The Company may in a general meeting resolve that any capitalization moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserve Fund, or any Capital Redemption Reserve Fund, or in the hands of the Company and available for dividend (representing premiums received on the issued of shares and standing to the credit of the Share Premium Account) be capitalized and distributed amongst such of the shareholders as would be entitled to receive the sum if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par of such premium as the resolution may provide, any un issued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures or debenture stock, and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum. Provided that a Share Premium Account and Capital Redemption Reserve Fund 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.
- (b) A general meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company, or any investments representing the same, or any other undistributed profits of the Company not subject to charge for income tax; be distributed among the Members on the footing that they should receive the same as capital.
- (c) For the purpose of giving effect to any resolution under the preceding paragraphs of this Article, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that such cash payments, shall be made to any Members upon the footing of the value so fixed or that fractions or less value than Rs. 10/- may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board, where requisite, a proper contract shall be delivered to the Registrar for registration in accordance with section 75 of the Act, and the board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.”

## **Books of Accounts**

Article 166 provides that “The Company shall keep at the Office or at such other place in India as the Board thinks fit proper books of account in accordance with section 209 of the Act.”

## **Directors and others right of indemnity**

Article 173 provides that “Subject to section 201 of the Act every officer or Agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in connection with any proceedings under section 633 of the Act in which relief is granted to him by the court.”

## **Secrecy**

Article 174 provides that

- “(a) Every Director, manager, Auditor, trustee member of a committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating there to, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by a court of law and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
  
- (b) No Member shall be entitled to visit or inspect any works of the Company without the permission of the Board or to require 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 may relate to the conduct of the Business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Company to disclose.”



## SECTION IX: OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be entered into by the Company (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been attached to the copy of the Red Herring Prospectus delivered to the RoC for registration. Copies of the abovementioned contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office between 10 a.m. and 5 p.m. on all Working Days until the Bid/Issue Closing Date.

#### A. Material Contracts for the Issue

1. Engagement Letter dated October 6, 2010 between the Company, the Selling Shareholders, the GCBRLMs and the BRLMs.
2. Issue Agreement dated December 9, 2010 between the Company, the Selling Shareholders, the GCBRLMs and the BRLMs.
3. Memorandum of Understanding dated November 27, 2010 between the Company, the Selling Shareholders and the Registrar to the Issue.
4. Escrow Agreement dated [●] between the Company, the Selling Shareholders, the GCBRLMs, the BRLMs, Escrow Collection Bank and the Registrar to the Issue.
5. Syndicate Agreement dated [●] between the Company, the Selling Shareholders, the GCBRLMs, BRLMs and the Syndicate Members.
6. Underwriting Agreement dated [●] between the Company, the Selling Shareholders, the GCBRLMs, the BRLMs and the Syndicate Members.

#### B. Material Documents

1. Certified copies of the updated Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of Incorporation dated April 19, 2000.
3. Certificate of commencement of business on July 29, 2008 issued by the Registrar of Companies, Maharashtra.
4. Resolutions of the Board of Directors dated September 27, 2010 in relation to this Issue and other related matters.
5. Shareholders' resolution dated September 27, 2010 in relation to this Issue and other related matters.
6. The S. Kumars Nationwide Limited's board resolution dated September 27, 2010 approving the Offer for Sale.
7. Indivest Pte Ltd board resolution dated September 27, 2010 approving the Offer for Sale.
8. Consent from S. Kumars Nationwide Limited dated September 29, 2010 in relation to the Offer for Sale.
9. Consent from Indivest Pte Ltd dated September 30, 2010 in relation to the Offer for Sale.

10. Shareholders Agreement dated June 20, 2008 between the Company, Indinvest Pte Ltd, the Promoter, Nitin S. Kasliwal, Jyoti N. Kasliwal, Kartikeya N. Kasliwal, Anjani N. Kasliwal, Tulija Enterprises Private Limited, Chamundeshwari Mercantile Private Limited and Anjani Finvest Private Limited and Letter dated September 30, 2010.
11. Subscription Agreement dated June 20, 2008 between the Company, Indinvest Pte Ltd and the Promoter
12. Sale and purchase agreement dated July 8, 2008 between SKNL and the Company.
13. Shared services and product supply agreement dated July 8, 2008 and addendum agreement dated November 30, 2010 to the shared services and product supply agreement dated July 8, 2008 between SKNL and the Company.
14. Trade marks license agreement dated July 8, 2008 between Reid & Taylor (International) Limited and the Company.
15. Technical know-how license agreement dated July 8, 2008 Reid & Taylor (Holdings) Limited and the Company.
16. Master franchisee agreement dated July 8, 2008 between BHRL and the Company.
17. License Agreement dated August 29, 2006 entered into between Austin Reed Limited and the Promoter and Novation Agreement and Guarantee dated October 31, 2008 between the Promoter, Austin Reed Limited and the Company
18. The examination reports of the statutory auditor Haribhakti & Co., on the Company's restated financial information, included in this Draft Red Herring Prospectus.
19. The Statement of Tax Benefits dated December 1, 2010 from the Statutory Auditors.
20. Consent of the Directors, the GCBRLMs, the BRLMs, the Syndicate Members, Domestic Legal Counsel to the Company, Domestic Legal Counsel to the Underwriters, International Legal Counsel to the Underwriters, Registrars to the Issue, Escrow Collection Banker, the Monitoring Agency, Bankers to the Issue, Bankers to the Company, Company Secretary and Compliance Officer as referred to in their specific capacities.
21. Due Diligence Certificate dated December 9, 2010 addressed to SEBI from the GCBRLMs and the BRLMs.
22. In principle listing approvals dated [●] and [●] issued by BSE and NSE respectively.
23. Tripartite Agreement dated January 9, 2009 between the Company, NSDL and the Bigshare Services Private Limited.
24. Tripartite Agreement dated [●] between the Company, CDSL and Bigshare Services Private Limited.
25. IPO Grading Report dated [●], 2010 by [●].
26. RBI Approval dated [●] for transfer of the Equity Shares by the Selling Shareholders in the Offer for Sale.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of the 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**

The undersigned Selling Shareholder, hereby certifies that all statements made in this Draft Red Herring Prospectus are true and correct, provided however, that the undersigned Selling Shareholder assumes no responsibility for any of the statements made by the Company or any other Selling Shareholder in this Draft Red Herring Prospectus, except statements made by the undersigned Selling Shareholder in relation to itself as a Selling Shareholder.

**Signed by the Selling Shareholder**

**For S. Kumars Nationwide Limited**

Date:

Place: Mumbai

## **DECLARATION**

The undersigned Selling Shareholder, hereby certifies that all statements made in this Draft Red Herring Prospectus are true and correct, provided however, that the undersigned Selling Shareholder assumes no responsibility for any of the statements made by the Company or any other Selling Shareholder in this Draft Red Herring Prospectus, except statements made by the undersigned Selling Shareholder in relation to itself as a Selling Shareholder.

**Signed by the Selling Shareholder**

**Anil Channa  
For Indivest Pte Ltd**

Date:

Place: Mumbai

## DECLARATION

All relevant provisions of the Companies Act and the guidelines issued by the Government or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SEBI Act or rules or regulations made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

### SIGNED BY THE DIRECTORS OF THE COMPANY

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**Dr. A. C. Shah**  
(Non-Executive Chairman, Independent Director)

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**Nitin S. Kasliwal\***  
(Managing and Executive Director)

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**Anil Kumar Channa**  
(Non-Executive Director)

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**Kunnasagaran Chinniah**  
(Non-Executive Director)

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**Dara P. Mehta**  
(Non-Executive, Independent Director)

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**Pradip P. Shah**  
(Non-Executive, Independent Director)

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**Swaminathan V.**  
(Chief Financial officer)

Date:  
Place: Mumbai

*\*Signed through a duly constituted power of attorney*