



## FIRST WINNER INDUSTRIES LIMITED

Our Company was originally incorporated as Firstwinner Trading Company Private Limited on 22<sup>nd</sup> January, 2003 under the Companies Act, 1956. The name of our company was changed to First Winner Industries Private Limited with effect from 17<sup>th</sup> August, 2006. The name of our company was further changed to First Winner Industries Limited with effect from 18<sup>th</sup> August, 2006.

**Registered Office:** 605, Business Classic, Chincholi Bunder Road, Malad (West), Mumbai – 400 064.

(For changes in registered office of our Company, please refer to page number 10 of this Red Herring Prospectus).

**Tel. No.:** +91-22-2880 2255 / 99; **Fax No.:** +91-22- 2881 2288; **Website:** [www.firstwinnerind.com](http://www.firstwinnerind.com); **E-mail:** [ipo@firstwinnerind.com](mailto:ipo@firstwinnerind.com)

**Contact Person:** Mr. R.C. Sharma, Company Secretary & Compliance Officer

**PUBLIC ISSUE OF 55,00,000 EQUITY SHARES OF RS.10/- EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING TO RS. [●] LAKH (HEREINAFTER REFERRED TO AS “THE ISSUE”), COMPRISING OF EMPLOYEE RESERVATION OF 1,00,000 EQUITY SHARES OF FACE VALUE OF RS. 10/- EACH AT A PRICE OF RS. [●] PER EQUITY SHARE FOR CASH AGGREGATING TO RS. [●] LAKH (HEREIN AFTER REFERRED TO AS THE “EMPLOYEE RESERVATION PORTION”. THE NET ISSUE TO THE PUBLIC IS OF 54,00,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING TO RS. [●] LAKHS. THE ISSUE WOULD CONSTITUTE 31.02% OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY**

**PRICE BAND: RS. 120 TO 130 PER EQUITY SHARE OF FACE VALUE OF RS 10/- EACH**

**THE ISSUE PRICE IS 12 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 13 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue to Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. Further, not less than 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. In case of revision in the Price Band, the Bidding/Issue Period shall be extended for 3 additional working days after such revision, subject to the Bidding / Issue Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager (“BRLM”) and the terminals of the member of the Syndicate.

#### RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of First Winner Industries Limited (“the Issuer”), there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares of the Company is Rs. 10/- per Equity Share and the Issue Price of Rs. [●] per Equity Share is [●] times of the face value of the Equity Shares of our Company. The issue Price (as determined and justified by the Company in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and / or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

#### 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 this Red Herring Prospectus. Specific attention of the investors is invited to the section titled ‘Risk Factors’ beginning on page iii of this Red Herring Prospectus.

#### ISSUER’S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this 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.

#### LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The in-principle approvals of BSE and NSE for listing of Equity Shares of the Company have been received pursuant to letters dated February 13, 2008 and February 29, 2008, respectively. BSE shall be the Designated Stock Exchange for the purpose of this Issue.

#### IPO GRADING

The Issue has been graded by CARE. CARE has assigned “CARE IPO GRADE 1” to the Initial Public Offering of the Company. “CARE IPO Grade 1” indicates poor fundamentals. The Grading has been revalidated vide CARE’s letter dated May 09, 2008. For more information on IPO Grading, please refer to page no. 14 of this Red Herring Prospectus.

#### BOOK RUNNING LEAD MANAGER

**ALMONDZ GLOBAL SECURITIES LIMITED**  
33, Vaswani Mansion, 6<sup>th</sup> Floor,  
Dinshaw Vachha Road, Churchgate,  
Mumbai – 400 020  
**Tel No** +91-22-2287 0580,  
**Fax:** +91-22-2287 0581  
**Email:** [firstwinner.ipo@almondz.com](mailto:firstwinner.ipo@almondz.com)  
**Website:** [www.almondzglobal.com](http://www.almondzglobal.com)  
Contact Person: Mr. Sunit Shangle  
SEBI Registration No: INM 000000834

#### REGISTRAR TO THE ISSUE

**INTIME SPECTRUM REGISTRY LIMITED**  
C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup (West),  
Mumbai 400 078  
**Tel:** +91-22-2596 0320 – 28  
**Fax:** +91-22-2596 0329  
**Email:** [firstwinner@intimespectrum.com](mailto:firstwinner@intimespectrum.com)  
**Website:** [www.intimespectrum.com](http://www.intimespectrum.com)  
Contact Person: Mr. Sachin Achar  
SEBI Registration No.: INR000003761

#### BID/ISSUE PROGRAMME

**BID/ISSUE OPENS ON : Monday, June 9, 2008**

**BID/ISSUE CLOSES ON : Thursday June 12, 2008**

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## SECTION I – GENERAL

## DEFINITIONS AND ABBREVIATIONS

## DEFINITIONS

Term	Description
“First Winner Industries Limited”, “FWIL”, “the Company” or “our Company”	First Winner Industries Limited, a Public Limited Company incorporated under the Companies Act, 1956 having its Registered Office at 605, Business Classic, Chincholi Bunder Road, Malad (West), Mumbai – 400 064
“We” or “us” and “our”	Unless the context otherwise require, refers to First Winner Industries Limited

## CONVENTIONAL / GENERAL TERMS

Terms	Description
Articles/ Articles of Association	Articles of Association of First Winner Industries Limited, as amended from time to time.
Auditors	Statutory Auditors of the Company viz. Deshmukh & Associates and Praful M. Joshi
Board of Directors / Board	The Board of Directors of First Winner Industries Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Director(s)	Director(s) of First Winner Industries Limited, unless otherwise specified
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof
Factories Act	Factories Act, 1948 as amended from time to time
FII's	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
Indian GAAP	Generally Accepted Accounting Principles in India.
I.T. Act	The Income Tax Act, 1961, as amended from time to time
I.T. Rules	The Income Tax Rules, 1962, as amended from time to time
MOA/Memorandum/ Memorandum of Association	Memorandum of Association of First Winner Industries Limited
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRIs/ Non-Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000

<b>Terms</b>	<b>Description</b>
Negotiable Instruments Act	Negotiable Instruments Act, 1881, as amended from time to time.
Overseas Corporate Body / OCB	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 Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
Person or Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
Promoter(s)	Mr Rinku Patodia and Ms. Anita Patodia
Promoter Group	Rikosh Fashions Private Limited and Solitaire Texfeb & Traders Private Limited
RBI	Reserve Bank of India , constituted under the RBI Act
RBI Act	The Reserve Bank of India Act,1934,as amended from time to time
Registered Office	605, Business Classic, Chincholi Bunder Road, Malad (West), Mumbai – 400 064
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines/SEBI Guidelines	DIP SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time
Stock Exchanges	Bombay Stock Exchange Limited and National Stock Exchange of India Limited

### ISSUE RELATED TERMS

<b>Terms</b>	<b>Description</b>
Almondz	Almondz Global Securities Limited
Allotment/A lot/Allocation	Issue of Equity Shares pursuant to the Issue to the successful Bidders as the context requires.
Allottee	The successful bidder to whom the Equity Shares are being / have been issued.
Bankers to the Issue / Escrow Bankers to the Issue	The Hongkong and Shanghai Banking Corporation Limited, HDFC Bank Limited, ICICI Bank Limited, Standard Chartered Bank
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto. An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid in the Issue

<b>Terms</b>	<b>Description</b>
Bid Closing Date/ Issue Closing date	The date after which the members of the Syndicate will not accept any Bids for the issue, which shall be notified in an English National Newspaper, a Hindi national Newspaper and a Marathi Newspaper, all with wide circulation.
Bid cum Application Form/ Bid Form	The form in terms of which the Bidder shall make an offer to subscribe the equity shares of the Company in terms of this Red Herring Prospectus
Bid Opening Date/ Issue Opening Date	The date after which the members of the Syndicate will not accept any Bids for the issue, which shall be notified in an English National Newspaper, a Hindi national Newspaper and a Marathi Newspaper, all with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bidding Period/ Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders may submit their Bids.
Book Building Process	Book Building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made
BRLM/Book Running Lead Manager	Book Running Lead Manager to the Issue being Almondz Global Securities Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process.
Cap Price	The higher end of the Price Band, above which Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalized by the Company in consultation with the BRLM. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Depository Act	The Depositories Act, 1996 as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, following which the Board of Directors shall allot the Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus/DRHP	The Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
Employees	Permanent Employees of First Winner Industries Limited
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into amongst the Company, Syndicate Members, the

Terms	Description
	Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Bankers to the Issue at which bank(s) the Escrow Account of the Company will be opened
First Bidder	The Bidder whose name appears first in the bid cum application form or revision form
Floor Price	The price advertised by the Company prior to the Bid/Issue Opening Date, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue	Public Issue
Issue Price	The final price at which the Equity Shares will be allotted in terms of the Red Herring Prospectus, as determined by the Company in consultation with BRLM on the Pricing Date
Issue Account / Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Issue Period	The period between the Bid / Issue Opening Date and Bid / Issue Closing Date including both these dates
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.
Members of the Syndicate	The BRLM and the Syndicate Members
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Fund portion	5% of QIB portion or 1,35,000 Equity Shares available to allocation to Mutual Funds only, out of QIB portion.
Non-Institutional Portion	The portion of this Issue being at least 15% of the Net Issue consisting of 8,10,000 Equity Shares of Rs. 10 each aggregating Rs. [●] lakhs, available for allocation to Non Institutional Bidders.
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue, including affiliates of BRLM and Syndicate Members, or Retail Individual Bidders and who have bid for an amount more than Rs. 1,00,000.
Pay-in-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	Means: (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) with respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	Being the price band of a minimum price of Rs. 120 per Equity Share (Floor Price) and the maximum price of Rs. 130 per Equity Share (Cap Price) (both inclusive), and including revision thereof.
Pricing Date	Means the date on which the Company, in consultation with the BRLM,

Terms	Description
	finalizes the Issue Price.
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue/ Issue	Public Issue of 55,00,000 Equity Shares of Rs.10/- each for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] lakh (hereinafter referred to as "The Issue"), comprising of Employee Reservation of 1,00,000 Equity Shares of face value of Rs. 10/- each at a price of Rs. [•] the "Employee Reservation Portion". The Net Issue to the Public is of 54,00,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. [•]per Equity Share aggregating to Rs. [•] lakhs. The issue would constitute 31.02% of the Post Issue paid-up capital of the Company.
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account on or after the Bid / Issue Opening Date
Qualified Institutional Buyers / QIBs	Public Financial Institutions as specified in Section 4A of the Companies Act, Foreign Institutional Investors, Scheduled Commercial Banks, Mutual Funds registered with SEBI, Venture Capital Funds registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 2500 lakhs and Pension Funds with minimum corpus of Rs. 2500 lakhs, National Investment Fund set up by resolution F.No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid.
QIB Portion	The portion of the Issue being at least 27,00,000 Equity Shares of Rs. 10/- each available for allocation to QIB bidders.
Red Herring Prospectus or RHP	Means the document issued in accordance with Section 60B of the Companies Act and does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing and allotment.
Refund Account	Account opened with an Escrow Collection Bank from which the refunds of the whole or part of the Bid Amount, if any, shall be made.
Refund Bank	An Escrow collection Bank in which an account is opened and from which a refund of the whole or part of the Bid Amount shall be made. HDFC Bank Limited will be acting as Refund Banker.
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit or RTGS as applicable
Registrar/Registrar to the Issue	Registrar to the Issue being Intime Spectrum Registry Limited.
RoC / Registrar of Companies	Registrar of Companies, Maharashtra

<b>Terms</b>	<b>Description</b>
Retail Portion	Consists of 18,90,000 Equity Shares of Rs. 10 each aggregating Rs. [*] lakhs, being at least 35% of the Net Issue, available for allocation to Retail Individual Bidder(s).
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for a cumulative amount of not more than Rs. 1,00,000.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any.
Syndicate Agreement	Agreement to be entered into amongst the BRLM, Syndicate Member(s) and the Company in relation to the collection of Bids in the Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM and in this case, being Almondz Global Securities Limited.
TRS or Transaction Registration Slip	The slip or document registering the Bids, issued by the Syndicate Members to the Bidder as proof of registration of the Bid on submission of the Bid cum Application Form in terms of this Red Herring Prospectus
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The agreement among the BRLM, Syndicate Members and the Company to be entered into on or after the Pricing Date.

#### GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

<b>Term</b>	<b>Description</b>
AIM	Apparel International Mart
ATC	Agreement on Textiles and Clothing
BOD	Biological Oxygen Demand
CCI	Cotton Corporation of India
EPCG	Export Promotion Capital Goods
GATT	General Agreement of Tariffs and Trade
GDP	Gross Domestic Product
IIP	Index of Industrial Production
KVA	Kilo Volt Ampere
KW	Kilo Watt
MFA	Multi Fibre Agreement
MIDC	Maharashtra Industrial Development Corporation
MSEDCL	Maharashtra State Electricity Distribution Company Limited
MSI	Medium Scale Industry
MSP	Minimum Support Price
NIFT	National Institute of Fashion Technology
NOC	No Objection Certificate
NTP – 2000	National Textile Policy, 2000
PVA	Poly Vinyl Alcohol
R & D	Research and Development
RMG	Ready Made Garments

SITP	Scheme for Integrated Textile Park
SPVs	Special Purpose Vehicles
SSI	Small Scale Industry
TCIDS	Textile Centers Infrastructure Development Scheme
TEXMIN	Ministry of Textiles
TFO	Two For One twister
TMC	Cotton Technology Mission
TMFS	Textile Modernization Fund Scheme
TUFS	Technology Upgradation Fund Scheme
WIP	Wool Improvement Programme
WTO	World Trade Organization

### ABBREVIATIONS OF GENERAL TERMS

Abbreviation	Full Form
A/c	Account
AGM	Annual General Meeting
AO	Assessing Officer
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CC Account	Cash Credit Account
CDSL	Central Depository Services (India) Limited
CEPS	Cash Earnings Per Share
Crore	10 million (or) 100 lakh
DSCR	Debt Service Coverage Ratio
DRHP	Draft Red Herring Prospectus
EBIT	Earnings Before Interest and Tax
ECS	Electronic Clearing Services
EGM	Extraordinary General Meeting
EPS	Earning Per Share
FCNR Account	Foreign Currency Non Resident Account
FIPB	Foreign Investment Promotion Board
FY / Fiscal/Financial Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated
FVCI	Foreign Venture Capital Investor, (as defined under SEBI (Foreign Institutional Investor) Regulations, 1995), registered with SEBI.
GIR Number	General Index Registry Number
GoI/Government	Government of India
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accounts of India
IFRS	International Financial Reporting Standards
IPC	Indian Penal Code
Mof	Ministry of Finance, Government of India

<b>Abbreviation</b>	<b>Full Form</b>
MOU	Memorandum of Understanding
Mn, mn	Million
N/A	Not Applicable
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NPV	Net Present Value
NRI	Non Resident Indians
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
p.a.	Per annum
PAN	Permanent Account Number
PAT	Profit After Tax
P/E Ratio	Price/Earnings Ratio
PIO / Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investor in Firm or Proprietary Concern in India) Regulations, 2000
RBI	Reserve Bank of India
RBI Act / Reserve Bank of India Act	The Reserve Bank of India Act, 1934, as amended from time to time
RoC	Registrar of Companies, Maharashtra at Mumbai
ROE	Return on Equity
RONW	Return on Net Worth
Rs.	Rupees, the official currency of the Republic of India
RTGS	Real Time Gross Settlement
RTP	Restrictive Trade Practice
SBAR	State Bank Advance Rate
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
Sec.	Section
SLOC	Standby Line of Credit
STT	Securities Transaction Tax
u/s	Under Section
US	United States of America
USD/ US\$/ \$	United States Dollar, the official currency of the United States of America
VCF	Venture Capital Fund Registered with SEBI
w.e.f.	With effect from

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## **CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA, AND CURRENCY PRESENTATION**

### **Certain Conventions**

In this Red Herring Prospectus, all references to “India” are to the Republic of India, all references to “Rupees” “Rs.” are to the legal currency of India. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words “Lakh” or “Lac” means “100 thousand” and the word “million” or “mn” means “10 lakh” and the word “crore” means “10 million” or “100 lakhs” and the word “billion” means “1,000 million” or “100 crores”.

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

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of the financial statements prepared in accordance with Indian GAAP and wherever not covered are declared by the company.

### **Financial Data**

Unless stated otherwise, the financial data in the Red Herring Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines included elsewhere in the Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31. In the Red Herring Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

For additional definitions, see the section titled ‘Definitions and Abbreviations’ on page no. b of the Red Herring Prospectus. In the section titled ‘Main Provisions of Articles of Association of the Company’ beginning on page no. 207 of the Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

### **Use of Market Data**

Unless stated otherwise, macroeconomic, industry and market data used throughout the Red Herring Prospectus has been obtained from industry publications and internal Company reports. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source.

### **Currency Presentation**

All references in this Red Herring Prospectus to “Indian Rupees”, “Rupees”, “Rs.” and “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “U.S. Dollars”, “Dollars”, “U.S.D.”, “U.S.\$”, “\$” are to United States Dollars, the official currency of the United States of America. All references to “Euro”, “EUR”, and “€” are to Euros, the official currency of the participating member states in the third stage of the Economic and Monetary Union of the treaty establishing the European Community.

## FORWARD LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “expect”, “estimate”, “contemplate” “anticipate”, “intend”, “may”, “shall”, “will”, “should”, “plan”, “project”, “aim”, “believe” “will likely result”, “will continue”, “will pursue” “seek to”, “goal”, “objective”, “future”, or other words or phrases of similar import. Similarly, statements that describe our objectives, strategy, 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 to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;
- Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- Increasing competition in and the conditions of our customers and the Textile Industry;
- Increases in labour costs, raw materials prices, freight rates, prices of plant & machineries and insurance premia;
- Manufacturers’ defects or mechanical problems with our plant & machineries;
- Changes in the value of the Indian rupee and other currencies;
- Cyclical or seasonal fluctuations in the operating results due to prevailing market conditions;
- Amount that we are able to realize from clients;
- Changes in laws and regulations that apply to our customers and the Textile Industry;
- Allocation of funds by the government or government controlled authorities;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

For further discussion of factors that could cause Company’s actual results to differ, please see the section entitled “Risk Factors” included in this Red Herring Prospectus. In the light of inherent risks and uncertainties, the forward looking statements, events and circumstances discussed in this Red Herring Prospectus might not occur and are not guarantees of future performance. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Neither our Company, its Directors and Officers nor any of their respective affiliates has 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, for purposes of the Issue, our Company and the Book Running Lead Manager to the Issue will ensure that investors in India are informed of material developments relating to the business until such time as the grant of listing and trading permission by the Stock Exchanges.

## RISK FACTORS

An investment in equity involves a higher degree of risk. Investor should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our equity shares. Any of the following risks as well as other risks and uncertainties discussed in this Red Herring Prospectus could have a material adverse affect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment. In addition, the risks set out in this Red Herring Prospectus may not be exhaustive and additional risks and uncertainties, not presently known to us, or which we currently deem immaterial, may arise or become material in the future.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial implication or other of any of the risks described in this section. The risks have been determined on the basis of their materiality, the following factors have been considered for determining the materiality:

- a. Some events may not be material individually but may be found materially collectively;
- b. Some events may have material impact qualitatively instead of quantitatively;
- c. Some events may not be material at present but may have material impacts in future.

### Internal Risk factors

1. *We have limited experience in manufacturing activities and our revenues were mainly from trading activities. Our limited experience in setting and operating manufacturing activities may impact our business operations.*

We have started manufacturing operations from our own manufacturing units from March, 2007 as we were earlier outsourcing our requirements from other suppliers for our trading operations. Our revenues were attributable to trading activities, break-up of which is given in the following table:

Sr. No.	Period	Income (Sales + Job work) (Rs. in lakhs)	Income from trading activities (Rs. in lakhs)	% of income from trading activity
1	April 1, 2007 – January 31, 2008	6647.98	6077.39	91.42%
2	2006-07	5549.62	5545.53	99.93%
3	2005-06	3822.49	3822.49	100.00%
4	2004-05	2772.53	2772.53	100.00%

We now plan to set up garment manufacturing and weaving unit in MIDC, Tarapur, District Thane, Maharashtra. Our limited experience in setting up and operating a manufacturing facility of size comparable to the proposed expansion may hinder our ability to operate the proposed facility in a commercially successful manner, in the initial periods. Since we will be required to employ a large work force, our limited experience in handling labour related issues may also be a concern. These factors may adversely affect our results of operations and financials.

2. *We are at present utilizing only 50.88% of our production capacities, on an annualized basis, for the period of ten months ended January 31, 2008 for our weaving unit, where we are currently executing job-work for other manufacturers. We are now setting up another unit to increase further our installed capacity without any firm commitment from customers. We do not having any prior experience in our proposed apparel business and no firm commitment from customers for selling the product.*

In respect of our weaving business, we have utilized 45,79,390 meters during 10 months period from April 1, 2007 to January 31, 2008 as against our total installed capacity of 108,00,000 meters for 12 months period. This works out 50.88% capacity utilisation on an annualised basis during ten months period from April to January 2008. We now propose to set up another unit having installed capacity of 62,00,000 meters per annum thereby increasing our total installed capacity to 170,00,000 meters per annum. We plan to meet 100% of our fabric requirement for our apparel business from the weaving division and the balance quantity of fabric would be supplied to outside customers in the open market, for which we have not entered into any firm commitment. Similarly, in the apparel business, where we propose to manufacture 5,000 pieces men's wear shirts per day, neither we have any prior experience of apparel business nor we have tied up with any customers for its sales. We are setting up these units on certain assumptions as to potential for growth, increased demand from customers for weaving unit, export demand for apparel, etc. In the event our assumptions are not accurate due to external as well as internal factors, we may not be able to sell our production thereby resulting in high inventory or lower capacity utilization. This may ultimately adversely affect business and financial operations of our Company.

3. *Our Company has experienced growth in the past, which may not be sustainable and we can not assure the same growth rate in future.*

Our total sales have increased from Rs. 2772.53 lakhs during 2004-05 to Rs. 3822.49 lakhs during 2005-06 showing an increase of 37.87% and from Rs. 3822.49 lakhs during 2005-06 to Rs. 5545.53 lakhs during 2006-07 showing an increase of 45.08%. Similarly, profit after tax has increased from Rs. 5.87 lakhs in the year 2005-06 to Rs. 255.14 lakhs during 2006-07. These growth levels are abnormal and we may not be able to sustain such growth in revenues and profits or maintain a similar rate of growth in the future. In addition, we are now intending to expand our operations significantly. Such a growth strategy will place significant demands on our management as well as our financial, accounting and operating systems. Further, as we scale-up and expand our operations, we may not be able to focus on existing operations efficiently, which could result in delays, increased costs and diminished quality and may adversely affect our reputation. Any inability to manage our growth may have an adverse effect on our business and results of operations.

4. *We have not yet placed orders for 100% of our plant and machinery, equipment etc. for our proposed expansion as specified in the Objects of the Issue. Any delay in procurement of plant & machinery, equipment etc. may delay the implementation schedule which may also lead to increase in prices of these equipments, further affecting our cost, revenue and profitability.*

The net proceeds of the Issue are proposed to fund the planned expansion are explained in the section titled 'Objects of the Issue' beginning on page no. 29 of this Red Herring Prospectus. We have not yet placed orders for any plant & machinery or any equipment for our proposed project.

Any delay in placing the orders or procurement of plant & machinery, equipment, etc. may delay the implementation schedule. Such delays may also lead to increase in prices of these equipments, further affecting our cost, revenue and profitability.

**5. *Delay in raising funds from the IPO could adversely impact the implementation schedule***

The expansion of our proposed project is to be entirely funded from the proceeds of this IPO. There has already been delay in implementation of schedule as earlier envisaged by us. We have not identified any alternate source of funding and hence any failure or delay on our part to mobilize the required resources or any shortfall in the Issue proceeds may delay the implementation schedule. We therefore, cannot assure that we would be able to execute the expansion project within the given time frame, or within the costs as originally estimated by us. Any time overrun or cost overrun may adversely affect our growth plans and profitability.

**6. *We have not obtained any third party appraisal for our project, the cost of project is based on our estimates which may vary depending upon factors like increase in prices due to which the cost of project may be adversely affected, in turn affecting our financial operations. .***

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. The deployment of funds is entirely at the discretion of our Board of Directors within the parameters as mentioned in the section titled "Objects of the Issue" beginning on page no. 29 of this Red Herring Prospectus and is not subject to any monitoring by any independent agency. All the figures included under the section titled "Objects of the Issue" beginning on page no. 29 of this Red Herring Prospectus are based on our own estimates and the quotations we have received from various suppliers which may vary depending upon factors like increase in prices due to which the cost of project may be adversely affected. Our total cost of project, excluding repayment of term loan, general corporate purpose and issue expenses, has already increased by Rs. 357.46 lakhs on account of exchange fluctuation and increase in price of land and cost of construction of building. Any further increase in total project cost could adversely affect our financial operations.

**7. *We have not yet acquired the land for setting up of our proposed garment and weaving unit and any delay in acquiring the land at competitive prices could adversely impact our business and financial operations.***

We presently have our existing weaving unit at MIDC Tarapur, District Thane, Maharashtra. We plan to set up the proposed garment and new weaving unit adjacent to our existing unit on an area of 12,000 sq. meters, but we have not yet acquired the land or paid any consideration to purchase the land. There has already been an increase in the price of land, which we propose to acquire to the extent of Rs. 120 lakhs. There could be further unexpected price increase in real estate or unavailability of the required area of land. Any delay in acquiring the requisite land at our terms could adversely impact our proposed plans, which in turn could adversely impact our business operations.

**8. *We are not utilizing Rs. 1800 lakhs constituting 34.83% of total issue size for any specific project but are utilizing for prepayment of earlier term loan. Our inability to arrange future term loan requirement on favourable terms could adversely affect our financial operations.***

We are at present availing term loan facilities to the extent of Rs. 1800 lakhs and have also applied for taking benefit of interest subsidy under Technology Upgradation Fund Scheme (TUFS). No communication in this regard has been received by us till date. However, with the approval of interest subsidy under TUFS, our operations could have become cost effective. In the meantime, we have decided to prepay this term loan amounting to Rs. 1800 lakhs, constituting 34.83% of total issue size excluding general corporate purposes and issue expenses. This amount will not be utilized for undertaking any capital expenditure. Our inability to arrange any future term loan requirement from banks / institutions on terms favourable to us in comparison to the present terms, could adversely affect our financial operations.

**9. *Our proposed issue has been assigned “CARE IPO Grade 1” (Grade One) from Credit Analysis and Research Limited, which indicates poor fundamentals.***

The proposed initial public offering of our Company has been assigned the lowest “CARE IPO Grade 1 (Grade One) from Credit Analysis and Research Limited (CARE), which indicates poor fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals, this may adversely affect the subscription level in the issue. For details of rationale of grading, please refer to Annexure appearing on page no. 233 of the Red Herring Prospectus.

**10. *Our Company may face risks of delays / non-receipt of the requisite regulatory/statutory approvals or licenses for any of our Objects arising out of the Issue. Any delay in receipt or non-receipt of licenses or approvals could result in cost and time overrun.***

We have neither received nor applied for any approvals for the proposed expansion. We would be applying for various licenses, approvals, registrations at various stages of implementation for the proposed project at MIDC. Any delay in receipt or non-receipt of licenses or approvals that may be required for the proposed expansions could result in cost and time overrun, and accordingly adversely affecting our operations and profitability. For details, please refer to section titled “Government Approvals” beginning on page number 155 of this Red Herring Prospectus.

**11. *We had negative cash flows for certain periods. Any negative cash flow in future could affect our operations and financial conditions.***

We had negative cash flow from various activities, details of which are as under:

(Rs. in lakhs)

	2004-05	2005-06	2006-07	January 31, 2008
Net Cash flow from operating activities	(133.34)	(380.80)	233.12	285.15
Net Cash flow from investing activities	(10.42)	(2.66)	(3369.83)	(503.80)
Net Cash flow from financing activities	160.66	370.14	3166.40	244.35
Total Net Cash flow	16.90	(13.32)	29.69	25.70

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

***12. Our Company has not tied-up additional working capital requirements needed for the Objects of the Issue and any of our inability to arrange for additional working capital requirement on terms favourable to us, could adversely affect our operations and profitability.***

Our additional working capital requirement from banks for our expansion programme has not tied up. Our inability to arrange for this additional working capital requirement from banks on terms favourable to us, could adversely affect our operations and profitability.

***13. Volatility in the prices of raw material, may adversely impact our total cost of goods sold***

Our Company has to procure different type of fabrics from various suppliers for our trading operations. We are therefore, entirely dependent on external suppliers for our trading operations in textile. Further, for our weaving unit, we need yarn as raw material which we source entirely from yarn manufacturers. The prices of yarn depend largely on the market prices of cotton, which is the raw material for manufacture of yarn and any increase in prices of raw material is generally passed on to our customers. However, any adverse fluctuations in the price which we may not be able to pass on to our customers could have a material adverse effect on our total cost of production. Further, any material shortage or interruption in the supply or decrease in quality of these raw materials could also adversely impact our business operations.

***14. For our weaving unit and for our proposed apparel unit, we will be dependent on third-party sales agents for sales of our products. If our sales agents reduce their efforts to promote our product for any reason, whatsoever, our financial condition and results of operations could be adversely affected.***

We depend on third-party sales agents to promote our grey fabric products to specific customers. Such sales agents are responsible for our total fabric products. Sales agents receive a commission based on the quantity of fabric purchased by the customers they cover. Although we believe that we have good relationships with our sales agents, we have no agreements in place between us and the sales agents, and the sales agents are not exclusive to our Company. If our sales agents significantly reduce their efforts on our behalf or promote other manufacturers' products instead of ours, our financial condition and results of operations could be adversely affected.

***15. Failure on our part to meet consumer expectations could impact our business operations***

Our business depends on consumer preferences which cannot be predicted with certainty and are subject to rapid change. We feel that if we fail to understand and in turn respond in a timely and appropriate manner to changing consumer demand with quality products, our image may be impaired and in turn result in decline in sales. We may not be able to successfully meet changing consumer demands in future. Any failure on our part to successfully meet consumer demand or preference may negatively affect our business, financial condition and results of operations.

***16. Our Company depends on timely identification of evolving fashion trends and creating new designs. Any lag on the part of our Company in this regard may adversely affect our business operations.***

The key success factor in the garment business is in creating appealing designs and colour

combinations to create buyer appeal. In order to be in line with this success factor, we maintain a team of in house designers who design and develop the products as per customer's needs. Any inability on our part to tap the changing fashion may adversely impact our business and financial operations.

***17. We face competition from various textile companies and any inability to compete with them could adversely impact our business and financial operations.***

The extinction of quota regime has resulted into high competition in the textile industry both in the indigenous as well as in the international market. Under this scenario, we may have to confront pressures in respect of pricing, product quality etc. from the buyers and such pressures may put strain on our profit margins which may consequently affect the financial position of our Company.

Competition emerges not only from the organized sector but also from the unorganized sector and from both small and big players. Our inability to compete with this intense competition will have material adverse impact on our Company's financial position.

***18. We have entered into certain related party transactions and may continue to do so in the future. These transactions are carried at the arms length basis but there can be no assurance that these transactions were/will be achieved in the most favourable terms. Further there could be no assurance that in future such transactions will not have any adverse effect on our financial condition and results of operation***

We have entered into related party transactions aggregating to Rs. 1,000.27 lakhs and Rs. 2971.68 lakhs for ten months period ended January 31, 2008 and for the year ended March 31, 2007 with our Promoters, Subsidiary Companies and Directors. While we believe that all such transactions have been conducted on the arms length basis, there can be no assurance that we could not have been achieved more favourable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operation. For details, please refer to section titled "Related Party Transactions" at page no. 110 of this Red Herring Prospectus.

***19. There are restrictive covenants under our Loan Agreements, which could influence our ability to expand, in turn affecting our business and results of operations.***

The covenants in borrowings from banks, among other things, require us to obtain the bank's written consent to effect any changes in our Company's capital structure, enter into any scheme of amalgamation/ re-construction; undertake any new project/ schemes, implement any schemes of expansion or acquire fixed assets unless the expenditure on such expansion etc. is covered by our Company's net cash accruals after providing for dividends, investments etc. or from long term funds received for financing such new projects or expansion and approved by the bank; invest by way of share capital in or lend or advance funds to or place deposits with any other concern; enter into borrowing arrangement either secured or unsecured with any other Bank, financial institution, Company or otherwise save and except the working capital facilities granted/to be granted by other consortium-member banks, under consortium arrangement with the Bank and the term loans proposed to be obtained from financial institutions/Banks for completion of the replacement-cum-

modernisation programme; undertake guarantee obligations on behalf of the Company; and declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations; create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons; sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the Bank; enter into any contractual obligation of a long term nature or affecting the company financially to a significant extent; change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc; and permit any transfer of the controlling interest or make any drastic change in the management set-up.

***20. Our business depends on our manufacturing facility and the loss of or shutdown of operations of the manufacturing facility on any grounds could adversely affect our business or results of operations.***

Our manufacturing facilities are subject to operating risks, such as breakdown or failure of equipment, shortage of raw materials, performance below expected levels of output or efficiency, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. There has never been any shut down of operations in our manufacturing units on account of above factors. However, the occurrence of any of these events could adversely affect our operating results.

***21. Our manufacturing facilities are geographically located in one area and therefore, any localized social unrest, natural disaster or breakdown of services or any other natural disaster in Maharashtra could have material adverse effect on our business and financial condition.***

Our existing and proposed manufacturing unit are based in the State of Maharashtra. As a result, any localized social unrest, natural disaster or breakdown of services and utilities in and around Maharashtra could have material adverse effect on our business, financial position and results of operations. Further, continuous addition of manufacturing facilities in Maharashtra without commensurate growth of its infrastructural facilities may put pressure on the existing infrastructure, which may also affect our business.

***22. Our failure to attract and retain skilled manpower could adversely affect our growth strategy as our success depends partly upon our senior management and key personnel and our ability to attract and retain them.***

We believe that there is significant demand for personnel who possess the skills needed to perform the services we offer. Our inability to hire and retain additional qualified personnel will impair our ability to continue to expand our business. We cannot assure you that we will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. While we have never experienced a work stoppage as a result of labour disagreements or otherwise and we believe our relationship with our employees and their union is generally good, we cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future

***23. Our Company's manufacturing activities are labour intensive and depend on availability of skilled and unskilled laborers in large numbers. Any inability on our part to retain and attract such personnel could adversely affect our operation.***

Our Company as on April 30, 2008 has employed 195 employees at our manufacturing units. Further, we propose to employ 642 personnel for our expansion activities. We are managing labour which has contributed to the smooth functioning of the operations. Our performance also depends on our ability to identify, attract and retain such talent and if we are unable to attract or retain such personnel as required, our business could be adversely affected.

***24. We do not own the trademark "First Winner" and logo of our Company and unauthorised parties may infringe upon or misappropriate our intellectual property.***

The trademark and logo of our Company has not been registered by our Company. We have made an application on October 15, 2007 for registration of logo for which registration is pending as on date. We have not made any application for registration of our trademark. We may not be able to obtain adequate or timely injunctive or equitable relief to protect our intellectual property. If we are unable to successfully enforce or protect our material intellectual property rights, it could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline. For further details in respect of our intellectual property, please refer to section titled "Our Business" appearing on page no. 69 of this Red Herring Prospectus.

***25. Non-renewal of lease agreements entered into by us for our Registered Office could adversely impact our business operations.***

Our Registered Office has been taken on leave and license basis from Solitaire Texfeb & Traders Private Limited, one of our Promoter Group Company for a period of 11 months with effect from April 1, 2007. The lease agreement was renewed for further periods of 11 months with effect from March 1, 2008 vide agreement dated March 1, 2008. In case of non-renewal of the said lease agreement on terms and conditions favourable to us, we may suffer a disruption in our business operations.

***26. Our insurance cover may be inadequate to fully protect us from all losses and this may have material adverse affect on our business and financial operations.***

We have various insurance policies covering stocks, buildings and plant & machinery for total insured amount of Rs. 3414.45 lakhs, details of which are disclosed on page number 80 of this Red Herring Prospectus. However, our insurance policies may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverages. We cannot assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. Further, we are not covered by business interruption policy. Interruption of our business operations for any reasons including on account of fire, flood, any natural calamities etc. may have a material and adverse impact on our business operations and profitability

**27. Our Company faces exchange rate fluctuation risk which may adversely affect our total cost of project.**

We plan to import various plant & machinery for our proposed project and any fluctuations in foreign exchange rates might have an impact on the financial performance of the Company. There has already been depreciation in Indian rupee value, which has resulted in escalation in the existing cost of project to the extent of Rs. 162.46 lakhs. If the Indian rupee value further depreciates, it will make a further adverse impact on our import cost, which in turn will adversely affect our total cost of project.

**28. One of our Subsidiary Company has incurred losses.**

One of our subsidiary company viz. Ramshyam Textile Industries Limited has incurred losses, details of which are as under:

Name of the Company	Period of ten months ended January 31, 2008	2006-07	2005-06	2004-05
	Profit / (Loss) Rs. in lakhs			
Ramshyam Textile Industries Limited	306.24	85.18	(28.69)	-*

\*No profit & loss account had been prepared since the company has not commenced any commercial activities.

**29. We are involved in two litigation involving property for our godown, the outcome of which could adversely impact our business and financial operations.**

We are involved in two litigation involving dispute relating to our godown premises located at Bhiwandi, Maharashtra, details of which are as under:

Sno.	Subject	Details
1	Parties to the case	Indian Overseas Bank, Kandivali (E) Branch, Mumbai & Others
2	Court in which it is filed and in which it is pending as on date	Debt Recovery Tribunal 2, Mumbai
3	Nature of Case	The Company purchased two properties No 8 & 12 H. No. 266, Rahnal, Tal Bhiwandi, Maharashtra from Mrs. Rajani Patodia through its constituted attorney Mr. Atmaram Patodia and paid a sales consideration of Rs. 9.60 lakhs. Mr. Atmaram Patodia got the property as per the arbitration award of arbitrator appointed by Civil Court Patna dated January 9, 2002 from Mrs. Rajani Patodia. The Company came to know that said properties are subject matter of the recovery proceedings no. 139 of 2004 before Debt Recovery Tribunal 2, Mumbai. The Company is a bonafide purchaser for valuable consideration without notice from the seller. The Company has made an intertwining application in the

		Debt Recovery Tribunal 2, Mumbai for protection of its title in the said properties.
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In addition to filing the aforesaid intervening application in the Debt Recovery Tribunal 2, Mumbai for protection of its title in the aforesaid properties, we have also filed one plaint in the District Civil Judges Court at Thane against M/s Hanuman Textiles & Others. The proceedings have been initiated and are pending at present.

For more information regarding these cases, please refer to section titled “Outstanding Litigations and Material Developments” beginning from page number 150 of this Red Herring Prospectus.

***30. Our Subsidiary and our Promoter Group Company are involved in the following legal proceedings, and any unfavourable outcome of the proceedings may adversely impact our / their business and financial conditions***

There is one appeal filed by each of our Subsidiary Company and one of our Promoter Group Company involving Tax liabilities as mention below. Any unfavourable outcome of these proceedings may adversely affect the financial condition of these companies:

Type	Total number of Cases	Amount (Rs. In lakhs)	Nature of case
<b>Case filed by First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) (Our Subsidiary Company)</b>			
Income Tax	One	Rs. 45.98 lakhs	Appeal has been filed against the order of Commissioner of Income Tax (Appeals) IX, Mumbai.
<b>Case filed by Rikosh Fashions Private Limited (Our Promoter Group Company)</b>			
Income Tax	One	Rs. 34.14 lakhs	Appeal has been filed against the order of Commissioner of Income Tax (Appeals) IX, Mumbai.
	Total	Rs. 80.12 lakhs	

In addition, income tax notices have been received by First Winner Lifestyle Private Limited u/s 221(1), 143(2) and 115WE(2); by Ramshyam Textile Industries Limited u/s 143(2) and by Solitaire Texfab & Traders Private Limited u/s 143(2) and 115WE(2) of the Income Tax Act, 1961.

For more information regarding these cases, please refer to section titled “Outstanding Litigations and Material Developments” beginning from page number 150 of this Red Herring Prospectus.

***31. As on date, we have given corporate guarantees to the extent of Rs. 5870 lakhs to our subsidiaries. Any adverse event affecting the performance of our subsidiaries resulting in invocation of guarantee which in turn could adversely impact our financial position.***

Presently, we have provided corporate guarantee on behalf of our subsidiaries viz. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) and Ramshyam Textile Industries Limited to the extent of Rs. 4420 lakhs and Rs. 1450 lakhs respectively to their Bankers. This amount of Rs. 5870 lakhs is more than the present networth of our Company of Rs. 2943.57 lakhs. In case of any event adversely affecting the performance of any of the subsidiaries, could result in invocation of such guarantee which in turn would adversely affect our financial position.

**32. *Our Promoters have given personal guarantees in relation to certain financing arrangements provided to us by our lenders, non renewal of these guarantees or deterioration in the financial condition of the promoters may affect our financial arrangements with our lenders.***

Under certain financial arrangements with our lenders, our Promoters have given personal guarantees for repayment of the credit facilities availed by us. Our Promoters may not renew their guarantees provided in their personal capacities. Additionally, if the financial condition of our Promoters deteriorates, our existing financing arrangements with our lenders may be adversely affected.

**33. *Our Promoters and promoter group will continue to retain majority control in our Company after the Issue, which will enable them to influence the outcome of matters submitted to shareholders for approval.***

After completion of the Issue, the Promoters and promoter group will continue to hold approximately 41.36% of post-issued paid up share capital. So long as the Promoters and promoter group holds a majority of our Company's Equity Shares, they will be able to control most matters affecting our Company, including the appointment and removal of our Directors; our business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions; our dividend payout and financing. Further, the extent of Promoters and promoter group shareholding may result in delay or prevention of a change of management or control of our Company, even if such a transaction may be beneficial to our other shareholders.

**34. *Our Subsidiary Companies and Promoter Group Companies are in the same line of business which could result in conflict of interest and thereby could adversely affect our business in future.***

Our subsidiary companies viz. Ramshyam Textile Industries Limited and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) and Promoter Group Companies viz. Solitaire Texfeb & Traders Private Limited and Rikosh Fashions Private Limited are in the same line of business. We have not signed any non-compete agreement with them and this could result in conflict of interest and adversely affect our business in future.

**35. *Our Company has certain contingent liabilities not provided for that may affect our financial condition.***

Our Company has following contingent liabilities not provided for in the books of accounts and in the event that any of these contingent liabilities materialize, our financial condition may be adversely affected to that extent. As per our audited restated accounts for the period ended January 31, 2008, our Company has following outstanding contingent liabilities:

(Rs. In lakhs)

<b>Particulars</b>	<b>As on January 31, 2008</b>
Letter of credit	274.46
Corporate Guarantee to Banker on behalf of Subsidiary Companies i.e. Ramshyam Textile Industries Ltd. and First	3720.00

Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)	
<b>Total</b>	<b>3,994.46</b>

**36. We do not have a track record for payment of dividend on Equity Shares and there is no assurance that we will be able to pay dividend in future.**

Our Company has not declared or paid any cash dividends on the Equity Shares in the past. The future payment of dividends, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends.

**37. The P/E multiple at a Price Band of Rs. 120 to Rs. 130 is more than the Industry Average P/E multiple. A higher P/E multiple could adversely affect the price at which the Equity Shares may be listed and subsequently traded.**

We have fixed a Price Band of Rs. 120 to Rs. 130 per Equity Share for our proposed Public Issue. Considering the Earning Per Share of Rs. 2.63 per Equity Share for the financial year 2006-07, being the last audited restated for 12 months period and Price Band of Rs. 120 to 130, the P/E multiple of 45.63 (at lower price band) & 49.43 (at upper price band) is more than the Industry Average P/E multiple of 31.10. A higher P/E multiple than the industry average could adversely affect the price at which the Equity Shares may be listed and subsequently traded.

**38. We have issued Equity Shares in last twelve months and the price of such issuances may be lower than the Issue Price.**

We have made the following allotment of Equity Shares in the twelve months before the date of the Red Herring Prospectus and the price of such issuances may be lower than the Issue Price:

Date of Allotment	Number of Equity Shares	Face Value (Rs)	Issue price (Rs)	Consideration
September 28, 2007	6,40,000	10	125	Cash

**39. There is no existing market for the Equity Shares, and we do not know if one will develop. Our stock price may be highly volatile after the Issue, and as a result, you could lose a significant portion or all of your investment.**

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest will lead to the development of an active trading market on the Stock Exchanges or how liquid that market will become. If an active market does not develop, you may experience difficulty in selling the Equity Shares that you purchased. The IPO price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price you paid in the Issue.

***40. The market price of the Equity Shares may be adversely affected by any additional issuances of equity or sales of a large number of the Equity Shares by our Promoters.***

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any future issuance of Equity Shares, whether through the exercise of options or otherwise, will dilute the position of existing shareholders and could adversely affect the market price of the Equity Shares.

**EXTERNAL RISK FACTORS**

- 1. Force majeure events, terrorist attacks or natural disaster or any other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our Company's business, results of operations, financial conditions and cash flows.***

Certain force majeure events, being beyond our Company's control, including natural disasters, terrorist attacks and other acts of violence or war which may involve India, or other countries, may adversely affect worldwide financial markets, and could lead to economic recession. These acts may also result in a loss of business confidence and have other consequences that could adversely affect business, results of operations and financial condition of our Company. More generally, any of these events could lower confidence in India. Any such event could adversely affect the financial performance or the market price of the Equity Shares of our Company.

- 2. Non-compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our business, financial condition and results of operations.***

Our existing project is subject to government and environmental laws and regulations which govern the discharge, emission and disposal of variety of substances that may be used in or result from the operations of our businesses. These laws and regulations include the Environmental Protection Act 1986, the Air (Prevention and Control of Pollution) Act 1981, the Water (Prevention and Control of Pollution) Act 1974 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards of the relevant states. In addition, some of our operations are subject to risks involving personal injury, loss of life, environmental damage and severe damage to property.

The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by government entities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental requirements, we may also be subject to administrative, civil and criminal proceedings by government entities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as revocation of approvals and permits and orders that could limit or halt our operations.

- 2. Regulatory changes may adversely affect our performance or financial conditions.***

Regulatory changes relating to business segments in which we operate in India and overseas, can have a bearing on our business. Each state in India has different local taxes and levies which may

include sales tax and octroi. Further, changes in these local taxes and levies may impact our profits and profitability. Any negative changes in the regulatory conditions in India or our other geographic markets could adversely affect our business operations or financial conditions.

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

There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. The Government of India plays an important role by regulating the policies and regulations governing the private sector. The current economic policies of the government may change at a later date. The pace of economic liberalization could change and specific laws and policies affecting the industry and other policies affecting investment in our Company's business could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our Company's business.

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

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

Any decline in foreign exchange reserves could negatively impact the valuation of the rupee. Further, this could result in reduced liquidity and higher interest rates that could adversely affect our future financial performance and the market price of the Equity Shares.

**5. *You will not be able to sell immediately any of the Equity Shares you purchase in this Issue on an Indian stock Exchange***

The Equity Shares will be listed on 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 the Designated Stock Exchange. Thereafter, upon receipt of final approval of the stock exchanges, trading in the equity shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within the time periods specified above.

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

The Issue Price of our Equity Shares will be determined by the Book Building Process. This price will be based on numerous factors (discussed in the section “Basis for Issue Price” on page no. 47 of this Red Herring Prospectus and may not be indicative of the market price of our Equity Shares after the Issue. The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- a) Quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- b) Changes in revenue or earnings estimates or publication of research reports by analysts;
- c) Speculation in the press or investment community;
- d) General market conditions; and
- e) Domestic and international economic, legal and regulatory factors unrelated to our performance.

**NOTES TO RISK FACTORS**

1. The Net worth of our Company as on March 31, 2007 and January 31, 2008 is Rs. 1909.21 lakhs and Rs. 2943.57 lakhs respectively and the size of the Issue is Rs. [•] lakhs.
2. The average cost of acquisition of Equity shares of the Promoters is as per the details given below (including issue of Swap and Bonus Shares):

<b>Name of Promoter</b>	<b>Total no. of Equity Shares</b>	<b>Average Cost of Acquisition (Rs.)</b>
Mr. Rinku Patodia	35,27,505	2.31
Ms. Anita Patodia	24,35,130	2.21

3. The Book value per Equity Share of Rs. 10/- each was Rs. 19.16 as on January 31, 2008 as per our restated unconsolidated financial statements included in this Red Herring Prospectus.
4. Public Issue of 55,00,000 Equity Shares of Rs.10/- each for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] lakhs (hereinafter referred to as “The Issue”), comprising of Employee Reservation of 1,00,000 Equity Shares of face value of Rs. 10/- each at a price of Rs. [•] per Equity Share for cash aggregating Rs. [•] lakhs (herein after referred to as the “Employee Reservation Portion”. The Net Issue to the Public is of 54,00,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] lakhs. The issue would constitute 31.02% of the Post Issue paid-up capital of our Company.
5. This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue to Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be

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available for allotment 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 to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

6. For interest of our Promoters/Directors/Key Management Personnel and other ventures promoted by Promoters, please refer to section titled "Risk Factors", "Our Promoters", "Our Promoter Group Companies", "Our Management", "Related Party Transactions" and "Financial Statements of the Company" beginning on page no iii, 105, 107, 95, 110 and 112 of the Red Herring Prospectus.
7. We have entered into related party transactions aggregating to Rs. 1,000.27 lakhs for ten months period ended January 31, 2008 with our Promoters, Subsidiary Companies and Directors. For details, please refer to section titled "Related Party Transactions" at page no. 110 of the Red Herring Prospectus.
8. No loans and advances have been made to any person(s) / Companies in which the Director(s) of the Company are interested.
9. Any clarification or information relating to the Issue shall be made available by the BRLM, our company and our Compliance Officer to the investors at large and no selective or additional information would be available for a section of investors in any matter whatsoever. Investor may contact the BRLM for any complaint pertaining to the Issue.
10. The Investors are advised to refer to the Para on "Basis for Issue Price" on page no. 47 of this Red Herring Prospectus before making any investment in this Issue.
11. Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
12. No part of the Issue proceeds will be paid as consideration to promoters, directors, key management personnel, associate or Group Companies.
13. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders, Retail Bidders and Bidders in Employee Reservation Portion shall be on a proportionate basis. For, more information, please refer section titled "Basis of Allocation" on page no. 198 of the Red Herring Prospectus.

## SECTION III - INTRODUCTION

### SUMMARY

*This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information contained in the chapters titled "Risk Factors" and "Financial Statements" and related notes beginning on pages iii and 112 of the Red Herring Prospectus before deciding to invest on our Equity Shares.*

#### **Industry Overview**

The Indian domestic textile industry is characterized by highly fragmented producers who sell unbranded products to consumers directly. With rising disposable incomes and the emergence of the organized retail sector, the branded textiles business is expected to become an increasingly important part of the Indian domestic market.

The Indian textile industry is focusing on adding value by developing skills and manufacturing products across various segments of the global textile and apparel markets. This is an attempt to differentiate Indian from Chinese textile production, where the focus is on volumes and lower prices.

The textile industry is very crucial to the Indian economy in terms of its contribution to GDP and employment. It contributes about 14% to industrial production, 4% to the GDP and 16.63% to the country's export earnings. It provides direct employment to over 35 millions people. The textile sector is the second largest provider of employment after agriculture sector. agriculture (*Source: Ministry of Textiles, Government of India Annual Report 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>*). The WTO agreements, low costs of production, availability of abundant domestic cotton supply and availability of skilled labor have combined to enhance the prospects for India's textile companies. The export basket includes a wide range of items, including cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups, and a variety of garments.

The Indian textile and apparel industry occupies a significant position in the global textile map as it is the third largest producer of cotton and cellulose fibre/yarn, second largest producer of cotton yarn, largest producer of jute, second largest producer of silk and fifth largest producer of synthetic fibre/yarn.

The Indian textile industry is highly localized around Western India-Ahmedabad and Mumbai, though there are other centers at Kanpur, Kolkata, Indore, Coimbatore etc. The structure of the Indian textile industry is both complex and unique. There is the modern sophisticated mill sector on one hand and the handloom, powerloom and hosiery sector on the other. This dualistic manufacturing structure is dominated by the decentralized or unorganized sector comprising of the handloom, powerloom and the hosiery sector. India is one of the few countries that have a presence across the entire value chain of the textiles and apparel business starting from fibre production, spinning, weaving/knitting, processing to garment manufacturing.

## **Our Business Overview**

Our Company was incorporated on January 22, 2003 as Firstwinner Trading Private Limited. The name of our Company has been changed to First Winner Industries Private Limited, and further to First Winner Industries Limited. We started our operations with the objective to supply the textile fabrics to wholesalers and apparel & garment manufacturers. Initially, we started trading in the textile fabrics and now with a view to have our own manufacturing facilities, we have set up our own weaving unit during 2006-07 by installing 100 looms. The manufacturing facilities are located at MIDC, Tarapur, District Thane, Maharashtra. The unit has total installed capacity to manufacture 108 lakh meter grey fabrics per annum and commenced commercial production w.e.f. March 19, 2007. We are also executing job works for fabric and garment manufacturers. The income from job work constituted 0.07% and 8.42% of total income during 2006-07 and for the period of ten months first quarter ended January 31, 2008.

We have two subsidiaries viz. Ramshyam Textile Industries Limited and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) which are engaged in the same business. Ramshyam Textile Industries Limited commenced its operations of weaving from February 1, 2006 and became our subsidiary on April 1, 2007. Ramshyam Textile Industries Limited is having 48 looms with total installed capacity of 42.24 lakh meter fabrics per annum. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited), which was incorporated on December 12, 2002 as Realgold Exports Private Limited also became our subsidiary on April 1, 2007 and is having weaving unit with 48 looms and total installed capacity of 62 lakh meters per annum. This unit has commenced its commercial production from February 1, 2008. Both the subsidiaries are having manufacturing facilities at MIDC Tarapur, District Thane, Maharashtra. For details, please refer to paragraph "Our Subsidiaries" appearing on page number 91 of this Red Herring Prospectus

## **Our Strengths**

### ***Experienced Management Team***

We have management team with experience in textile industry including production, marketing, sales, quality control and finance. The management team is supported by Board of Directors and Key Management Personnel who are qualified with industry specific expertise. The manufacturing unit is managed by our President Mr. Shantivadan Ratanlal Dalal who has 40 years of experience in textile business. Further, we have experienced and professional Directors on our Board who have varied experience in textile, banking, marketing, and finance.

### ***Quality Control***

We believe that quality matters when it comes to customer satisfaction. Small defect in the fabric also impacts to a great extent on the sales and revenue. Our quality team ensures that fabric is manufactured without any defects at different stages of manufacturing and conduct thorough checks on every meter of the fabric immediately after the weaving. Our quality control team is headed by Mr. Praful Jayantilal Shah who is having more than 38 years of experience in textile manufacturing industry. He also holds a certification course in Cotton Weaving from Board of Technical Examinations, Maharashtra State.

***Design Capabilities***

The element of designing is critical for development of fabric. It is important to understand the pulse of the customers with regard to taste and preference and the changing trends in fashion. We have our own in-house designing team headed by Mr. Bharat Shah who has the necessary expertise and experience in formulating the designs to the satisfaction of customers considering changing fashion trends.

***Customer relationship***

We have existing relationship with various wholesale customers for our trading operations. Further, we have been engaged in job-work in which fabric is manufactured and supplied according to the required design and fashion. We have executed job-work for various fabric and garment manufacturers.

***Our Strategy******Expansion of Capacities***

At present we have the grey fabric manufacturing unit at MIDC, Tarapur with an installed capacity of 100 looms that can manufacture 108 lakh meters of grey fabric per annum. Further, we intend to buy 48 more looms with a production capacity of 62 lakh meters per annum thereby increasing the total capacity to 170 lakh meters per annum.

***Setting up of garment manufacturing unit***

As a part of our forward intergration strategy, we are setting up garment manufacturing unit with production capacity of 5,000 pieces of men's wear shirts per day. Further, we also plan to manufacture entire range of men's wear.

***Export opportunities***

We are at present not exporting our products but are in the process of identifying the potential markets outside India. We do not have any definite agreements or arrangements at present to support this strategy. However, we plan to explore export opportunities in the textile market after setting up of our garment manufacturing unit.

***Enhance Customer Base and establish long-term relationship:***

We plan to increase our existing customer base by enhancing our distribution reach of our products to different States. We propose to increase our marketing and sales team which can focus on different States and also maintain and establish relationship with customers.

***Retail business***

At present, we are targeting wholesale customers for our grey fabric production. We propose to offer apparel products in men's wear category under our own brand through our own retail outlets.

## SUMMARY OF FINANCIAL DATA

The following tables set forth summary financial information derived from our restated unconsolidated and audited financial statements for the period of ten months ended January 31, 2008 and for the financial years ended March 31, 2007, 2006, 2005, 2004 and 2003. As on April 1, 2007 two companies viz. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) and Ramshyam Textile Industries Limited became subsidiaries of our Company and audited financial statements have been consolidated for the period of ten months ended January 31, 2008, which have also been tabled below. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and are presented in the section titled "Financial Statements" beginning on page no. 112 of this Red Herring Prospectus. The summary financial information presented below should be read in conjunction with our restated consolidated and unconsolidated audited financial statements, the notes thereto and the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Our Business" appearing on page nos. 139 and 69 of this Red Herring Prospectus.

### Unconsolidated Restated Statement of Assets & Liabilities

(Rs. In lakhs)

As at	31.01.08	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>Particulars</b>						
<b>Fixed Assets (A)</b>						
Gross Block	3,082.21***	3,028.79***	68.94***	58.15	55.52	3.50
Less : Accumulated Depreciation	130.20	12.92	7.63	4.40	1.36	0.10
<b>Net Block</b>	<b>2,952.01</b>	<b>3,015.87</b>	<b>61.31</b>	<b>53.75</b>	<b>54.16</b>	<b>3.40</b>
<b>Investments (B)</b>	972.02	400.10	-	8.00	-	-
<b>Current Assets, Loans and Advances (C)</b>						
Inventories	318.18	308.48	203.86	137.21	49.56	54.87
Sundry Debtors	1477.55	1,362.10**	975.06**	472.51**	425.30	187.36
Cash & Bank Balance	70.66	44.96	15.27	28.59	11.69	0.15
Loans & Advances	507.85	76.55	55.63	22.58	0.64	-
<b>Total ( C )</b>	<b>2,374.24</b>	<b>1,792.09</b>	<b>1,249.82</b>	<b>660.89</b>	<b>487.19</b>	<b>242.38</b>
<b>Total Assets</b>	<b>6,298.27</b>	<b>5,208.06</b>	<b>1,311.13</b>	<b>722.64</b>	<b>541.35</b>	<b>245.78</b>
<b>Liabilities and Provisions ( D )</b>						
Secured Loans	2,578.27	2,514.21	498.21	275.68	125.42	-
Unsecured Loans	-	-	-	-	12.00	35.00
Deferred Tax Liability/(Assets)	169.78	73.08	2.52	1.75	1.36	0.23
Current Liabilities & Provisions	606.65	711.56	385.76	225.64	242.41	170.18
<b>Total ( D )</b>	<b>3,354.70</b>	<b>3,298.85</b>	<b>886.49</b>	<b>503.07</b>	<b>381.19</b>	<b>205.41</b>
<b>Net Worth (A+B+C-D) = (E)</b>	<b>2,943.57</b>	<b>1,909.21</b>	<b>424.64</b>	<b>219.57</b>	<b>160.16</b>	<b>40.37</b>
Represented by						
1. Share Capital	1,223.27	988.50	61.25	48.75	25.00	1.00

2. Reserves & Surplus	1775.50	527.52	164.63	121.26	40.21	0.42
3. Share Application Money*	-	400.00	200.00	50.00	95.00	39.00
Less : Preliminary Expenditure	(55.20)	(6.81)	(1.24)	(0.44)	(0.05)	(0.05)
<b>Total</b>	<b>2,943.57</b>	<b>1,909.21</b>	<b>424.64</b>	<b>219.57</b>	<b>160.16</b>	<b>40.37</b>

\* There is no pending share application money as on date of this Red Herring Prospectus.

\*\*Increase in sundry debtors from Rs. 472.51 as on March 31, 2005 to Rs 975.06 lakhs as on March 31, 2006 and to Rs. 1,362.10 lakhs as on March 31, 2007 was mainly on account of increase in sales and Job work revenue by 37.87% during the year ended March 31, 2006 over previous year and further increase in the sales and Job work revenue by 45.18% during the year ended March 31, 2007.

\*\*\* Increase in gross block from Rs. 68.94 lakhs as on March 31, 2006 to Rs. 3,028.79 lakhs as on March 31, 2007 was mainly because of setting up of grey fabric manufacturing facilities. Increase in gross block till January 31, 2008 to Rs. 3082.20 from Rs. 3028.79 lakhs as on March 31, 2007 was mainly because of addition of Rs. 17 lakhs in plant & machineries, Rs. 16.93 lakhs in vehicles and Rs. 13.84 lakhs in building.

## Unconsolidated Restated Statement of Profits &amp; Losses

(Rs. In lakhs)

Year/ period ended	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>Particulars</b>						
<b>Income</b>						
Sales of products traded by us	6,077.39	5,545.53	3,767.44	2,409.07	1,559.73	244.37
Sales of products manufactured by us	9.90	-	-	-	-	-
Sales of products not normally dealt by us	-	-	55.05	363.46	269.26	-
Job Work charges	560.69	4.09	-	-	-	-
Other Income	8.72	4.99	5.03	14.53	5.68	-
<b>Total Income</b>	<b>6,656.70</b>	<b>5,554.61</b>	<b>3,827.52</b>	<b>2,787.06</b>	<b>1,834.67</b>	<b>244.37</b>
<b>Expenditure</b>						
Raw Material Consumed	5,341.30	5,022.83	3,738.50	2,721.55	1,803.49	241.92
Other Direct Expenses	31.50	2.05	-	-	-	-
Administrative Expenses	166.83	42.56	23.46	20.35	16.11	1.69
Interest and Financial Charges	219.71	84.60	52.38	27.60	8.40	-
Depreciation	117.28	7.35	3.23	3.03	1.26	0.10
<b>Total Expenditure</b>	<b>5,876.62</b>	<b>5,159.39</b>	<b>3,817.57</b>	<b>2,772.53</b>	<b>1,829.26</b>	<b>243.71</b>
Profit before Tax	780.08	395.22	9.95	14.53	5.41	0.66
Provision for taxation						
Current Tax	(170.77)	(69.02)	(2.80)	(3.60)	(0.85)	(0.01)
Deferred Tax	(96.70)	(70.56)	(0.78)	(0.39)	(1.13)	(0.23)
Fringe Benefit Tax	(0.64)	(0.50)	(0.50)	-	-	-
Prior period items – Income Tax	-	-	-	(0.74)	0.36	-
<b>Profit after Tax but before extra ordinary items</b>	<b>511.97</b>	<b>255.14</b>	<b>5.87</b>	<b>9.80</b>	<b>3.79</b>	<b>0.42</b>
Extra ordinary items	-	-	-	-	-	-
<b>Profit after Tax and extra ordinary items</b>	<b>511.97</b>	<b>255.14*</b>	<b>5.87*</b>	<b>9.80*</b>	<b>3.79*</b>	<b>0.42</b>
Profit brought forward from previous year	275.02	19.88	14.01	4.21	0.42	-
Balance Carried over to Balance Sheet	786.99	275.02	19.88	14.01	4.21	0.42

\* Profit after tax increased to Rs. 9.80 lakhs for the year ended 31<sup>st</sup> March 2005 from Rs. 3.79 lakhs for the year ended 31<sup>st</sup> March 2004 mainly because of increase in total income to Rs. 2787.06 lakhs from Rs. 1834.67 lakhs.

Profit after tax increased to Rs. 255.14 lakhs in the year ended 31<sup>st</sup> March 2007 from Rs. 3.79 lakhs for the year ended 31<sup>st</sup> March 2006 mainly because increase in total income to Rs. 5554.61 lakhs for the year ended 31<sup>st</sup> March 2007 from Rs. 3827.52 lakhs for the year ended 31<sup>st</sup> March 2006.

### Consolidated Restated Statement of Assets & Liabilities

As on April 1, 2007 two companies viz. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) and Ramshyam Textile Industries Limited became subsidiaries of our Company and therefore, audited financial statements have been consolidated for the period of ten months ended January 31, 2008.

Particulars	(Rs. In lakhs)
	As at 31.01.08
<b>Fixed Assets (A)</b>	
Gross Block	6,624.21
Less : Accumulated Depreciation	239.26
<b>Net Block</b>	<b>6,384.95</b>
<b>Investments (B)</b>	2.50
<b>Current Assets, Loans and Advances</b>	
Inventories	615.69
Sundry Debtors	3,965.99
Cash & Bank Balance	162.71
Loans & Advances	758.22
<b>Total ( C )</b>	<b>5,502.61</b>
<b>Total Assets</b>	<b>11,890.06</b>
<b>Liabilities and Provisions ( D )</b>	
Secured Loans	5,626.92
Unsecured Loans	-
Deferred Tax Liability/(Assets)	374.64
Current Liabilities & Provisions	1,476.94
<b>Total ( D )</b>	<b>7,478.50</b>
<b>Minority Interest (E)</b>	<b>0.15</b>
<b>Net Worth (A+B+C-D-E) = (F)</b>	<b>4,411.41</b>
Represented by	
1. Share Capital	1,223.27
2. Reserves & Surplus	3,243.81
3. Share Application Money	-
Less : Preliminary Expenditure	(55.67)
<b>Total</b>	<b>4,411.41</b>

**Consolidated Restated Statement of Profits & Losses**

<b>Particulars</b>	<b>(Rs. In lakhs)</b>
	<b>April 1, 2008 to January 31, 2008</b>
<b>Income</b>	
Sales of products traded by us	14,123.67
Sales of products manufactured by us	9.90
Sales of products not normally dealt by us	-
Job Work Charges	772.70
Other Income	10.66
<b>Total Income</b>	<b>14,916.93</b>
<b>Expenditure</b>	
Raw Material Consumed	12,090.11
Other Direct Expenses	113.98
Administrative Expenses	232.38
Interest and Financial Charges	364.32
Depreciation	164.62
<b>Total Expenditure</b>	<b>12,965.41</b>
Profit before Tax	1,951.52
Provision for taxation	
Current Tax	(435.04)
Deferred Tax	(248.31)
Fringe Benefit Tax	(2.04)
<b>Profit after Tax, restated before extra ordinary items</b>	<b>1,266.13</b>
<b>Less : Extra ordinary items</b>	<b>-</b>
<b>Profit after Tax, restated after extra ordinary items</b>	<b>1,266.13</b>
Less: Minority Interest	(0.05)
<b>Profit after Tax and minority interest</b>	<b>1,266.08</b>

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**THE ISSUE**

<b>Equity Shares offered*:</b>		55,00,000 Equity Shares
<b>Out of Issue</b>		
<b>A</b>	<b>Employee Reservation**</b>	1,00,000 Equity Shares
<b>B</b>	<b>Net Issue to Public</b>	54,00,000 Equity Shares
	<b>Of which:</b>	
	<b>i) QIB Portion including Mutual Funds*</b>	Not more than 27,00,000 Equity Shares constituting 50% of the Net Issue to the Public (Allocation on proportionate basis) out of which 5% i.e. 1,35,000 Equity Shares will be available for allocation to Mutual Funds and the remaining QIB portion will be available for allocation to QIBs, including Mutual Funds.
	<b>i) Non Institutional Portion*</b>	At least 8,10,000 Equity Shares constituting 15% of the Net Issue to the Public (Allocation on proportionate basis)
	<b>i) Retail Portion*</b>	At least 18,90,000 Equity Shares constituting 35% of the Net Issue to the Public (Allocation on proportionate basis)
<b>C</b>	<b>Equity Shares outstanding prior to the Issue</b>	1,22,32,750 Equity Shares
<b>D</b>	<b>Equity shares outstanding after the Issue</b>	1,77,32,750 Equity Shares
<b>Objects of the Issue</b>		Please see the section entitled "Objects of the Issue" on page no. 29 of this Red Herring Prospectus.

\* Under subscription, if any, in any of the categories, would be allowed to be met with spill over from any of the other categories including from over subscription at the sole discretion of our company, in consultation with the BRLM.

The unsubscribed portion in the Employee Reservation Portion, if any, shall be added back to the Net Issue to the public. In case of under-subscription in the Net Issue to the Public Portion, spill over to the extent of under subscription shall be permitted from the reserved category to the Net Issue to the Public.

## GENERAL INFORMATION

Our Company was originally incorporated as First Winner Trading Company Private Limited on January 22, 2003 under the Companies Act, 1956. The name of our company was changed to First Winner Industries Private Limited with effect from August 17, 2006. The name of our company was further changed to First Winner Industries Limited with effect from August 18, 2006.

### Registered Office of our Company

First Winner Industries Limited  
605, Business Classic,  
Chincholi Bunder Road, Malad (West),  
Mumbai – 400 064  
Tel. No.: +91-22- 2880 2255 / 99;  
Fax No.:+91-22- 2881 2288;  
E mail: [ipo@firstwinnerind.com](mailto:ipo@firstwinnerind.com)  
Website: [www.firstwinnerind.com](http://www.firstwinnerind.com)

### Changes in Registered Office of Our Company in the past:

Period	Address
Since Incorporation till January 22, 2003	58, Maharashtra Bhawan, 4th Floor, Bora Masjid Street, Fort, Mumbai.
January 23, 2003 to September 14, 2003	1/11, Bakshi Singh Chawl, Adarsh Nagar, Kurar Village, Malad (East), Mumbai
September 15, 2003 to January 31, 2005	A-1, Ground Floor, Gurukrupa Building, Evershine Nagar, Malad (West), Mumbai
February 1, 2005 to July 5, 2006	408, Maker Bhawan – III, 21 Marine Lines, Mumbai
From July 6, 2006	605, Business Classic, Chincholi Bunder Road, Malad (West), Mumbai – 400 064

### Address of the Registrar of Companies

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

The Registration number of our Company is 138778 and the Company Identification Number of our Company is U51909MH2003PLC138778.

### Our Board of Directors

Sr. No.	Name	Designation
1.	Dr. M.K. Sinha	Non-Executive Chairman
2.	Mr. Rinku Patodia	Managing Director
3.	Ms. Anita Patodia	Executive Director
4.	Mr. Brijgopal Bajranglal Agarwal	Non Executive Independent Director
5.	Mr. Anil Gupta	Non Executive Independent Director

### **Brief Profile of Our Board of Directors**

**Mr. Rinku Patodia** aged 29 years, has completed B.Com in the year 1999 from Bombay University. He is the Promoter and also the Managing Director of our Company. He started his career in the textile broking and trading in the year 1999. He joined our Company as Promoter in the year 2004. He had been appointed as Managing Director in our Company in the year 2007.

**Ms. Anita Patodia**, aged 29 years and has completed Diploma in fashion designing from CVTI Institute of Fashion Technology, Mumbai. She had been appointed as Executive Director in the year 2007. She is engaged in assisting selection and designing of fabrics.

For further details in respect of our other Directors, see section titled "Our Management" on page no 95 of this Red Herring Prospectus.

### **Compliance Officer & Company Secretary**

Mr. R.C. Sharma  
Company Secretary  
605, Business Classic,  
Chincholi Bunder Road, Malad (West),  
Mumbai – 400 064  
Tel. No.: +91-22- 2880 2255 / 99;  
Fax No.:+91-22- 2881 2288;  
E mail: [ipo@firstwinnerind.com](mailto:ipo@firstwinnerind.com)  
Website: [www.firstwinnerind.com](http://www.firstwinnerind.com)

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

### **Book Running Lead Manager**

**Almondz Global Securities Limited**  
33 Vaswani Mansion, 6<sup>th</sup> Floor  
Dinsha Vachha Road  
Churchgate, Mumbai – 400 020  
Tel: +91-22-2287 0580  
Fax: +91-22-2287 0581  
Email: [firstwinner.ipo@almondz.com](mailto:firstwinner.ipo@almondz.com)  
Website: [www.almondzglobal.com](http://www.almondzglobal.com)  
SEBI Registration No: MB/INM 000000834  
Contact Person: Mr. Sunit Shangle

## **Syndicate Members**

### **Almondz Global Securities Limited**

33 Vaswani Mansion, 6<sup>th</sup> Floor  
Dinsha Vachha Road  
Churchgate, Mumbai – 400 020  
Tel: +91-22-2287 0580  
Fax: +91-22-2287 0581  
Email: [firstwinner.ipo@almondz.com](mailto:firstwinner.ipo@almondz.com)  
Website: [www.almondzglobal.com](http://www.almondzglobal.com)  
Contact Person: Mr. Surender Tare  
SEBI Registration Number: INM000000834

## **Registrars to the Issue**

### **Intime Spectrum Registry Limited**

C-13, Panalal Silk Mills Compound  
LBS Marg, Bhandup West,  
Mumbai 400 078, India  
Tel No +91-22-2596 0320 (9 lines)  
Fax No +91-22-25960329  
Email: [firstwinner@intimespectrum.com](mailto:firstwinner@intimespectrum.com)  
Website: [www.intimespectrum.com](http://www.intimespectrum.com)  
SEBI Registration No.: INR000003761  
Contact Person: Mr. Sachin Achar

## **Legal Advisor to the Issue**

### **Deltaa Legal Associates**

New no. 15, West West Cross Street,  
Shenoy Nagar,  
Chennai – 600 030  
Tel. No. +91-44 – 2621 2287  
Fax No. +91-44- 4218 3313  
E Mail: [info@deltaalegal.com](mailto:info@deltaalegal.com)  
Website: [www.deltaalegal.com](http://www.deltaalegal.com)  
Contact Person: Ms. Roopa V. Menon

## **Bankers to the Company**

### **State Bank of India**

M.I.D.C Andheri (East) Branch,  
Plot No. B-1. M.I.D.C.  
Industrial Area, Central Road, Andheri (East),  
Mumbai – 400 093  
Tel. No. +91-22 - 5692 0313 / 6  
Fax No. +91-22 - 2836 2393

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

### **The Hongkong and Shanghai Banking Corporation Limited**

HSBC, 52/60, M. Road, Fort,  
Mumbai – 400 001  
Tel. No. +91-22-6746 5614  
Fax No. +91-22- 6653 6002  
E Mail: [dhavalparikh@hsbc.co.in](mailto:dhavalparikh@hsbc.co.in)  
Website: [www.hsbc.co.in](http://www.hsbc.co.in)  
Contact Person: Deepen Kapadia

### **HDFC Bank Limited**

Maneckji Wadia Building, 3rd Floor,  
Nanik Motwani Marg, Fort, Mumbai - 400 001.  
Tel: 022-66573746  
Fax: 022-22700024  
Email: [deepak.rane@hdfcbank.com](mailto:deepak.rane@hdfcbank.com)  
Contact Person: Mr. Deepak Rane  
Website: [www.hdfcbank.com](http://www.hdfcbank.com)

### **ICICI Bank Limited**

Capital Market Division, 30 Mumbai Samachar Marg,  
Mumbai – 400 001  
Phone: +91 22 22627600  
Fax: +91 22 22611138  
Email: [venkataraghavan.t@icicibank.com](mailto:venkataraghavan.t@icicibank.com)  
Contact Person: Mr. Venkataraghavan T A  
Website: [www.icicibank.com](http://www.icicibank.com)

### **Standard Chartered Bank**

270, D.N. Road,  
Fort, Mumbai – 400 001  
Phone: +91 22 22683965 / 2209 2213  
Fax: +91 22 2209 6069  
Email: [joseph.george@in.standardchartered.com](mailto:joseph.george@in.standardchartered.com) / [rajesh.malwade@in.standardchartered.com](mailto:rajesh.malwade@in.standardchartered.com)  
Contact Person: Mr. Joseph George / Mr. Rajesh Malwade  
Website: [www.standardchartered.co.in](http://www.standardchartered.co.in)

## **Statutory Auditors to the Company**

### **Deshmukh & Associates**

20, Mahabir Mansion, 70, Trinity Street,  
Opp: 1<sup>st</sup> Dhobi Talao Lane,  
Mumbai – 400 002  
Tel. No. +91-22-22061692  
Fax No. +91-22- 22031219  
E Mail: [deepenkapadia@gmail.com](mailto:deepenkapadia@gmail.com)  
Contact Person: Deepen Kapadia

**Praful M. Joshi**

20, Mahabir Mansion,  
70, Trinity Street,  
Opp: 1<sup>st</sup> Dhobi Talao Lane,  
Mumbai – 400 002  
Tel. No. +91-22-22061692  
Fax No. +91-22- 22031219  
E Mail: [prafuljoshi@yahoo.com](mailto:prafuljoshi@yahoo.com)  
Contact Person: Praful M. Joshi

**IPO Grading**

Our Company has appointed CARE for grading. CARE has assigned a 'CARE IPO GRADE 1' to the proposed initial public offering of our Company. 'CARE IPO Grade 1' indicates **poor fundamentals**. The Grading has been revalidated vide CARE's letter dated May 09, 2008.

**Rationale for CARE IPO Grading**

The grading is constrained by small size of operations, limited experience in manufacturing, no presence in branded apparel segment, recently introduced corporate governance practices, relatively high amount of corporate guarantees given on behalf of subsidiaries and project implementation risks associated with setting up of proposed weaving and garmenting unit. The grading also considers the past track record of the promoters in trading of textile products and experienced functional management.

For details of rationale of grading and Disclaimer Clause of CARE, please refer to page no. 233 & 162 respectively of this Red Herring Prospectus.

**Credit Rating**

As the Issue is of Equity Shares, credit rating is not required.

**Trustees**

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

**Book Building Process**

Book Building, refers to the process of collection of Bids from investors, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid / Issue Closing Date.

The principal parties involved in the Book Building Process are:

- Our Company;
- Book Running Lead Manager;

- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and are eligible to act as Underwriters. Syndicate Members are appointed by the BRLM;
- Escrow Collection Bank(s); and
- Registrar to the Issue.

This Issue is being made through a 100% Book Building Process wherein not more than 50% of the Net Issue to Public shall be available for allocation on a proportionate basis to Qualified Institutional Buyers (“QIBs”). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to all QIBs including 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 to Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

**Though the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.**

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed Book Running Lead Manager to manage the Issue and to procure subscription to the Issue.

**QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.** In addition, QIBs are now required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. Please refer to the section titled “Issue Procedure” beginning on page no. 171 of this Red Herring Prospectus for more details.

Steps to be taken by the Bidder for bidding:

- Check eligibility for making a bid, see the section titled “Issue Procedure-Who Can Bid?” beginning on page no.171 of this Red Herring Prospectus;
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form and
- Ensure that Permanent Account Number is mentioned on the Bid – Cum – Application Form. For details please refer to the section titled “Issue Procedure” beginning on page no. 171 of this Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of Permanent Account Number as the Bid is liable to be rejected on those grounds.

### **Illustration of Book Building and Price Discovery Process**

*(Investors should note that this example is solely for illustrative purposes and is not specific to this Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 30 to

Rs. 34 per 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 centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

<b>Bid Quantity</b>	<b>Bid Price (Rs.)</b>	<b>Cumulative Quantity</b>	<b>Subscription</b>
500	34	500	16.67%
1000	33	1500	50.00%
1500	32	3000	100.00%
2000	31	5000	166.67%
2500	30	7500	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. 32 in the above example. The issuer, in consultation with the Book Running Lead Manager, will finalize the issue price at or below such cut off price, i.e., at or below Rs. 32. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

### **Bid/Issue Programme**

#### **Bidding Period/Issue Period**

<b>BID/ISSUE OPENS ON</b>	<b>JUNE 9, 2008</b>
<b>BID/ISSUE CLOSES ON</b>	<b>JUNE 12, 2008</b>

Bids and any revision in Bids will be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned in the Bid cum application Form except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. in case of Bids by QIB Bidders, Non-Institutional Bidders and Employees bidding under the Employee Reservation Portion where the Bid Amount is in excess of Rs. 100,000 and (ii) till such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders and Employees Bidding under the Employee Reservation Portion where the Bid Amount is up to Rs. 100,000. Bids will be accepted only on working days i.e. Monday to Friday (excluding public holidays). 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 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. 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, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue and the Issuer / BRLM and the Syndicate Member will not be responsible for such Bids not being uploaded. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holiday).

On the Bid / Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of the timing for acceptance of Bid-cum-Application Form as stated

herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.

Our Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price advertised at least one day before the Bid /Issue Opening Date. In case of revision of the Price Band, the Bid/Issue Period will be extended for three additional days after revision of the Price Band subject to the total Bid /Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bid/Issue period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release and also by indicating the changes on the web sites of the BRLM and at the terminals of the Syndicate.

### Underwriting Agreement

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

### 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 Registrar of Companies)

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Lakhs)
<b>Almondz Global Securities Limited</b> 33 Vaswani Mansion, 6 <sup>th</sup> Floor Dinsha Vachha Road Churchgate, Mumbai – 400 020 Tel: +91-22-2287 0580 Fax: +91-22-2287 0581	[•]	[•]
<b>TOTAL</b>	[•]	[•]

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [•].

In the opinion of the Board of Directors and the BRLM (based on certificates given to them by the Underwriters), the resources of all 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 Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s). The above underwriting agreement has been accepted by the Board of Directors at the meeting held on [•] and the Company has issued letters of acceptance to the Underwriters.

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

## CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of the Red Herring Prospectus with SEBI is as set forth below: (Rs. In lakhs)

Particulars		Aggregate Nominal Value	Aggregate value at Issue Price
<b>A</b>	Authorized Capital		
	<b>2,00,00,000 Equity Shares of Rs. 10/- each</b>	<b>2000.00</b>	
<b>B</b>	Issued, Subscribed and Paid-up Capital		
	<b>1,22,32,750 Equity Shares of Rs. 10/- each</b>	<b>1223.27</b>	
<b>C</b>	Present Issue to the Public in terms of this Red Herring Prospectus		
	<b>55,00,000 Equity shares of Rs. 10/- each fully paid up</b>	<b>550.00</b>	<b>[●]</b>
	<b>Out of which</b>		
<b>D</b>	Employee Reservation Portion (on competitive basis)		
	<b>1,00,000 Equity shares of Rs. 10/- each fully paid up</b>	<b>10.00</b>	<b>[●]</b>
<b>E</b>	Net Issue to the Public		
	<b>54,00,000 Equity shares of Rs. 10/- each fully paid up</b>	<b>540.00</b>	<b>[●]</b>
<b>F</b>	Paid up Capital after the Issue		
	<b>1,77,32,750 Equity Shares of Rs. 10/- each</b>	<b>1773.27</b>	
<b>G</b>	Share Premium Account		
	<b>Before the issue</b>	<b>988.50</b>	
	<b>After the issue</b>	<b>[●]</b>	

Details of increase in our authorized share capital, since incorporation, are as follows:

S. No	Date	Increased from (Rs. In lakhs)	Increased to (Rs. In lakhs)	Remarks
1.	January 22, 2003	N/A	1.00	On Incorporation
2.	September 30, 2003	1.00	25.00	Increased from Rs. 1 lakh divided into 10,000 equity shares of Rs. 10 each to Rs. 25 lakh divided into 2,50,000 equity shares of Rs. 10 each.
3.	October 06, 2004	25.00	50.00	Increased from Rs. 25 lakh divided into 2,50,000 equity shares of Rs. 10 each to Rs. 50 lakh divided into 5,00,000 equity shares of Rs. 10 each.
4.	June 06, 2005	50.00	75.00	Increased from Rs. 50 lakh divided into 5,00,000 equity shares of Rs. 10 each to Rs. 75 lakh divided into 7,50,000 equity shares of Rs. 10 each.
5.	June 22, 2006	75.00	400.00	Increased from Rs. 75 lakh divided into

S. No	Date	Increased from (Rs. In lakhs)	Increased to (Rs. In lakhs)	Remarks
				7,50,000 equity shares of Rs. 10 each to Rs. 400 lakh divided into 40,00,000 equity shares of Rs. 10 each.
6.	January 29, 2007	400.00	1200.00	Increased from Rs. 400 lakh divided into 40,00,000 equity shares of Rs. 10 each to Rs. 1200 lakh divided into 1,20,00,000 equity shares of Rs. 10 each.
7.	August 29, 2007	1200.00	2000.00	Increased from Rs. 1200 lakhs divided into 1,20,00,000 equity shares of Rs. 10 each to Rs. 2000 lakh divided into 2,00,00,000 equity shares of Rs. 10 each.

## NOTES TO CAPITAL STRUCTURE

### 1. Capital Build up (Equity Share capital history of our Company):

Date of Allotment / Fully Paidup	No. of Equity Shares	Face Value	Issue Price	Consideration	Reasons for Allotment / Reduction	Cumulative Securities Premium Account (Rs.in lakhs)	Cumulative No. of Equity Shares	Cumulative Paid-up Capital (Rs. In lakhs)
January 22, 2003	10,000	10	10	Cash	Subscribers to the Memorandum	Nil	10,000	1.00
February 11, 2004	2,40,000	10	25	Cash	Further issue of equity shares	36	2,50,000	25.00
October 07, 2004	2,37,500	10	40	Cash	Further issue of equity shares	107.25	4,87,500	48.75
June 07, 2005	1,25,000	10	40	Cash	Further issue of equity shares	144.75	6,12,500	61.25
October 03, 2006	10,35,000	10	100	Cash	Further issue of equity shares	1076.25	16,47,500	164.75
January 31, 2007	82,37,500	10	Nil	Bonus	5:1 Bonus Issue	252.50**	98,85,000	988.50
April 01, 2007	17,07,750*	10	10	Other than cash	Issue of shares in consideration of shares of	252.50	1,15,92,750	1159.275

					subsidiary			
September 28, 2007	6,40,000***	10	125	Cash	Further issue of equity shares	988.50	1,22,32,750	1223.27

\* 17,07,750 Equity Shares with the face value Rs.10/- each were issued other than cash in consideration of acquisition of shares of Ramshyam Textile Industries Limited and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)

\*\* Share Premium amount of Rs. 823.75 lakhs has been utilized for issue of Bonus Shares.

\*\*\*Out of the total 6,40,000 Equity Shares, 2,40,000 Equity Shares were allotted to Geeta Gopal Synthetics Private Limited; 2,40,000 Equity Shares were allotted to Chintamani Textile Private Limited and 1,60,000 Equity Shares were allotted to Varad Vinayak Textiles Private Limited. All these three entities are not related to each other in any manner whatsoever and are also not forming part of our Promoter Group in any manner.

## 2. Details of promoters' contribution and lock in

### (a) Build up of Promoters

Name	Date of Allotment / Transfer / Acquisition	Date when made fully paid up	Consideration (Cash/ Bonus/ Kind Etc.)	No. Of Equity Shares	Face Value (Rs.)	Issue / Acquisition Price	% of Post Issue Paid up Capital	Lock- in period (years)
<b>Mr. Rinku Patodia</b>	January 24, 2003		Transfer (Purchase)	2,000	10	9.50		1 year
	February 11, 2004	February 11, 2004	Allotment	48,000	10	25		1 year
	June 07, 2005	June 07, 2005	Allotment	10,000	10	40		1 year
	May 29, 2006		Transfer (Purchase)	16,000	10	5		1 year
	May 29, 2006		Transfer (Purchase)	95,900	10	7.09		1 year
	October 11, 2006		Transfer (Purchase)	2,96,500	10	5		1 year
	October 11, 2006		Transfer (Purchase)	57,400	10	10		1 year
	January 31, 2007	January 31, 2007	Bonus	6,29,000	10	Nil		1 year
	January 31, 2007	January 31, 2007	Bonus	20,00,000	10	Nil		3 years
	April 01, 2007	April 01, 2007	Other than Cash (Swap)	3,72,705	10	10		1 year
		<b>Total</b>		<b>35,27,505</b>			<b>19.89%</b>	
<b>Ms. Anita Patodia</b>	May 29, 2006		Transfer (Purchase)	1,00,000	10	5		1 year
	October 11,		Transfer	1,00,000	10	5		1 year

Transfer

Name	Date of Allotment / Transfer / Acquisition	Date when made fully paid up	Consideration (Cash/ Bonus/ Kind Etc.)	No. Of Equity Shares	Face Value (Rs.)	Issue / Acquisition on Price	% of Post Issue Paid up Capital	Lock- in period (years)
	2006		(Purchase)					
	October 11, 2006		Transfer (Purchase)	1,59,500	10	10		1 year
	January 31, 2007	January 31, 2007	Bonus	1,35,500	10	Nil		1 year
	January 31, 2007	January 31, 2007	Bonus	16,62,000	10	Nil		3 years
	April 01, 2007	April 01, 2007	Other than Cash (Swap)	2,78,130	10	10		1 year
		<b>Total</b>		<b>24,35,130</b>			<b>13.73%</b>	
		<b>Grand total</b>		<b>59,62,635</b>			<b>33.62%</b>	

**(b) Lock-in of Minimum Promoters' Contribution**

Pursuant to the SEBI Guidelines, an aggregate of 20% of the shareholding of the Company's Promoters shall be locked in for a period of three years from the date of allotment in the Issue. The lock-in details are as under:

S. No	Name of Promoter	Face Value (Rs.)	Date of Allotment	No. of Shares	% of Post Issue paid up capital	Lock-in Period
1.	Mr. Rinku Patodia	10	January 31, 2007	20,00,000	11.28%	3 years
2.	Ms. Anita Patodia	10	January 31, 2007	16,62,000	9.37%	3 years
<b>Total</b>				<b>36,62,000</b>	<b>20.65%</b>	<b>3 years</b>

- i. The Equity Shares to be locked-in for a period of three years have been computed as 20.65% of Equity Share Capital after the Issue. It is confirmed that the Equity Shares offered for by the Promoters for three years lock-in are not pledged. Further all the Equity Shares, which are being lock in for 3 years, are not ineligible for computation of promoters' contribution and lock-in as per clause 4.6 of SEBI Guidelines.
- ii. The Promoters have vide their letter dated October 15, 2007 given their consent for lock-in of shares as stated above. Equity Shares issued last shall be locked in first. The lock-in shall start from the date of allotment in the public issue and the last date of the lock-in shall be reckoned as three years from the date of commencement of commercial production or the date of allotment in the issue, whichever is later.
- iii. In addition to above promoters contribution which is locked in for a period of three years, the entire remaining pre-Issue Equity Capital of the Company i.e. 85,70,750 Equity Shares will be

locked in for a period of one year from the date of allotment of Equity Shares in this Issue constituting 48.33% of the post issue equity share capital of the Company.

In terms of clause 4.15.1 of the SEBI (DIP) Guidelines, locked in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan. Provided that if securities are locked in as minimum promoters' contribution under Clause 4.11.1 of SEBI (DIP) Guidelines, the same may be pledged only if in addition to fulfilling the above requirements, the loan has been granted by such banks or financial institution for the purpose of financing one or more of the objects of the issue.

In terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and amongst the Promoters / Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover Regulations), 1997 as applicable. Further, in terms of clause 4.16.1 (a) of the SEBI (DIP) Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.

The Equity Shares forming part of promoter's contribution do not consist of any private placement made by solicitation of subscription from unrelated persons, either directly or through any intermediary. Further, shares considered for promoter's contribution have not been acquired for consideration other than cash and revaluation of assets or resulting from bonus issue out of revaluation reserves or reserves created without accrual of cash resources or against shares which are other wise ineligible for promoter's contribution. Also, promoter's contribution does not include any shares acquired during last one year at a price lower than the Issue price.

3. None of the equity shares held by Promoters and considered for the purpose of promoter's contribution are pledged with any bank or financial institution.
4. There is no "buyback" or "standby" arrangement for purchase of Equity Shares by the Company, its Directors, its Promoters, or the BRLM for the Equity Shares offered through this Red Herring Prospectus.
5. Our Company has not issued any equity shares for consideration other than cash except for bonus issue and shares issued against takeover of subsidiary companies M/s Ramshyam Textile Industries Ltd and M/s First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited). The details of these equity shares are given below:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Details
January 31, 2007	82,37,500	10	Issue of Bonus Shares in the ratio 5:1
April 01, 2007	6,07,770	10	Issued shares to shareholders of M/s Ramshyam Textile Industries Ltd for

			purchase of their shares in M/s Ramshyam Textile Industries Ltd.
April 01, 2007	10,99,980	10	Issued shares to shareholders of M/s First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) for purchase of their shares in M/s First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)

6. An over-subscription to the extent of 10% of Net Issue to the Public can be retained for the purpose of rounding off to the nearer multiple of 1, while finalizing the Basis of Allotment. Consequently, the actual allotment may go up by a maximum of 10% of the Net Offer to Public, as a result of which, the post Issue paid up capital after the Issue would also increase by the excess amount of allotment so made. In such an event, the Equity Shares held by our Promoters and subject to lock-in shall be suitably increased, so as to ensure that 20% of the post Issue paid-up capital is locked in.
7. As on date of filing of this Red Herring Prospectus with SEBI, the entire issued share capital of our Company is fully paid-up.
8. The Equity Shares offered through this public issue shall be made fully paid up and the unpaid equity shares may be forfeited within 12 months from the date of allotment of shares in the manner specified as per clause 8.6.2 of the SEBI (Disclosure and Investor Protection) Guidelines.
9. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in para on "Basis of Allocation" on page no. 198 of this Red Herring Prospectus.
10. (a) Details of top ten shareholders of the Company on the date of filing the Red Herring Prospectus with SEBI are as follows:

S. No.	Name of the shareholder	No. of Equity Shares	% of shares to the Pre-Issue Capital
1.	Mr. Rinku Patodia	35,27,505	28.84%
2.	Ms. Anita Patodia	24,35,130	19.91%
3.	Geetagopal Synthetics Private Limited	9,05,790	7.40%
4.	Solitaire Texfab & Traders Private Limited	7,65,865	6.26%
5.	Chintamani Textiles Private Limited	7,00,615	5.73%
6.	Vishnu Textiles Trade Private Limited	6,85,290	5.60%
7.	Varad-Vinayak Textiles Private Limited	6,70,640	5.48%
8.	Karsam Tele Trading Private Limited	6,42,990	5.26%
9.	Rikosh Fashions Private Limited	6,06,500	4.96%
10.	Starwood Exports Private Limited	5,12,100	4.19%
<b>Total</b>			<b>93.63%</b>

- (b) Details of top ten shareholders as on ten days prior to filing this Red Herring Prospectus with SEBI are as follows:

S. No.	Name of the shareholder	No. of Equity Shares	% of shares to the Pre-Issue Capital
1.	Mr. Rinku Patodia	35,27,505	28.84%
2.	Ms. Anita Patodia	24,35,130	19.91%
3.	Geetagopal Synthetics Private Limited	9,05,790	7.40%
4.	Solitaire Texfab & Traders Private Limited	7,65,865	6.26%
5.	Chintamani Textiles Private Limited	7,00,615	5.73%
6.	Vishnu Textiles Trade Private Limited	6,85,290	5.60%
7.	Varad-Vinayak Textiles Private Limited	6,70,640	5.48%
8.	Karsam Tele Trading Private Limited	6,42,990	5.26%
9.	Rikosh Fashions Private Limited	6,06,500	4.96%
10.	Starwood Exports Private Limited	5,12,100	4.19%
<b>Total</b>			<b>93.63%</b>

- (c) Details of top ten shareholders as of two years prior to filing this Red Herring Prospectus with SEBI were as follows:

S. No.	Name of the shareholder	No. of Equity Shares	% of shares to the Paid up Capital
1.	Arrow Syntex Pvt Ltd	1,65,000	26.94%
2.	Greatwall Trade Pvt Ltd	61,000	9.96%
3.	Mr. Rinku Patodia	60,000	9.80%
4.	Mr. Narendra Nahar	51,250	8.37%
5.	Mr. Manubhai Patel	50,250	8.20%
6.	Mr. Sachin K Jadav	36,500	5.96%
7.	Mr. Harish Choudhary	36,250	5.92%
8.	Mr. Dev Singh	30,000	4.90%
9.	Kusum Textiles Pvt Ltd	28,000	4.57%
10.	Mr. I.K. Patodia	28,000	4.57%
<b>Total</b>			<b>89.18%</b>

The above shareholders do not hold any shares, which they would be entitled to upon exercise of warrant, option, rights to convert a debenture, loan or other instrument.

11. Details of Pre-Issue shareholding of the Promoter / Promoter Group as on date are as follows:

S. No.	Name	Shareholding	% of shares to the Pre-Issue Capital
<b>(A) Promoters - Core Promoters</b>			
1.	Mr. Rinku Patodia	35,27,505	28.84%

S. No.	Name	Shareholding	% of shares to the Pre-Issue Capital
2.	Ms. Anita Patodia	24,35,130	19.91%
<b>Sub-Total (A)</b>		<b>59,62,635</b>	<b>48.75%</b>
<b>(B) Promoter Group</b>			
1.	Solitaire Texfeb & Traders Private Limited	7,65,865	6.26%
2.	Rikosh Fashions Private Limited	6,06,500	4.96%
<b>Sub-Total (B)</b>		<b>13,72,365</b>	<b>11.22%</b>
<b>Total (Promoter &amp; Promoter Group)</b>		<b>73,35,000</b>	<b>59.96%</b>

12. The details of other shareholders in our Company which are not related to Promoter/Promoter Group as on date of filing of this Red Herring Prospectus.

S.No.	Name	No. of Equity Shares	% of shares to the Pre-Issue Capital
1	Vipul Textile Private Limited	7,62,325	6.23%
2	Geeta Gopal Synthecis Private Limited	9,05,790	7.40%
3	Chintamani Textile Private Limited	7,00,615	5.73%
4.	Vishnu Textile Trade Private Limited	6,85,290	5.60%
5.	Varad Vinayak Textiles Private Limited	6,70,640	5.48%
6.	Karsam Tele Trading Private Limited	6,42,990	5.26%
7.	Starwood Exports Private Limited	5,12,100	4.19%
8.	Ms. Pushpadevi	5,000	0.04%
9.	Mr. Sanjay Singhania	2,000	0.02%
10.	Mr. Atmaram Singhania	2,000	0.02%
11.	Mr. Sunil Singhania	2,000	0.02%
12.	Ms. Kiran Singhania	2,000	0.02%
13.	Ms. Shibani Singhania	2,000	0.02%
14.	Ms. Hetal Lohia	2,000	0.02%
15.	Bhupendra Mehta	1,000	0.01%
<b>Sub-Total (C)</b>		<b>48,97,750</b>	<b>40.04%</b>

13. Pre-Issue and Post-Issue Shareholding of our Company

Particulars	Pre-Issue		Post-Issue	
	No. of Equity Shares	% to the present share capital	No. of Equity Shares	% of post issue Share Capital
<b>Promoters' Holding</b>				
Promoter / Core Promoter	59,62,635	48.74%	59,62,635	33.62%
Promoter Group	13,72,365	11.22%	13,72,365	7.74%
<b>Total Promoter and Promoter Group</b>	<b>73,35,000</b>	<b>59.96%</b>	<b>73,35,000</b>	<b>41.36%</b>
<b>Others - Not related to Promoter / Promoter Group</b>	<b>48,97,750</b>	<b>40.04%</b>	<b>48,97,750</b>	<b>27.62%</b>

Particulars	Pre-Issue		Post –Issue	
	No. of Equity Shares	% to the present share capital	No. of Equity Shares	% of post issue Share Capital
Public	-	-	54,00,000	30.46%
Employees	-	-	100,000	0.56%
<b>Sub-Total</b>	<b>0.00</b>	<b>0.00</b>	<b>55,00,000</b>	<b>31.02%</b>
<b>Total</b>	<b>1,22,32,750</b>	<b>100.00</b>	<b>1,77,32,750</b>	<b>100.00%</b>

14. As on the date of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debenture, loans or other financial instruments into Equity Shares of the Company. The Shares locked in by Promoters are not pledged to any one.
15. Our Promoters/ Promoter Group/Directors have not purchased / sold / financed / acquired any shares of the Company during the past 6 months.
16. The Company has not raised any bridge loan against the proceeds of the present issue. For details on use of proceeds, see the section titled “Objects of the Issue” on page no. 29 of this Red Herring Prospectus.
17. There would be no further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, public issue or otherwise during the period commencing from submission of this Red Herring Prospectus with SEBI till the Equity Shares offered through this Red Herring Prospectus have been listed.
18. At present, our Company does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except that the Company may issue options to its employees pursuant to any employee Stock Option plan, or if the Company go for acquisitions and joint ventures, the Company may consider raising additional capital to fund such activity or use shares as currency for acquisition and / or participation in such joint venture.
19. Our Company does not have any ESOS/ESPS scheme for our employees and we do not intend to allot any shares to our employees under ESOS/ESPS scheme from the proposed issue. As and when, options are granted to our employees under the ESOP scheme, our Company shall comply with the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Plan) Guidelines 1999.
20. The Company has not issued any shares out of revaluation reserves.
21. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
22. A Bidder cannot make a bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
23. The Company has 19 shareholders as on the date of filing of this Red Herring Prospectus with SEBI.

24. Not more than 50% of the Net Issue to the public shall be allocated to QIBs on a proportionate basis out of which 5% shall be available for allocation on proportionate basis to Mutual Funds only and the remainder shall be available for allotment 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 the remaining 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 category would be met with spill over from other categories at our sole discretion, in consultation with the BRLM.
25. Our Company has not revalued its assets.
26. A Bidder cannot make a Bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
27. An applicant in net public category cannot make an application for the number of Equity Shares exceeding the number of Equity Shares offered to the public.
28. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in Para on "Basis of Allocation" on page no. 198 of this Red Herring Prospectus.
29. In case of under subscription in the Employee Reservation Portion, the unsubscribed portion shall be added back to any other category/categories, at the sole discretion of the BRLM and our Company.
30. **Restrictive Covenants of Lenders**

The covenants in borrowings from banks, among other things, require us to obtain the bank's written consent to effect any changes in our Company's capital structure, enter into any scheme of amalgamation/ re-construction; undertake any new project/ schemes, implement any schemes of expansion or acquire fixed assets unless the expenditure on such expansion etc. is covered by our Company's net cash accruals after providing for dividends, investments etc. or from long term funds received for financing such new projects or expansion and approved by the bank; invest by way of share capital in or lend or advance funds to or place deposits with any other concern; enter into borrowing arrangement either secured or unsecured with any other Bank, financial institution, Company or otherwise save and except the working capital facilities granted/to be granted by other consortium-member banks, under consortium arrangement with the Bank and the term loans proposed to be obtained from financial institutions/Banks for completion of the replacement-cum-modernization programme; undertake guarantee obligations on behalf of the Company; and declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations; create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons; sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the Bank; enter into any contractual obligation of a long term nature or affecting the company financially to a significant extent; change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc; and permit any transfer of the controlling interest or make any drastic change in the management set-up.

## OBJECTS OF THE ISSUE

### Rationale for the Issue

We are presently engaged in the manufacture of grey fabrics and also in trading of textile fabrics which we supply to various wholesalers and apparel & garment manufacturers. In order to diversify and expand our business activities by means of forward integration, we propose to set up apparel manufacturing facility and new weaving unit.

The proceeds from the proposed Issue of Equity Shares are intended to be deployed for:

1. Setting up of an apparel manufacturing facility
2. Setting up of new weaving unit
3. Prepayment of Term Loan
4. General Corporate Purposes
5. Issue Expenses

The main object clause of our Memorandum of Association and objects incidental to the main objects enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

The fund requirements and the intended use of the net proceeds as described herein are based on management estimates and our current business plan and various quotations received by us from different suppliers. In view of the competitive nature of textile industry, we may have to revise our expenditure and fund requirements as a result of variations in the cost structure, changes in estimates and external factors, which may not be within the control of our management. This may entail rescheduling, revising or canceling the planned expenditure and fund requirements and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our 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 change due to various factors, some of which may not be in our control.

The fund requirement is proposed to be raised mainly through IPO proceeds and the proceeds from the Initial Public Offering / IPO would be crystallized on finalization of the Issue Price on conclusion of the Book Building Process. Any shortfall in meeting the objects of the issues on determination of issue price on conclusion of the Book Building Process would be met from internal accruals and / or debt. Further, the amount that is in excess of the funds required for the objects proposed project and Issue expenses will be utilized for general corporate purposes, which would be in accordance with the policies of our Board made from time to time.

## COST OF PROJECT

The total project cost for the above mentioned objects as per our Company's estimate is as follows:

(Rs. in Lakhs)

S. No.	Fund Requirement	Amount
1.	Setting up of an apparel manufacturing facility	1,203.98
2.	Setting up of new Weaving Unit	2,163.47
3.	Prepayment of Term Loan	1800.00
4.	General Corporate Purposes*	[•]
5.	Issue Expenses*	[•]
	<b>TOTAL</b>	[•]

\* Will be finalized upon finalization of Issue Price

## MEANS OF FINANCE

The above cost is proposed to be financed as under:

(Rs. In Lakhs)

S. No.	Means of Finance	Amount
1.	Proceeds of the Issue	[•]
	<b>TOTAL</b>	[•]

Firm arrangements of finance through verifiable means towards 100% of the stated means of finance excluding the amount to be raised through public Issue have been made.

While the actual working capital requirement for the increased business activity envisaged after implementation of the expansion programme as mentioned herein has not been accurately estimated, we do not foresee any difficulty in meeting the requirements of the requisite working capital out of our internal resources.

## Details of Utilization of Issue Proceeds

### 1. Setting up of apparel manufacturing facility

Our Company intends to set up apparel manufacturing facility with a production capacity of 5,000 pieces of men's wear shirts per day. The project cost is allocated among various cost components as under:

(Rs. in Lakhs)

Objects	Amount
(a) Land	480.00
(b) Construction of Building	287.50
(c) Plant & Machinery	386.48
(d) Electrical Installations and Fittings	50.00
<b>Total</b>	<b>1,203.98</b>

**1. (a) Land**

We presently have our existing weaving unit at MIDC Tarapur, District Thane, Maharashtra. We plan to set up the proposed garment and new weaving unit adjacent to our existing unit on an area of 12,000 sq. meter, but we have not yet acquired the land or paid any consideration to purchase the land. As per quotation dated October 12, 2007 from V.K. Lad, Chartered Engineer and Valuer, the total cost of acquisition of land is Rs. 360 lakhs. As there was an increase in the cost of land, a revised estimate dated May 5, 2008 has been submitted by V.K. Lad, Chartered Engineer and Valuer revising the cost of land to Rs. 480 lakhs. We propose to set up apparel manufacturing unit on the first floor and weaving unit on the ground floor.

**1. (b) Construction of Building**

The costs associated with the construction and development on the first floor as per the estimates of Noval Designs dated September 07, 2007 is Rs. 250 lakhs. The construction includes construction of factory shed, godown and office premises. Since there was an increase in the construction cost on account of increase in steel and cement prices, Novel Designs have revised their estimates from Rs. 250 lakhs to Rs. 287.50 lakhs vide their estimate dated May 8, 2008.

**1. (c) Plant and Machinery**

Plant and Machinery with a capacity to manufacture 5000 men's wear shirts per day includes plant & machinery required for various sections viz. Cutting, Sewing, embroidery and finishing / ironing and packing section. We propose to import plant and machinery through India Industrial Garment Machines Private Limited, for our expansion and the total cost is estimated at Rs. 386.48 lakhs, vide their quotation dated September 12, 2007 revalidated by their letter dated April 04, 2008, brief details of which are as under:

S.No.	Model & Description	Qty	Unit Price	Total	Total in (Rs. in lakhs)
<b>(A) CUTTING SECTION</b>					
1	<b>EASTMAN MODEL 629 8"</b> Straight knife Machine	6	\$1,320.00	\$7,920.00	3.39
2	<b>EASTMAN MODEL EC-3</b> End cutter manual	4	\$451.00	\$1,804.00	0.77
3	<b>HASIMA MODEL: HP-450CS</b> compact fusing Machine	1	\$2,530.00	\$2,530.00	1.08
4	<b>EASTMAN MODEL EC-900N</b> Band knife machine	2	\$4,840.00	\$9,680.00	4.15
5	<b>HASHIMA MODEL HP -900LCS</b> Straight linear fusing Machine	1	\$9,130.00	\$9,130.00	3.91
6	<b>GERBER MODEL CAD SYSTEM</b> Computerised pattern marker machine	1	Rs. 880,000.00	Rs. 880,000.00	8.80
<b>TOTAL (A)</b>					<b>22.10</b>
<b>(B) EMBROIDERY SECTION</b>					
1	<b>BARUDAN</b> Single head emb. Machine	2	JPY. 20,20,000.00	JPY. 40,40,000.00	<b>16.62</b>
<b>TOTAL (B)</b>					<b>16.62</b>
<b>(C) SEWING SECTION</b>					

S.No.	Model & Description	Qty	Unit Price	Total	Total in (Rs. in lakhs)
1	<b>JUKI MODEL DDL-900SS</b> Single needle lock stitch direct drive machine complete set.	160	\$1,562.00	\$249,920.00	107.07
2	<b>JUKI MODEL LH-3528SF (Semi Dry Head)</b> Double needle lockstitch machine with Fixedbar machine complete set.	10	\$1,760.00	\$17,600.00	7.54
3	<b>JUKI MODEL LH-3568SF (Semi Dry Head)</b> Double needle lockstitch machine with Split needle bar complete set.	5	\$2,310.00	\$11,550.00	4.95
4	<b>JUKI MODEL MO-6743S</b> Six thread overlock machine complete set.	8	\$1,100.00	\$8,800.00	3.77
5	<b>JUKI MODEL MS-1190MF / VO45R</b> Feed off the arm machine complete set with puller	12	\$3,630.00	\$43,560.00	18.66
6	<b>JUKI MODEL LBH-1790S</b> Direct drive computer control button hole machine complete set.	8	\$6,710.00	\$53,680.00	23.00
7	<b>JUKI MODEL LK-1903-301/MC-596-KSS</b> Electronic lock stitch buttonstitch machine complete set.	8	\$4,620.00	\$36,960.00	15.83
8	<b>JUKI MODEL LK-1900ASS/MC-596-KSS</b> Computer controlled bartack machine complete set.	4	\$3,520.00	\$14,080.00	6.03
9	<b>NGAISHING MODEL NS-6012</b> Cuff/collar band stacker.	5	\$1,650.00	\$8,250.00	3.53
10	<b>NGAISHING MODEL NS-85P</b> Pneumatic Cuff turning machine	5	\$4,620.00	\$23,100.00	9.90
11	<b>NGAISHING MODEL NS-96</b> Pneumatic 4 knives collar notcher	4	\$825.00	\$3,300.00	1.41
12	<b>NGAISHING MODEL NS-8410</b> Pneumatic Collar pressing machine	5	\$6,490.00	\$32,450.00	13.90
13	<b>NGAISHING MODEL NS-92L</b> Collar contour machine	3	\$4,125.00	\$12,375.00	5.30
14	<b>NGAISHING MODEL NS-81P</b> Collar turning/Trimming & blocking machine	3	\$6,490.00	\$19,470.00	8.34
15	<b>NGAISHING MODEL NS-95</b> 3pt collar marking machine	3	\$825.00	\$2,475.00	1.06
16	<b>NGAISHING MODEL NS-6002</b> Automatic stacker for frt plakt kansai spl.	5	\$2,750.00	\$13,750.00	5.89
17	<b>NGAISHING MODEL NS-6022</b> Front placket interlining cutting device with stacker.	5	\$2,750.00	\$13,750.00	5.89

S.No.	Model & Description	Qty	Unit Price	Total	Total in (Rs. in lakhs)
18	NGAISHING MODEL NS-6001 Automatic stacker for right front shirt	5	\$1,650.00	\$8,250.00	3.53
19	NGAISHING MODEL NS-3613+NS-3502 Online vacuum table with steam press w.portable boiler	14	\$1,100.00	\$15,400.00	6.60
<b>TOTAL (C)</b>					<b>252.20</b>
<b>(D) IRONING AND PACKING.</b>					
1	HASHIMA MODEL HN-650C Conveyor type needle detector	1	\$10,560.00	\$10,560.00	4.52
2	HASHIMA MODEL HN-30 Handy type needle detector	1	\$352.00	\$352.00	0.15
3	NGAISHING MODEL NS-3301 Spot cleaning Machine	3	\$1,650.00	\$4,950.00	2.12
4	NGAISHING MODEL NS-55 Thread sucking Machine with eye sensor	2	\$2,200.00	\$4,400.00	1.88
5	NGAISHING MODE NS-650 Shirt Folding table	1	\$1,870.00	\$1,870.00	0.80
<b>TOTAL (D)</b>					<b>9.47</b>
<b>GRAND TOTAL (A+B+C+D)</b>					<b>300.39</b>
<b>Customs Duty and Clearing Charges</b>					<b>86.09</b>
<b>TOTAL</b>					<b>386.48</b>

Conversion rate of US \$ into Rupees is taken as 1US \$ = Rs. 42.84 as on May 23, 2008

Conversion rate of JPY into Rupees is taken as 1JPY = Rs. 0.4113 as on May 23, 2008

#### 1. (d) Electrical installations and fittings

Electrical installation includes installation of 1000 KVA / 11KV HT transformer and various electrical fittings including transformer, main panel, cables, earthing accessories and labour. The estimated cost of electrical installations, fittings and civil works including taxes is estimated at Rs. 50.00 lakhs as per the quotation obtained from Heera Electricals, dated September 12, 2007, revalidated vide its letter dated May 06, 2008. The quotation include the consolidated costs to be incurred on electrical works for both garment unit which is propose to be set up on the first floor and new weaving unit, which is propose to be set up on the ground floor.

#### Infrastructure facilities

##### Water

Our garment manufacturing unit would require water for human consumption only. The requirement of water would be 15,000 litres which we are planning to source from MIDC. We do not foresee any difficulty in getting adequate water supply from MIDC. However, we plan to have our own bore well for consumption of water.

**Power**

The requirement of power for apparel manufacturing facility is estimated at 300 KVA, for which we plan to make an application to the Maharashtra State Electricity Board for supply of electricity once the development of site is completed. We propose to acquire a generator set with capacity of 250 KVA for standby power arrangement.

**Fuel**

We would require diesel as fuel for our generator set which is available locally.

**Effluent treatment**

No effluents will be generated from the garmenting operations.

**Manpower**

As per the estimates of our management, the manpower required for the apparel manufacturing unit would be 485 comprising of skilled, semi-skilled, unskilled workers, supervisory and administrative staff, details of which are as under:

Sr. No.	Category	Numbers
1.	Managerial Staff	15
2.	Supervisory Staff	20
3.	Skilled / Technical	50
4.	Semi-Skilled	100
5.	Unskilled	300
<b>Total</b>		<b>485</b>

We will be recruiting manpower for the project and are looking for both skilled and unskilled manpower across various functional areas and ensure their technical / professional competence. Our proposed projects being located in MIDC, which is an industrial area, we do not foresee any difficulty in the availability of and recruitment of the requisite manpower.

**Raw Material**

Major Raw material required for manufacturing garments are textile fabric. We are planning to source grey fabric from our proposed weaving unit by getting it finished for dyeing from other processing units. Other raw materials required in the garment manufacturing are interlining, buttons, threads, zippers and consumables and they are sourced from the local markets.

**Manufacturing process of garments****Procurement of fabric**

Based on the order and design, the fabric and appropriate fabric source are identified and the quantity required is assessed based on the consumption of fabric per garment.

**Pattern Making and Grading**

The computerized technique viz. CAD will be used for making the patterns according to the various sizes as per order details. These software applications helps us to make accurate markings on the fabric in such a way that the wastage of fabric is minimized resulting in better utilization of fabric. In case of manual designing error rate is more which can be eliminated completely by electronic designing software. Depending upon the designs and patterns, fabrics are given grades, these patterns and the marker plans are sent to the cutting department for cutting the fabric.

**Fabric Laying and Cutting**

The fabric is first inspected for any defects on the inspection table. The system used for inspection is 4 point system or 10 point system. The fabric rolls will then be spread on the cutting table manually or by the automatic spreading machine. In this process, fabrics with identical designs and patterns are layed on the cutting table in many layers so that the consumption of time can be minimized. This kind of cutting enables us to ensure required number of pieces of fabric is cut depending on the target set for each category of fabric everyday with no errors in the cutting process. The equipment used in cutting the fabric is straight knife cutting machine. The band knife will be used for cutting the smaller parts. The cut fabric is then bundled according to the sizes and sent to sewing section for stitching.

**Sewing or stitching**

In the sewing section the machines are set according to the machine layout. The bundles of the fabrics from cutting section are fed in the stitching lines for sewing where each machine is handled by a sewing operator. The fabric which is cut according to the markings made on it is stitched in two different stages. In the initial assembly, individual pieces cut are stitched parts wise and later sent to the final assembly for the final stitch in which all the parts are assembled together and stitched. There are in-line checkers and line supervisors in the stitching department who ensures the process to go smoothly without any interruption due to overlapping or overload. The completely stitched fabric is then sent for thread cutting and end-line checking and finally sent to the finishing department.

**Washing & processing**

After the stitching process is over, the garments are subject to the washing & processing, wherein the garments are washed with various chemicals to give a better feel to the fabric. It also include washing of garments by stone wash, enzyme wash, bleaching, acid washing, sand blasting, etc. Our Company is planning to out-source the washing and processing activities to the processing units located nearby.

**Finishing**

The garments are pressed by the steam irons and then are sent for final checking, inserting hang tags, price labels, hanger insertion and removal of extra threads coming out of the fabric and ironing.

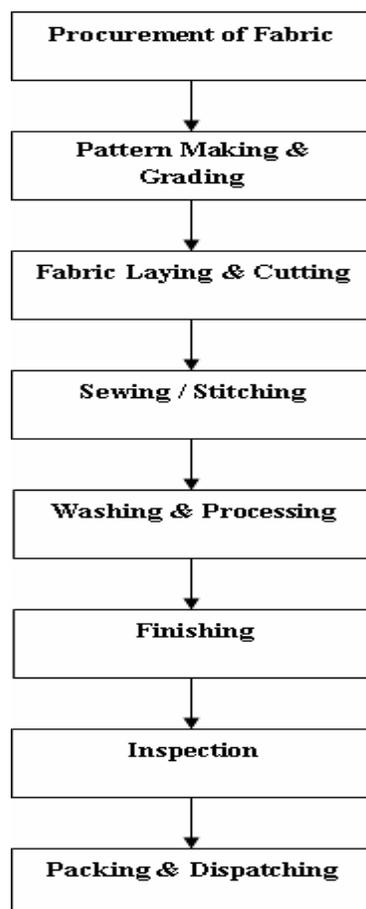
**Inspection**

The finished garment needs to be checked thoroughly for any defect to ensure the quality standards are maintained. Inspection before dispatching the final garment also involves steps like measuring the garment, and inspection of quality of fabric affected due to man-handling or for any other reason.

**Packing & Dispatching**

Once the garment is completely checked by the Quality Control In-charge, garments are segregated according to their sizes and designs. Finally, the garments are ironed and packed in the polythene bags / carton boxes individually. Multiple sets of these individual pieces are arranged in a big carton boxes for easy and bulk transportation and dispatched to the wholesale customers and the warehouses.

### SCHEMATIC FLOW-CHART OF GARMENTS MANUFACTURING PROCESS



## 2. Setting up of new Weaving Unit

At present we have 100 Rapier Looms with a capacity to produce 108 lakh meter of grey fabric per annum. We now intend to expand our existing production capacity to 170 lakhs meter per annum by acquiring additional 48 weaving machinery in our proposed weaving unit at MIDC, Tarapur. This will enable us to meet the requirement of the fabric in our proposed garmenting unit and also to capitalize the increasing demand for the textile Fabrics in the textile markets.

### Cost of Project

The cost estimated for setting up weaving unit is estimated as under:

S.No.	Objects	Amount (Rs. in Lakhs)
a)	Construction of Building	337.50
b)	Plant & Machineries	1,825.97
	<b>Total</b>	<b>2,163.47</b>

(Source: Management Estimates)

**a) Land**

We propose to set up weaving unit at MIDC Tarapur, Boisar, District Thane, Maharashtra, adjacent to existing manufacturing facilities. We plan to set up our weaving unit on the ground floor and apparel manufacturing unit on the first floor, for which we propose to acquire land admeasuring 12000 sq. meters. The total cost of acquisition of the land is Rs. 480 lakhs, which has already been included in the total cost of setting up apparel manufacturing facility.

**b) Construction of Building**

The costs associated with the construction and development on the ground floor as per the estimates of Noval Designs dated September 7, 2007 is Rs. 300 lakhs. The construction includes construction of factory shed, godown and office premises. Since there was an increase in the construction cost on account of increase in steel and cement prices, Novel Designs have revised their estimates from Rs. 300 lakhs to Rs. 337.50 lakhs vide their letter dated May 8, 2008.

**c) Plant & Machinery**

The total cost of imported and indigenous Plant and Machinery for the weaving unit is estimated to be Rs. 1825.97 lakhs, details of which are as under:

**Imported Machines**

S.No	Item	Qty	Rate	Total Cost (Rs in lakhs)*	Supplier
1.	Rapier Loom Model: GTMAX – 8 - R - 190 with all equipments and accessories	48	US \$ 75,000	1,542.24	Mars Ind & Comm Services Limited**
2.	Duties and Taxes @ 9.41			145.12	N/A
3.	C&F, Transportation and handing charges @ 2			30.84	N/A
4.	Installation charges per machines	48	Rs. 25,000	12.00	N/A
	<b>Total</b>			<b>1730.20</b>	

\*1 US \$ = Rs. 42.84 as on May 23, 2008.

\*\*The above quotation have been revalidated vide letter dated April 01, 2008

**Indigenous Machines**

S.No.	Item	Qty	Rate (Rs. in lakhs)	Total Cost* (Rs in lakh)	Supplier
1.	Sectional Warping Machine – Model No. RI-106 Economatic	2	13.95	31.10	Rabatex Industries**
2.	Swiel Frame Type Cone Creel Model RI-202	2	5.05	11.26	Rabatex Industries**
3.	Waxing Device	2	1.50	3.34	Rabatex Industries**
4.	Static Eliminator	2	0.18	0.40	Rabatex Industries**

5.	Beam Pressing Device	2	0.75	1.67	Rabatex Industries**
6.	Humidification Plants with Auto Panel and capacity of 1,20,000 CFM	1	30.00	33.75	Inventech Industries, Mumbai***
7.	D.G. Set 250 KVA	1	12.20	14.25	Goel Power Engineers***
	<b>Total</b>			<b>95.77</b>	

\* including Excise Duty and Sales Tax

\*\*The above quotations have been revalidated vide suppliers letter dated April 01, 2008

\*\*\*The above quotations have been revalidated vide suppliers letter dated April 02, 2008

### Infrastructure Facilities

#### Water

Our weaving unit would require water for human consumption only. The requirement of water would be 5,000 litres per day which we plan to source from Maharashtra Industrial Development Corporation (MIDC). We do not foresee any difficulty in getting adequate water supply from MIDC. However, we plan to have our own bore well for consumption of water.

#### Power

For manufacturing grey fabric at the new weaving unit at MIDC, Tarapur the requirement of power is estimated at 360 KVA. Our Company will make an application to the Maharashtra State Electricity Board for supply of electricity once the development of site is completed. We propose to install one DG set for apparel manufacturing unit, which can be used in this unit also in case of any shortage of power supply.

#### Manpower

As per the estimates of our management, the manpower required for the proposed weaving unit would be 157 comprising of skilled, semi-skilled, unskilled workers, supervisory and administrative staff, details of which are as under:

Category	Factory
Managerial Staff	12
Supervisory Staff	15
Skilled / Technical	30
Semi-Skilled	40
Un-skilled	60
<b>Total</b>	<b>157</b>

We will be recruiting manpower for the project and are looking for both skilled and unskilled manpower across various functional areas and ensure their technical / professional competence. Our proposed projects being located in MIDC, which is an industrial area, we do not foresee any difficulty in the availability of and recruitment of the requisite manpower.

## Raw Material

Raw material required for manufacturing of grey fabric is yarn. We propose to procure the yarn from the suppliers of Gujarat and Maharashtra for our weaving unit, which is easily available. Other raw materials are consumable which may be sourced from the local markets.

## Prepayment of Term Loans

We are at present having sanctioned term loan facilities of Rs. 1200 lakhs and Rs. 600 lakhs from State Bank of India and State Bank of Indore respectively. This loan amount of Rs. 1800 lakhs was utilized for the purpose of purchase of plant & machinery for our manufacturing operations at Tarapur Industrial Area, District Thane, Maharashtra. In addition, we are having fund based and non-fund based facilities of Rs. 650 lakhs and Rs. 390 lakhs respectively. For details, please refer to paragraph "Our Indebtedness" appearing on page number 81 of this Red Herring Prospectus. We have repaid a total of Rs. 95.17 lakhs i.e. Rs. 63.16 lakhs to State Bank of India and Rs. 32.01 lakhs to State Bank of Indore during 2007-08 as per their repayment schedule from internal accruals. This amount of Rs. 95.17 lakhs will be received back by our Company from the Issue proceeds. The balance outstanding term loan of Rs. 1,704.83 lakhs is proposed to be prepaid from IPO proceeds. The brief details of term loan are as under:

Banks / Financial Institutions	Date of Sanction	Total Amount sanctioned (Rs. in Lakhs)	Interest (%) per annum	Purpose of Loan	Amount Outstanding as on May 10, 2008 (Rs. in Lakhs)
<b>State Bank of India</b>					
Term Loan	June 5, 2006	1200.00	0.25% over State Bank Advance Rate (SBAR) – present effective rate 13.00% p.a. at monthly rests.	Setting up of weaving unit at MIDC Tarapur	1136.84
<b>State Bank of Indore</b>					
Term Loan	August 7, 2006	600.00	At par with State Bank of India, 13% p.a.	Setting up of weaving unit at MIDC, Tarapur	567.99
	<b>Grand Total</b>	<b>1800.00</b>			<b>1,704.83</b>

As confirmed by the Statutory Auditors, by a letter dated October 12, 2007 our Company has utilized the loan availed of by it from the banks for the purposes for which they were sanctioned.

Any interest to be paid on pre-payment or pre-payment premium on the above will be paid by our Company from internal accruals. The prepayment of loan constitutes 34.83% of the total cost of project excluding issue expenses and expenditure to be incurred for general corporate purposes.

### General Corporate Purposes

We, in accordance with the policies set up by the Board, will have flexibility in applying the net proceeds of the Issue for general corporate purposes including but not restricted to strengthening of marketing capabilities, any cost overrun, expanding into new geographies, and meeting any additional working capital requirements.

### Issue Expenses

The total estimated expenses are Rs. [●] lakhs which is [●]% of Issue Size. The details of Issue expenses are tabulated below:

(Rs. In lakhs)

S. No.	Particulars	Amount	% of Total Issue size	% of Issue Expenses
1	Issue Management Fee	[●]	[●]	[●]
2	Registrars fees	[●]	[●]	[●]
3	Fees payable to Grading Agency for grading the Issue	[●]	[●]	[●]
3	Fee for Legal Counsel	[●]	[●]	[●]
4	Printing and Distribution of Issue Stationery	[●]	[●]	[●]
5	Advertising and Marketing expenses	[●]	[●]	[●]
6	Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	[●]	[●]	[●]
	<b>Total</b>	[●]	[●]	[●]

### Appraisal

The fund requirements and the funding plans are as per our management's estimates, and have not been appraised by any bank / financial institution.

### Schedule of Implementation for manufacture of garment and New Weaving Unit:

S. No.	Activities	Commencement	Completion
1	Land	July, 2008	August, 2008
2	Building	August, 2008	December, 2008
3	Order of Plant & Machineries	August, 2008	September, 2008
4	Delivery of Plant & Machineries	November, 2008	January, 2009
5	Installation of Plant & Machineries	December, 2008	January, 2009
6	Trial Production	February, 2009	
7	Commercial production	March, 2009	

**Proposed quarter-wise deployment of funds:**

(Rs. In lakhs)

S. No.	Particulars	Till May 20, 2008	Quarter Ended September -08	Quarter Ended December-08	Quarter Ended March – 09	Total
<b>1.</b>	<b>Setting up of Garment unit</b>					
a)	Acquisition of Land	Nil	480.00	Nil	Nil	480.00
b)	Construction of Building	Nil	150.00	137.50	Nil	287.50
c)	Plant & Machinery	Nil	150.00	150.00	86.48	386.48
d)	Electric Fittings	Nil	20.00	20.00	10.00	50.00
	Total					<b>1,203.98</b>
<b>2.</b>	<b>Setting up of Weaving unit</b>					
a)	Acquisition of land	Nil	Nil	Nil	Nil	Nil
b)	Construction of Building	Nil	187.50	150.00	Nil	337.50
c)	Plant & Machineries	Nil	700.00	700.00	425.97	1,825.97
						<b>2,163.47</b>
<b>3.</b>	Prepayment of Term Loan	95.17	1,704.83	Nil	Nil	<b>1,800.00</b>
<b>4</b>	General Corporate Purpose	Nil	[•]	[•]	[•]	[•]
<b>5</b>	Issue Expenses	46.70	[•]	[•]	[•]	[•]

**Details of funds already deployed till Date & Sources of funds deployed**

The funds deployed upto May 20, 2008 pursuant to the object of this issue on the project as certified by the Statutory Auditors of our Company, viz. Deshmukh & Associates and Praful M. Joshi, Chartered Accountants pursuant to their certificate dated May 22, 2008 is given below:

Particulars	Amount (Rs. In lakhs)
<b>Funds Deployed</b>	
Issue Expenses	46.70
Repayment of Term loan	95.17
<b>Total</b>	<b>141.87</b>
<b>Sources of Funds</b>	
Internal Accruals	141.87

**Interim Use of Proceeds**

Our Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Issue for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies approved by the Board from

time to time. We confirm that pending utilization of Issue proceeds, we shall not use the funds for any investments in the Equity markets.

### **Monitoring of Utilization of Funds**

The appointment of monitoring agency was not required in accordance with Clause 8.17 of SEBI (DIP) Guidelines, 2000. We have therefore not appointed any Monitoring Agency for the purpose of monitoring the utilization of issue proceeds. We will disclose the utilization of proceeds under a separate head in our Company's balance sheet for fiscal 2008 and 2009 clearly specifying the purpose for which such proceeds have been utilized. We, in our balance sheet for fiscal 2008 and 2009, provide details, if any, in relation to all such proceeds of the issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the issue.

Pursuant to Clause 49 of the Listing Agreement, our Company shall on quarterly basis disclose to the Audit Committee the uses and applications of the proceeds of the Issue. On an annual basis, our Company shall prepare a statement of fund utilized for purposes other than stated in this Red Herring Prospectus and place it before the Audit Committee. Such disclosures shall be made only until such time that all the proceeds of the Issue have been utilized in full. The statement will be certified by the Statutory Auditors of our Company.

Our Company shall be required to inform the material deviations in the utilization of the issue proceeds to the Stock Exchanges and shall also be required to simultaneously make the material deviation / adverse comments of the Audit Committee public through advertisement in newspaper.

No part of the issue proceeds, will be paid by the Company, as consideration to Promoters, Directors, Promoter Group Companies, key management personnel except in the usual course of business.

## BASIC TERMS OF ISSUE

**Public Issue of 55,00,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] lakhs (Hereinafter referred to as “The Issue”), comprising of Employee Reservation of 1,00,000 Equity Shares of face value of Rs. 10/- each at a price of Rs. [•] per Equity Share for cash aggregating to Rs. [•] Lakhs (hereinafter referred to as the “Employee Reservation Portion”. The Net Issue to the Public is of 54,00,000 Equity Shares of Rs. 10/- each for cash at a price of Rs. [•] per Equity Share aggregating to Rs. [•] lakhs. The Issue would constitute 31.02% of the postissue paid-up capital of the Company.**

PRICE BAND: Rs. 120 to Rs. 130 PER EQUITY SHARE OF FACE VALUE Rs. 10  
THE ISSUE PRICE IS 12 TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 13 TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail individual Bidders</b>	<b>Employee Reservation Portion</b>
Number of Equity Shares*	Not more than 27,00,000 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Minimum of 8,10,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retails Individual Bidders.	Minimum of 18,90,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders	Upto 1,00,000 Equity Shares
Percentage of Issue Size Available for allocation	Not more than 50% of the Net Issue or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders with 5% compulsory allocation to mutual funds.	Not less than 15% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders	Upto 1.82% of the Issue size
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: a. Equity Shares constituting 5% of the QIB portion shall be allocated on a proportionate basis to Mutual Funds Portion; b. The balance Equity Shares of the QIB including Mutual	Proportionate	Proportionate	Proportionate

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail individual Bidders</b>	<b>Employee Reservation Portion</b>
	Funds receiving allocation as per (a) above.			
Minimum Bid#	Such number of Equity Shares in the multiples of 50 that the Bid Amount exceeds Rs. 1,00,000	Such number of Equity Shares in the multiples of 50 that the Bid Amount exceeds Rs. 1,00,000	50 Equity shares	50 Equity shares
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid amount does not exceed Rs. 1,00,000	Not exceeding 1,00,000 Equity Shares
Mode of Allotment	Compulsorily in Dematerialized mode	Compulsorily in Dematerialized mode	Compulsorily in Dematerialized mode	Compulsorily in Dematerialized mode
Allotment Lot	50 Equity Shares and in the multiples of 1 Equity Share thereafter	50 Equity Shares and in the multiples of 1 Equity Share thereafter	50 Equity Shares and in the multiples of 1 Equity Share thereafter	50 Equity Shares and in the multiples of 1 Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can apply**	Public financial institutions, as specified in Section 4A of the Companies Act, Scheduled Commercial Banks, Mutual Funds, Foreign Institutional Investors registered with SEBI, Multilateral And Bilateral Development Financial Institutions, Venture Capital Funds registered with SEBI, Foreign Venture Capital Investors registered with SEBI and state Industrial	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid amount does not exceed Rs. 100,000 in value.	Eligible Employees

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail individual Bidders</b>	<b>Employee Reservation Portion</b>
	Development Corporations, permitted Insurance Companies registered with the Insurance Regulatory and Development Authority, Provident Funds with minimum corpus of Rs. 2500 lakh and Pension Funds with minimum corpus of Rs. 2500 lakh in accordance with applicable laws, National Investment Fund set up by resolution F.No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India.			
Terms of Payment	Margin Money applicable to QIBs at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to Non institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	10% of the bid amount	100% Bid amount on Bidding	100% Bid amount on Bidding	100% Bid amount on Bidding

\* Subject to valid bids being received at or above the Issue Price.

Any under-subscription in the Employee Reservation Portion will be added back to the categories of Non-Institutional Bidders and Retail Individual Bidders in the ratio of 50:50. If the aggregate demand in the Employee Reservation Portion is greater than 1,00,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis, provided that the maximum allotment to any Employee shall be capped at upto 1,00,000 Equity Shares.

Under-subscription, if any, in any category would be met with spillover from other categories at the sole discretion of the Company, in consultation with the BRLM.

\*\* In case the bid cum application form is submitted in joint names, the investors 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.

## BASIS FOR ISSUE PRICE

*Investors should read the following summary with the Risk Factors beginning from page iii and the details about the Company and its financial statements included in this Red Herring Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and the investor may lose all or part of his investment.*

The Issue Price will be determined by us in consultation with the BRLM on the basis of assessment of market demand and on the basis of the following qualitative and quantitative factors for the Equity Shares offered by the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 12 times the face value at the lower end of the Price Band and 13 times the face value at the higher end of the Price Band.

## QUALITATIVE FACTORS

### *Experienced Management Team*

We have management team with experience in textile industry including production, marketing, sales, quality control and finance. The management team is supported by Board of Directors and Key Management Personnel who are qualified with industry specific expertise. The manufacturing unit is managed by our President Mr. Shantivadan Ratanlal Dalal who has 40 years of experience in textile business. Further, we have experienced and professional Directors on our Board who have varied experience in textile, marketing, sales and fiancé.

### *Quality Control*

We believe that quality matters when it comes to customer satisfaction. Small defect in the fabric also impacts to a great extent on the sales and revenue. Our quality team ensures that fabric is manufactured without any defects at different stages of manufacturing and conduct thorough checks on every meter of the fabric immediately after the weaving. Our quality control team is headed by Mr. Praful Jayantilal Shah who is having more than 38 years of experience in textile manufacturing industry. He also holds a certification course in Cotton Weaving from Board of Technical Examinations, Maharashtra State.

### *Design Capabilities*

The element of designing is critical for development of fabric. It is important to understand the pulse of the customers with regard to taste and preference and the changing trends in fashion. We have our own in-house designing team headed by Mr. Bharat Shah who has the necessary expertise and experience in formulating the designs to the satisfaction of customers considering changing fashion trends.

### *Customer relationship*

We have existing relationship with various wholesale customers for our trading operations. Further, we have been engaged in job-work in which fabric is manufactured and supplied according to the required design and fashion. We have executed job-work for various fabric and garment manufacturers.

**QUANTITATIVE FACTORS:****1. Adjusted Earning Per Equity Share**

Period ended March 31	On Stand-alone basis		On Consolidated basis	
	Earning per Equity Share (Diluted) (Rs.)	Weight	Earning per Equity Share (Rs.)	Weight
2004-05	0.11	1	Not applicable	
2005-06	0.07	2	Not applicable	
2006-07	2.63	3	Not applicable	
April 1, 2007 – January 31, 2008*	5.16		12.75	
<b>Weighted Average</b>		1.36		-

\* Annualized and Diluted.

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

	On Stand-alone basis		On Consolidated basis	
	At the Lower Band of Rs. 120 per Equity Share	At the Upper Band of Rs. 130 per Equity Share	At the Lower Band of Rs. 120 per Equity Share	At the Upper Band of Rs. 130 per Equity Share
Based on the Adjusted EPS for the year ended March 31, 2007	45.63	49.43	-	-
Based on the weighted average EPS	88.24	95.59	-	-
Based on Adjusted EPS for the period ended January 31, 2008 (Annualised and Diluted)	23.26	25.19	9.41	10.20

**Industry P/E – Textile - Products**

Sr.No	Particulars	Industry P/E
(i)	Highest	436.00
(ii)	Lowest	4.10
(iii)	Average	31.10

*(Source: Capital Market dated May 5, 2008 to May 18, 2008)***3. Return on Networth (RoNW)**

Year (Period ended March 31)	On Stand-alone basis		On Consolidated basis	
	RoNW %	Weight	RoNW %	Weight
2004-2005	4.46%	1	Not applicable	
2005-2006	1.38%	2	Not applicable	

2006-2007	13.36%	3	Not applicable	
April 1, 2007 – January 31, 2008*	26.21%		34.44%	
<b>Weighted Average</b>	7.88%			

\* Annualised and Diluted.

#### 4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS of Rs. 2.63 (on standalone basis)

Particulars	On Stand-alone basis		On Consolidated basis	
	At the Lower Band of Rs. 120 per Equity Share	At the Upper Band of Rs. 130 per Equity Share	At the Lower Band of Rs. 120 per Equity Share	At the Upper Band of Rs. 130 per Equity Share
Minimum Required RoNW for maintaining above EPS	4.89%	4.62%	Not applicable	Not applicable

#### 5. Net Asset Value per share (NAV)

Particulars	On Stand-alone basis	On Consolidated basis
	Adjusted NAV	Adjusted NAV
As on January 31, 2008	19.16	36.06
As on March 31, 2007	19.31	-
After Issue	[•]	

#### 6. Comparison with Industry Peers

The comparable ratios of companies, who are in similar line of business and similar size of operations in terms of total income, are given below:

Name of Company	Face Value (Rs.)	Operating Income (Rs. In lakhs)	E.P.S. (Rs.)	P/E	Book Value (Rs.)	RONW (%)
Richa Knits Limited	10	6260.00	2.30	21.60	24.4	13.00
Samtex Fashions Limited	10	6680.00	1.2	-	38.6	3.00
First Winner Industries Limited (Unconsolidated) (FY 2006-07)	10	5,554.61	2.63	[*]	19.31	13.36%

(Source: Capital Market dated May 5, 2008 to May 18, 2008)

\*Competitors have been selected on basis of same business line and their income level to the extent possible.

Note: The restated financial information of the Industry Peers is not ascertainable; the ratios disclosed in the Red herring Prospectus for the purpose of comparison with the accounting ratios of our Company is not based on restated financial statements of the Industry Peers and are for the

period ended March 31, 2007.

The face value of Equity Shares of First Winner Industries Limited is Rs. 10 and the Issue Price is Rs. [●] i.e. [●] times of the face value.

The BRLM believes that the issue price of Rs. [●] is justified in view of the above qualitative and quantitative factors. See the section titled "Risk Factors" and "Financial Statements" beginning on page no. iii and 112 of this Red Herring Prospectus, including important profitability and return ratios, as set out in the Auditors Report beginning on page no. 122 for further information.

## STATEMENT OF TAX BENEFITS

The Board of Directors,  
First Winner Industries Limited,  
605, Business Classic, Chincholi Bunder Road,  
Malad (W),  
Mumbai – 400 064

Dear Sirs,

We hereby certify that the enclosed “Annexure” states the tax benefits available to First Winner Industries Limited (the “Company”) and its Shareholders under the provisions of the Income-tax Act, 1961 and other direct tax laws presently in force. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the company or its shareholders to derive the tax benefits is dependant upon fulfilling such conditions which based on business imperatives the company faces in the future, the company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. 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 tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

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

A shareholder is advised to consider in his/her/its own case the tax implications of an investment in the Equity Shares.

**For Deshmukh & Associates**  
**Chartered Accountants**

Deepen Kapadia  
**Partner**  
Membership Number: 112565

**For Praful M. Joshi**  
**Chartered Accountants**

Praful M. Joshi  
**Proprietor**  
Membership Number: 30276

Place: Mumbai  
Date: May 18, 2008

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**STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO FIRST WINNER INDUSTRIES LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS**

**I. SPECIAL TAX BENEFIT AVAILABLE TO THE FIRST WINNER INDUSTRIES LIMITED. AND ITS SHAREHOLDERS:**

No special tax benefits are available to the First Winner Industries Ltd. and its shareholders.

**II. GENERAL TAX BENEFITS AVAILABLE TO FIRST WINNER INDUSTRIES LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS**

These are the general tax benefits available to the all companies and shareholders, subject to compliance with relevant provisions.

**1. Benefits to the Company under the Income Tax Act, 1961 ("The Act"):**

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

**1.1 Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, the Company will be eligible for exemption of income by way of dividend from domestic company referred to in Section 115-O of the Act.

**1.2 Income from units of Mutual Funds exempt under Section 10(35)**

The Company will be eligible for exemption of income received from units of mutual funds specified under Section 10(23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of Section 10(35) of the Act.

**1.3 Computation of capital gains**

1.3.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.3.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index as prescribed from time to time.

1.3.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(36) or 10(38) of the Act would be subject to tax at a rate of 20

percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

1.3.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax ("STT") shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

#### 1.3.5 *Exemption of capital gain from income tax*

- Under Section 10(36) of the Act, long term capital gains arising on eligible equity share in a company (acquired on or after the 1st day of March 2003 and before the 1st day of March 2004) sold through a recognized stock exchange in India will be exempt from tax.
- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT. However, such income shall be taken into account in computing the book profit tax payable under Section 115JB.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under Section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted 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 the bonds are transferred or converted into money.

#### 1.4 **Other specified deductions**

Subject to fulfillment of conditions, the Company will be eligible, *inter alia*, for the following specified deductions in computing its business income:-

1.4.1 Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

1.4.2 Section 35(1)(ii) and (iii) of the Act, in respect of any sum paid to a Scientific Research Association which has as its object, the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research or for research in social sciences or Statistical Research to the extent of a sum equal to one and one fourth times the sum so paid subject to the Scientific Research Association, university, college or other institution to be approved and notified for the purposes of said clauses..

1.4.3 Subject to compliance with certain conditions laid down in Section 32 of the Act, the Company will be entitled to deduction for depreciation:

- In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income-tax Rules, 1962;
- In respect of any new machinery or plant which has been acquired and installed after 31st March 2005 by an assessee engaged in the business of manufacture or production of any article of thing, a further sum of 20% of the actual cost of such machinery or plant;

1.4.4 As per the provision of sub-section 1(A) of section 115-O of the Act which related to dividend distribution tax that the amount of dividend received from the subsidiary by a domestic company on which tax is payable under section 115-O, will be reduced from amount of dividend declared/distributed for calculation of dividend distribution tax, if the subsidiary has paid dividend distribution tax on such dividend and such domestic company is not a subsidiary of any other company.

1.4.5 Under Section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years succeeding the year in which the MAT becomes allowable.

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

### **2.1 Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

### **2.2 Computation of capital gains**

2.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains".

Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

2.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

*2.2.5 Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, Long term Capital Gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act. However, if the said bonds are transferred or converted 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 the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately.

For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

**2.3 Deduction of securities transaction tax under section 36(1)(xv)**

Section 36(1)(xv) provides that securities transaction tax paid during the previous year in respect of taxable securities transactions entered into in the course of his business during the previous year shall be allowed as deduction provided that such income arising from such taxable securities transactions is included in the income computed under the head "profits and gains from business or profession"

### **3. Benefits available to Non-Resident Indian shareholders (Other than FIIs and Foreign venture capital investors)**

#### **3.1 Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

#### **3.2 Computation of capital gains**

3.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains".

Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

3.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

3.2.5 *Options available under the Act*

*Where shares have been subscribed to in convertible foreign exchange –*

*Option of taxation under Chapter XII-A of the Act:*

Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian company not exempt under Section 10(38), will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.

- According to the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall 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. If part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset 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.

- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in Section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

- Under Section 115H of the Act, where the 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 Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) & (v) of Section 115C(f) for that year and subsequent assessment years until such assets are converted into money.

- As per the provisions of Section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

### 3.2.6 Exemption of capital gain from income tax

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under Section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act. However, if the said bonds are transferred or converted 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 the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

### 3.3 Deduction of securities transaction tax under section 36(1)(xv)

Section 36(1)(xv) provides that securities transaction tax paid during the previous year in respect of taxable securities transactions entered into in the course of his business during the previous year shall be allowed as deduction provided that such income arising from such taxable securities transactions is included in the income computed under the head “profits and gains from business or profession”

## 4. Benefits available to other Non-resident Shareholders (Other than FIIs and Foreign venture capital investors)

### 4.1 Dividends exempt under Section 10(34)

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

### 4.2 Computation of capital gains

4.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of

Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 15 per cent (plus applicable surcharge and education cess).

#### 4.2.5 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act. However, if the assessee 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 the bonds are transferred or converted into money.

- According to the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

#### **4.3 Deduction of securities transaction tax under section 36(1)(xv)**

Section 36(1)(xv) provides that securities transaction tax paid during the previous year in respect of taxable securities transactions entered into in the course of his business during the previous year shall be allowed as deduction provided that such income arising from such taxable securities transactions is included in the income computed under the head “profits and gains from business or profession”

### **5. Benefits available to Foreign Institutional Investors (‘FIIs’)**

#### **5.1 Dividends exempt under section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

#### **5.2 Taxability of capital gains**

5.2.1 Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

5.2.2 The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares of the company would be taxed at the following rates as per section 115 AD of the Act-

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge & education cess). In case such transaction of sale is entered on a recognized stock exchange in India and is liable to STT then short term capital gain shall be taxed @ 15% ((plus applicable surcharge & education cess).

- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 15% (plus applicable surcharge and education cess)

- Long Term capital gains @ 10% (plus applicable surcharge and education cess) (without cost indexation)

It may be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

5.2.3 According to the provisions of Section 54EC of the Act and subject to the conditions

specified therein, long term capital gains not exempt under Section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the assessee 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 the bonds are transferred or converted into money.

#### **5.4 Deduction of securities transaction tax under section 36(1)(xv)**

Section 36(1)(xv) provides that securities transaction tax paid during the previous year in respect of taxable securities transactions entered into in the course of his business during the previous year shall be allowed as deduction provided that such income arising from such taxable securities transactions is included in the income computed under the head "profits and gains from business or profession"

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

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the Act.

#### **7. Venture Capital Companies / Funds**

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

#### **8. Tax Treaty benefits**

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

#### **9. Benefits available under the Wealth-tax Act, 1957**

Shares of the 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.

#### **Notes:**

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2008.
2. The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders.
3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue.

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## SECTION IV – ABOUT THE COMPANY

### INDUSTRY OVERVIEW

*The information presented in this section has been obtained from publicly available documents from various sources including officially prepared materials from the Government of India and its various ministries, industry websites and from publications and company estimates. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Red Herring Prospectus is reliable, these have not been independently verified.*

#### **Indian Economy**

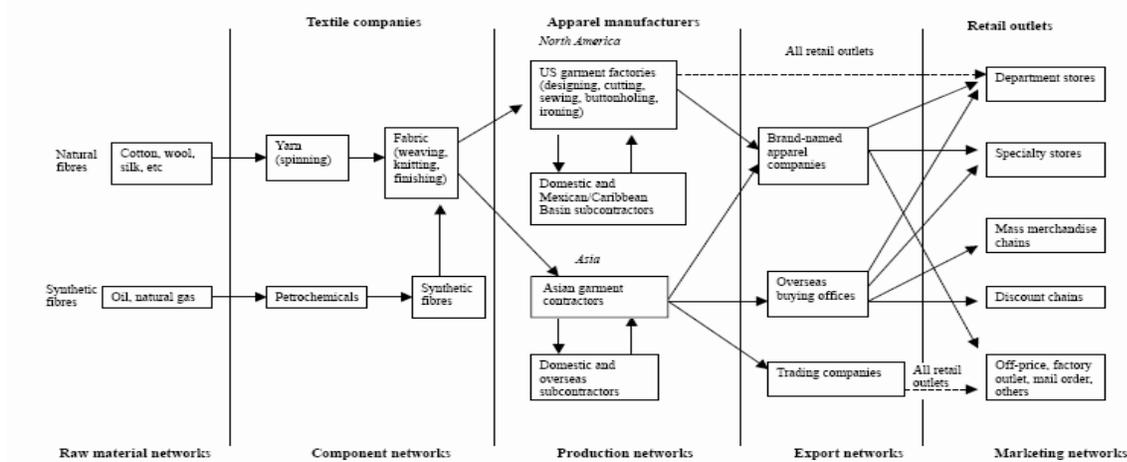
The second fastest-growing economy in the world, the third largest economy in terms of gross domestic product (GDP) in the next five years, and the fourth largest economy in purchasing power parity (PPP) terms after the United States, China and Japan, India is rated among the top 10 destination for foreign direct investment (FDI). (Source: IMAGES Yearbook 2007 Volume IV No 1)

#### **Global Textile and Apparel Industry**

The global textile and clothing trade in 2005 was USD 479 billion and contributed 4.7% of total international trade (Source: WTO, available at [http://www.wto.org/english/res\\_e/statist\\_e/its2006\\_e/its06\\_toc\\_e.htm](http://www.wto.org/english/res_e/statist_e/its2006_e/its06_toc_e.htm)). The industry is highly fragmented in terms of geography and size. There has also been a traditional divide between the various segments of the textile industry. The textile and apparel industry consists of establishments engaged in spinning natural and manmade fibers into yarns and threads. These are then converted (by weaving and knitting) into fabrics. The fabrics and in some cases the yarns and threads used to make them, are dyed and finished. The finished fabrics are then cut and sewn to produce apparel.

With the implementation of Agreement on Textiles and Clothing (“ATC”) all trade barriers, both tax and non tax, imposed by the developed countries on imports from developing countries has come to an end with effect from January 1, 2005 giving way for free trade regime in global textile trade. This has opened the way for the most competitive developing countries to develop stronger clusters of textile manufacturing. Developing countries with both downstream and upstream facilities in textiles are better able to prosper in the new competitive environment. Relatively inexpensive labor, favorable demographics, increasing presence in the textiles value chain and availability of raw materials continue to attract investment into the Asia-Pacific region, especially as a consequence of the continued liberalization of its core markets, China and India.

## Indian Textile & Apparel Industry



The Indian domestic textile industry is characterized by highly fragmented producers who sell unbranded products to consumers directly. With rising disposable incomes and the emergence of the organized retail sector, the branded textiles business is expected to become an increasingly important part of the Indian domestic market.

The Indian textile industry is focusing on adding value by developing skills and manufacturing products across various segments of the global textile and apparel markets. This is an attempt to differentiate Indian from Chinese textile production, where the focus is on volumes and lower prices.

The textile industry is very crucial to the Indian economy in terms of its contribution to GDP and employment. It contributes about 14% to industrial production, 4% to the GDP and 16.63% to the country's export earnings. It provides direct employment to over 35 millions people. The textile sector is the second largest provider of employment after agriculture sector. agriculture (*Source: Ministry of Textiles, Government of India Annual Report 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>*). The WTO agreements, low costs of production, availability of abundant domestic cotton supply and availability of skilled labor have combined to enhance the prospects for India's textile companies. The export basket includes a wide range of items, including cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups, and a variety of garments.

The Indian textile and apparel industry occupies a significant position in the global textile map as it is the third largest producer of cotton and cellulose fibre/yarn, second largest producer of cotton yarn, largest producer of jute, second largest producer of silk and fifth largest producer of synthetic fibre/yarn.

The Indian textile industry is highly localized around Western India-Ahmedabad and Mumbai, though there are other centers at Kanpur, Kolkata, Indore, Coimbatore etc. The structure of the Indian textile industry is both complex and unique. There is the modern sophisticated mill sector on one hand and the handloom, powerloom and hosiery sector on the other. This dualistic manufacturing structure is dominated by the decentralized or unorganized sector comprising of

the handloom, powerloom and the hosiery sector. The powerloom sector alone accounted for 62% of the total cloth production (30,254 mn. Sq.mtrs.) in 2005-06. There are about 19.54 lakh powerlooms in the country.

India is one of the few countries that have a presence across the entire value chain of the textiles and apparel business starting from fibre production, spinning, weaving/knitting, processing to garment manufacturing.

### **Textile export scenario:**

The textile exports had been stagnating in the quota period in the range of US\$10-13 billion. Textile exports recorded growth of 8.7% in 2003-04; and 3.9% in 2004-05. However, in the first year of quota free regime i.e. in 2005-06, the textile exports increased from a level of US\$ 14.02 billion in 2004-05 to US\$ 17.08 billion, recording a robust growth of 21.8%. As per the latest available DGCI&S data, India's textile exports during the period April – June 2006 have amounted to US\$ 4.6 billion recording a growth of 15.6% in dollar terms and 20.5% in rupee terms over the exports during corresponding period of the preceding year.

The European Union is the single largest market for India's textiles products, accounting for 35% of India's total textile exports, followed by USA which accounts for nearly 27%. Other important countries are the UAE, Saudi Arabia, Canada, Bangladesh, China, Turkey and Japan.

Source: PRESS INFORMATION BUREAU (<http://pib.nic.in/release/release.asp?relid=21857>)

The National Textile Policy (N. Tx. P.) – 2000 has envisaged textile exports at US \$ 50 bn. with the share of garments at US \$ 25 bn. by 2010. The Government has initiated appropriate schemes to provide the necessary thrust for achieving the export targets of US \$ 50 bn. by 2010. The world trade is expected to increase at the rate of 8 percent. By 2010 it will be about US\$ 660 bn. Accordingly, the US\$ 50 bn. Target would mean global share of 7 percent as against 3.13 percent currently. The World Bank has estimated that Indian clothing industry would benefit from abolition of quota as its quota levels are always fully utilized. The recent measures taken by the Government in the form of TMC, TUFS, Cluster development plan, SITP are also bound to reflect in strengthening the fundamentals of the textile industry enabling it to market its products aggressively in the global market. Source : [http://www.txcindia.com/html/progress\\_of\\_tufs.htm](http://www.txcindia.com/html/progress_of_tufs.htm)

### **Indian Apparel Industry**

The Indian apparel market registered a 5.3-per cent growth in volumes in the year 2006, producing in all approximately 5,298 million unites as compared to 5,034 million unites in the previous year. In value terms this translated into a growth of 14.7 per cent, from Rs 883 billion in 2005 to Rs 1,013 billion in 2006. (Source: IMAGES Yearbook 2007 Volume IV No 1)

#### **APPAREL MARKET**

Annual Growth Rate (%)

	2005	2006
<b>Volume</b>	4.7	5.3
<b>Value</b>	13.6	14.7

(Source: IMAGES Yearbook 2007 Volume IV No 1)

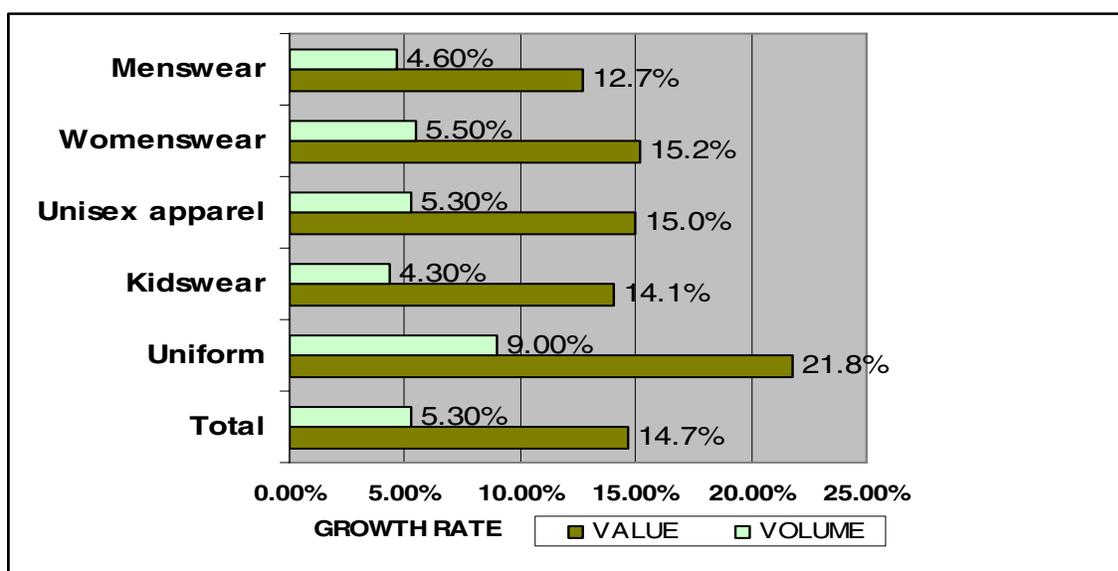
## INDIA'S APPAREL MARKET SIZE

	2005		2006	
	Volume(000 unites)	Value (Rs. Cr.)	Volume(000 unites)	Value(Rs. Cr)
<b>Menswear</b>	1,393,639	32,590	1,457,830	36,740
<b>Womenswear</b>	1,443,113	28,375	1,522,990	32,680
<b>Unisex apparel</b>	470,978	6,615	496,120	7,600
<b>Kidswear</b>	1,268,933	13,085	1,322,980	14,930
<b>Uniforms</b>	456,862	7,675	497,980	9,350
<b>TOTAL</b>	5,033,524	88,340	5,297,900	101,300

(Source: IMAGES Yearbook 2007 Volume IV No 1)

### Growth of the Indian Apparel Market

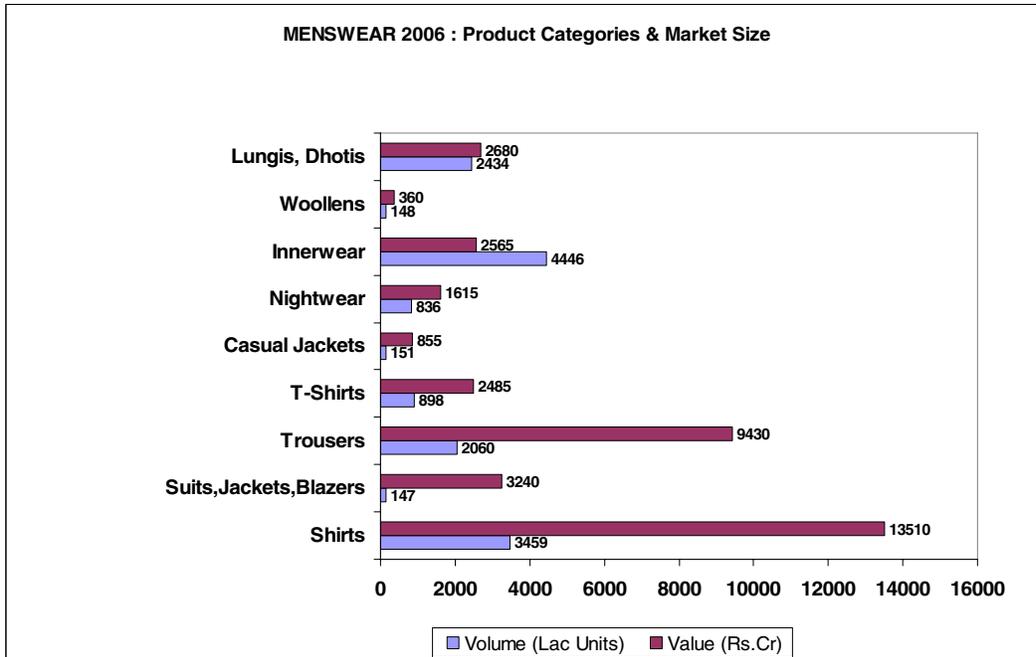
#### Growth in Major Apparel Segments during 2006 over 2005



(Source: IMAGES Yearbook 2007 Volume IV No 1)

### India's Menswear Market

Menswear market mainly comprises of shirts, trousers, suits, jackets, blazers, t-shirts etc.



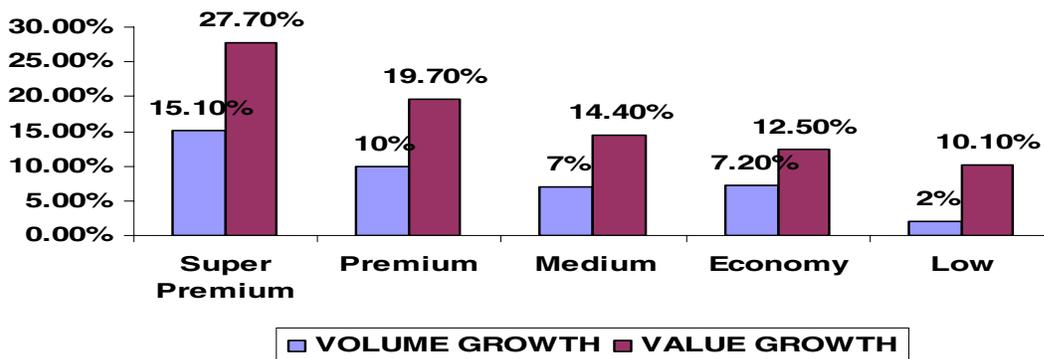
(Source: IMAGES Yearbook 2007 Volume IV No 1)

**Men’s Shirts**

Valued at Rs.13,510 crore, men’s shirts as a category commands the largest market share in the men’s segment, and also has the maximum number of players competing for a bigger chunk of this market. There are many established players and many brand variants from each of them, which make it difficult to create distinct identity in the category. Yet, there are brands that have successfully established themselves in specialized sub-categories like formal wear and party wear.

(Source: IMAGES Yearbook Volume IV No 1)

**Men's Shirts : 2006 Volume & Value Growth Across Ranges**



(Source: IMAGES Yearbook 2007 Volume IV No 1)

## Ready-to-Wears Segment

As the domestic economy grows stronger and per-capita income moves up, the apparel market is bound to grow. Traditionally, tailor-made garments have found great favour with the Indian masses, but the trend is now shifting to ready-to-wears. (Source: IMAGES Yearbook 2007 Volume IV No 1)

### Proportion of Readymade in Different Customer Segments: 2006

Category	Ready-to-wear (RTW)	Tailor made (RTS)
Men	61%	39%
Women	76%	24%
Kids	83%	17%
Total	69%	31%

(Source: IMAGES Yearbook 2007 Volume IV No 1)

### Reasons for growth of the Indian Apparel Sector

Easing of FDI norms in sectors like single-brands retail operations has come as a shot in the arm for the Indian fashion industry – licensor global brands are seen taking over the marketing, distribution and retail operation of their erstwhile Indian licensees, and, in the process, allowing their Indian partners to concentrate their investments on manufacturing activities. As a result, the Indian apparel market is likely to witness higher growth in the years ahead.

New formats like hypermarket with their value offering and appeal to a broader section of the consumer base, are likely to further increase the penetration of organized apparel retailing in the country. Already, apparel makes up for a large proportion of total sales for hypermarket players like big bazaar and mega marts / malls.

Malls are expected to be one of the main drivers of growth of apparel retailing in India, since such organized retail spaces offer large areas to fashion products. Most shopping centres try to attract department stores as their anchor tenants and, therefore, offer attractive terms to this large-format stores. The oversupply of malls in recent years did benefit department stores by providing them more bargaining strength to negotiate favorable terms and condition with mall developers.

(Source: IMAGES Yearbook 2007 Volume IV No 1)

### Investment scenario:

The policy initiatives taken by the Government in the last two Union Budgets have created an enabling environment propelling growth and investment in the Textile Sector.

Entrepreneurs have started looking at this industry as a promising one. Substantial increase in capacity expansion has been noticed during the last two years. There has been an all time high increase in investment proposals as is evident from following table:

Year	Investments (Rs. crore)	%age growth
2002-03	7174	
2003-04	8064	12.4

2004-05	11596	43.79
2005-06	21850	88.42
2006-07 (Estimated)	33000	51.02

Source : <http://pib.nic.in/release/release.asp?relid=21857>

The perception of Financial Institutions has changed. Earlier this industry was considered as NPA and now Financial Institutions are coming forward to lend credit on competitive terms and conditions.

### Per capita Availability of cloth

Considering the domestic availability of cloth, the per capita availability of cloth is projected at 62.23 sq. mtrs. by the end of the Eleventh Plan period, as against 39.17 sq. mtrs. in 2006-07, registering an annual rate of growth of 9.70 percent per annum. The per capita availability is estimated based on the projected population and expected export trend. The year-wise projections are given in the Table – 2.6 below:

	Plan		(sq. mtr) Eleventh Plan projections				
	2005-06 (Prov)	2006-07 (Estimated)	2007-08	2008-09	2009-10	2010-11	2011-12
<b>Per capita availability</b>	36.53	39.17	42.84	46.99	51.60	56.62	62.23

(Eleventh Five Year Plan : 2007-12 Government of India)

### Projections for the Eleventh Five-Year Plan

It is projected that 18.97 billion pieces would be produced in the year 2011-12 in clothing sector with a value of Rs. 2,99,300 crore. The export market would contribute 6.00 billion pieces at US\$ 34.02 billion (about Rs. 1, 53,100 crore) and the domestic requirement would be 12.98 billion pieces with value of Rs.1, 46,200 crore.

The machinery requirement for producing 18.97 billion pieces would be 24 lakh machinery. Currently, this industry has about 9.50 lakh stitching machinery. Thus, the incremental requirement would be 14.5 lakh machinery. Considering 1.50 lakh investment per stitching machine, the investment requirement during the Eleventh plan period would be Rs.21, 800 crore.

Source: Ministry of Textiles, Government of India: <http://www.txcindia.com/html/XIplanch7.pdf>

## OUR BUSINESS

### Overview

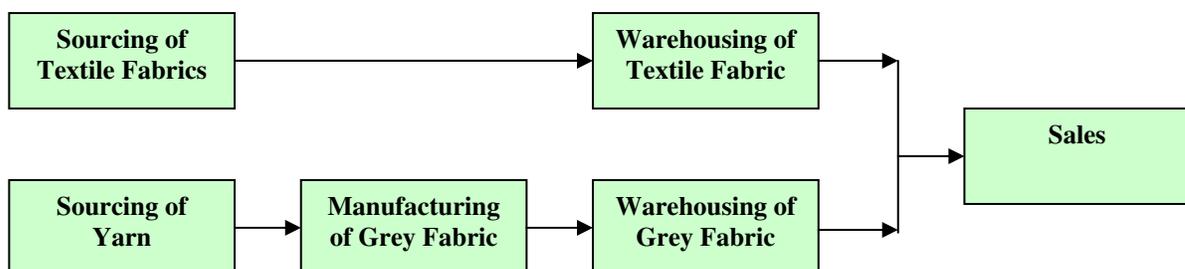
Our Company was incorporated on January 22, 2003 as Firstwinner Trading Private Limited. The name of our Company has been changed to First Winner Industries Private Limited, and further to First Winner Industries Limited. We started our operations with the objective to supply the textile fabrics to wholesalers and apparel & garment manufacturers. Initially, we started trading in the textile fabrics and now with a view to have our own manufacturing facilities, we have set up our own weaving unit during 2006-07 by installing 100 looms. The manufacturing facilities are located at MIDC, Tarapur, District Thane, Maharashtra. The unit has total installed capacity to manufacture 108 lakh meter grey fabrics per annum and commenced commercial production w.e.f. March 19, 2007. We are also executing job works for fabric and garment manufacturers. The income from job work constituted 0.07% and 8.42% of total income during 2006-07 and for the period of ten months first quarter ended January 31, 2008.

We have two subsidiaries viz. Ramshyam Textile Industries Limited and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) which are engaged in the same business. Ramshyam Textile Industries Limited commenced its operations of weaving from February 1, 2006 and became our subsidiary on April 1, 2007. Ramshyam Textile Industries Limited is having 48 looms with total installed capacity of 42.24 lakh meter fabrics per annum. First Winner Lifestyle Private Limited (Formerly Realgold Exports Private Limited), which was incorporated on December 12, 2002 as Realgold Exports Private Limited also became our subsidiary on April 1, 2007 and is having weaving unit with 48 looms and total installed capacity of 62 lakh meters per annum. This unit has commenced its commercial production from February 1, 2008. Both the subsidiaries are having manufacturing facilities at MIDC Tarapur, District Thane, Maharashtra. For details, please refer to paragraph "Our Subsidiaries" appearing on page number 91 of this Red Herring Prospectus.

### Our Business Model

Our operations are mainly engaged in the following segments:

- Trading of Textile Fabric
- Manufacturing of Grey Fabric



**Trading of fabrics:**

We are engaged in trading of various textile fabrics such as cotton fabric, blended fabric, nylon fabric, polyester fabric, furnishing fabric, woolen fabric, and non-cotton fabric to the wholesale customers to facilitate the manufacturing of garments.

The demand for the textile fabric has been increasing since the last two decades. The number of garment and apparel industries is also increasing in a random pace. With the objective to capitalize the potential markets, we have focused trading to wholesale customers. Our sales have increased from 32.95 lakh meters as on March 31, 2005 to 91.5 lakh meters as on March 31, 2007 and our trading income which was Rs. 2409.07 lakhs during 2004-05 had increased to Rs. 3683.50 lakhs during 2005-06 and Rs. 5545.53 lakhs during 2006-07.

The details of total income during the last 5 years is as under:

Particulars	(Rs. in lakhs)				
	2002-03	2003-04	2004-05	2005-06	2006-07
Income from Trading of Fabrics	244.37	1559.73	2409.07	3767.44	5545.53
Income from trading of electronic components	Nil	269.26	363.46	55.05	Nil
Total Trading Income	244.37	1828.99	2772.53	3822.49	5545.53
Other Income	Nil	5.68	14.53	5.03	9.08*
Total Income	244.37	1834.67	2787.06	3827.52	5554.61

\*Includes job work of Rs. 4.09 lakhs.

**Manufacturing of grey fabric:**

We started manufacturing the textile grey fabric after identifying the demand and supply factors and also with a view to facilitate the requirement of fabric in our trading segment. The manufacturing unit is set up with a capacity of 108 lakh meters per annum. The unit consists of 100 looms with latest Rapier machine technology that facilitates fast mode of weaving. Each loom can manufacture grey fabric of 300 meters per day.

With a view to expand our operations and to meet raw material requirement for our garment manufacturing unit, we propose to acquire 48 additional Rapier Looming machinery for the existing weaving unit.

We have also executed job-work for manufacturing grey fabric for specific customers, wherein raw material is being supplied by customers and we manufacture grey fabric. We take job-work charges from the customers depending upon the quantity of production for the weaving process conducted.

**Our Strengths*****Experienced Management Team***

We have management team with experience in textile industry including production, marketing, sales, quality control and finance. The management team is supported by Board of Directors and Key Management Personnel who are qualified with industry specific expertise. The manufacturing

unit is managed by our President Mr. Shantivadan Ratanlal Dalal who has 40 years of experience in textile business. Further, we have experienced and professional Directors on our Board who have varied experience in textile, banking, marketing, and financé.

### ***Quality Control***

We believe that quality matters when it comes to customer satisfaction. Small defect in the fabric also impacts to a great extent on the sales and revenue. Our quality team ensures that fabric is manufactured without any defects at different stages of manufacturing and conduct thorough checks on every meter of the fabric immediately after the weaving. Our quality control team is headed by Mr. Praful Jayantilal Shah who is having more than 38 years of experience in textile manufacturing industry. He also holds a certification course in Cotton Weaving from Board of Technical Examinations, Maharashtra State.

### ***Design Capabilities***

The element of designing is critical for development of fabric. It is important to understand the pulse of the customers with regard to taste and preference and the changing trends in fashion. We have our own in-house designing team headed by Mr. Bharat Shah who has the necessary expertise and experience in formulating the designs to the satisfaction of customers considering changing fashion trends.

### ***Customer relationship***

We have existing relationship with various wholesale customers for our trading operations. Further, we have been engaged in job-work in which fabric is manufactured and supplied according to the required design and fashion. We have executed job-work for various fabric and garment manufacturers.

## **Our Strategy**

### ***Expansion of Capacities***

At present we have the grey fabric manufacturing unit at MIDC, Tarapur with an installed capacity of 100 looms that can manufacture 108 lakh meters of grey fabric per annum. Further, we intend to buy 48 more looms with a production capacity of 62 lakh meters per annum thereby increasing the total capacity to 170 lakh meters per annum.

### ***Setting up of garment manufacturing unit***

As a part of our forward intergration strategy, we are setting up garment manufacturing unit with production capacity of 5,000 pieces of men's wear shirts per day. Further, we also plan to manufacture entire range of men's wear.

### ***Export opportunities***

We are at present not exporting our products but are in the process of identifying the potential markets outside India. We do not have any definite agreements or arrangements at present to support this strategy. However, we plan to explore export opportunities in the textile market after setting up of our garment manufacturing unit.

### ***Enhance Customer Base and establish long-term relationship:***

We plan to increase our existing customer base by enhancing our distribution reach of our products

to different States. We propose to increase our marketing and sales team which can focus on different States and also maintain and establish relationship with customers.

### ***Retail business***

At present, we are targeting wholesale customers for our grey fabric production. We propose to offer apparel products in men's wear category under our own brand through our own retail outlets.

### **PRODUCTION FACILITIES:**

We have the following manufacturing facilities in our Company and two of our subsidiary companies:

<b>Particulars</b>	<b>Our Company</b>	<b>Ramshyam Textile Industries Limited</b>	<b>First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)</b>
Activities	Weaving	Weaving	Weaving
Location	C - 9/1 , MIDC Tarapur, Boisar, District Thane, Maharashtra	N - 48, MIDC Tarapur, Boisar, District Thane, Maharashtra	C - 8/1, MIDC Tarapur, Boisar, District Thane, Maharashtra
Area	5121 sq. meters	2000 sq. meters	5319 sq. meters
No. of Machines	100 Looms	48 Looms	48 Looms
Type of Machines	Rapier 190 cm	Rapier 190 cm	Rapier 190 cm*
Production capacity	108 lakh meter p.a.	42.24 lakh meter p.a.	62 lakh meter p.a.
Date of commencement of commercial production	March, 2007	February, 2006	February, 2008

\* These are advanced machines having higher production capacity.

### **CAPACITY AND CAPACITY UTILIZATION:**

As there were no manufacturing activities till March, 2007, the Installed Capacity and its Utilization for the year 2006-07 has only been given.

#### **Existing Production Capacities (Weaving)**

<b>Existing Capacity (Mts. in lakhs)</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>
Installed Capacity	Nil	108.00	108.00
Capacity Utilization	Nil	0.65*	54.90

\*This utilization in capacity is relating to job-work, which was started on March 19, 2007.

**Proposed Production Capacities (Weaving)**

	2008-09		2009-10		2010-11	
	Capacity (in lakh meters)	%age	Capacity (in lakh meters)	%age	Capacity (in lakh meters)	%age
Installed Capacity	170.00	-	170.00	-	170.00	-
Capacity Utilization	85.00*	50%	127.50	75%	144.50	85%

\* We propose commercial production of new weaving unit from March 2009, therefore we have included one month production of new weaving unit.

**Proposed Production Capacities (Garments)**

	2008-09		2009-10		2010-11	
	(pieces in lakhs)	%age	(pieces in lakhs)	%age	(pieces in lakhs)	%age
Installed Capacity	15.00	-	15.00	-	15.00	
Capacity Utilization	0.94*	6.26%	11.25	75%	12.75	85%

\* We propose commercial production of new weaving unit from March 2009, therefore we have included one month production of new garment unit.

**RAW MATERIALS**

We have been involved in the trading of textile fabric since the inception of our Company. We have been sourcing the textile fabrics from various indigenous suppliers and selling to various wholesale customers.

The major raw material required for our weaving unit is yarn which is readily available from various suppliers in Maharashtra and Gujarat. Other consumable is furnace oil for the boiler, which is also readily available. In addition to the manufacturing of grey fabric, we also execute job-work for our customers, who provide raw material for the said purpose.

**UTILITIES****Power:**

The total power requirement for our weaving unit at MIDC, Tarapur is 854 KVA. We have a total sanctioned load of 960 KW and connected load of 960 KW provided by Maharashtra State Electricity Distribution Company Limited.

**Water:**

Our current water requirement is 28,800 liters per day for our manufacturing facilities, utilities and human consumption purposes which we are sourcing from Maharashtra Industrial Development Corporation (MIDC) that provides us with 7,000 liters of water per day. Further, our Company has one borewell to meet the shortfall in the supply of water by MIDC.

**Fuel:**

We use furnace oil as fuel for our boilers, which is stored in specific containers meant for the storage.

**Plant & Machinery:**

Our Company has 100 imported loom sets (second hand), three warpers (2 direct and 1 sectional), one boiler, one drying cylinder, one humidification plant, one sizing machine besides other accessories. These looms were imported from Belgium in the year 2006.

**Manpower:**

As of April 30, 2008, we have 195 full-time employees, details of which are as under:

Category	Corporate Office	Factory	Total
Managerial Staff	5	10	15
Supervisory Staff	0	11	11
Skilled / Technical	8	66	74
Semi-Skilled	1	47	48
Un-skilled	1	46	47
<b>Total</b>	<b>15</b>	<b>180</b>	<b>195</b>

In addition, we also employ casual and temporary contract labour at our factory as per our requirement.

**Effluent Disposal:**

The manufacturing process does not generate any gaseous or solid effluents. However, in the process of sizing some residuals in the liquid form viz. Polyvenyl Alchohal (PVA), Esterified Starch, Synthetic Softner, Anti Static Agent (ASA) are generated. We have necessary effluents tank and with the use of caustic soda these effluents are disposed off. We have taken necessary approval from Maharashtra Pollution Control Board to meet pollution control standards.

**GREY FABRIC MANUFACTURING PROCESS**

The process of manufacturing of grey fabric consists of a series of activities at different stages. Input of raw material depends on desired fabric to be manufactured. Manufacturing of grey fabric is performed either by single yarn method or double yarn method depending on the requirement of output. In the single yarn method, yarn is of single count and in the double yarn method; yarn is of double count which are twined together. Double Yarn method gives more strength to the fabric and in the single yarn method yarn is subject to sizing which adds more strength to the fabric and is as good as double yarn fabric. The major steps involved in the manufacturing process are as under:

**Collection of Raw Material:**

The first step in the manufacturing process is to collect the Yarn, which is the main raw material. Yarn may be Cotton or Polyester Cotton or Blended Yarn depending up the requirement of the fabric to be manufactured. The yarn so collected is tested in terms of its count, weft, tenacity, elongation at break, evenness, hairiness, etc. Yarn of different colors as may be required is collected in the form of Paper Cones. These Paper Cones are arranged in a big metallic frame many in number uniformly in order to facilitate uninterrupted flow of yarn over to the Warper Beam.

**Warping:**

Warping is the process of laying the yarn filaments parallel to each other to be wounded around a

rotating metallic Beam which is supported by a Warping Machine. Warping of Single Yarn is different from that of the Double Yarn. Direct Warping Takes place in the Single Yarn method whereas Sectional Warping takes place in the Double Yarn method.

**Direct Warping:**

This is the simple method of laying the yarn filaments parallelly to each other without any overlapping which flows directly from the Paper Cones to the Metallic Beam. If there are any breaks in the yarn, the warping machine stops automatically so that the attendant can mend by joining the broken ends and the process continues.

**Sectional Warping:**

In the Sectional Warping method double filaments of yarn are twined or twisted together to become single filament with greater strength. After that, these twisted double yarn filaments are laid parallel to each other and rolled accordingly to wind around the Beam. While doing this activity it is ensured that Yarn is reeled on the Sectional Warping machine as per the design, pattern and colors to make sections on the Weavers Beam.

**Sizing:**

The Sizing process is used only in the Single Yarn method. Sizing is nothing but applying Starch and relevant chemicals to make the single yarn more strong and stiff. The warped beam which is made from the Direct Warping Machine is creeled on to the rotating sizing creel. Warp sheets of all direct warping beams are tied together and passed through the Sized Liquor in order to apply the starch uniformly on and around the yarn. Sizing enables the yarn to resist the stress and abrasion during the weaving process on the Loom. Sizing also reduces the hairiness of the yarn on the fabric after its woven. Sizing is not required necessarily for the Double Yarn Warping as it is already strong. In order to get the size dried on the yarn, the sized yarn is subject to the steam of the boiler.

**Drawing In:**

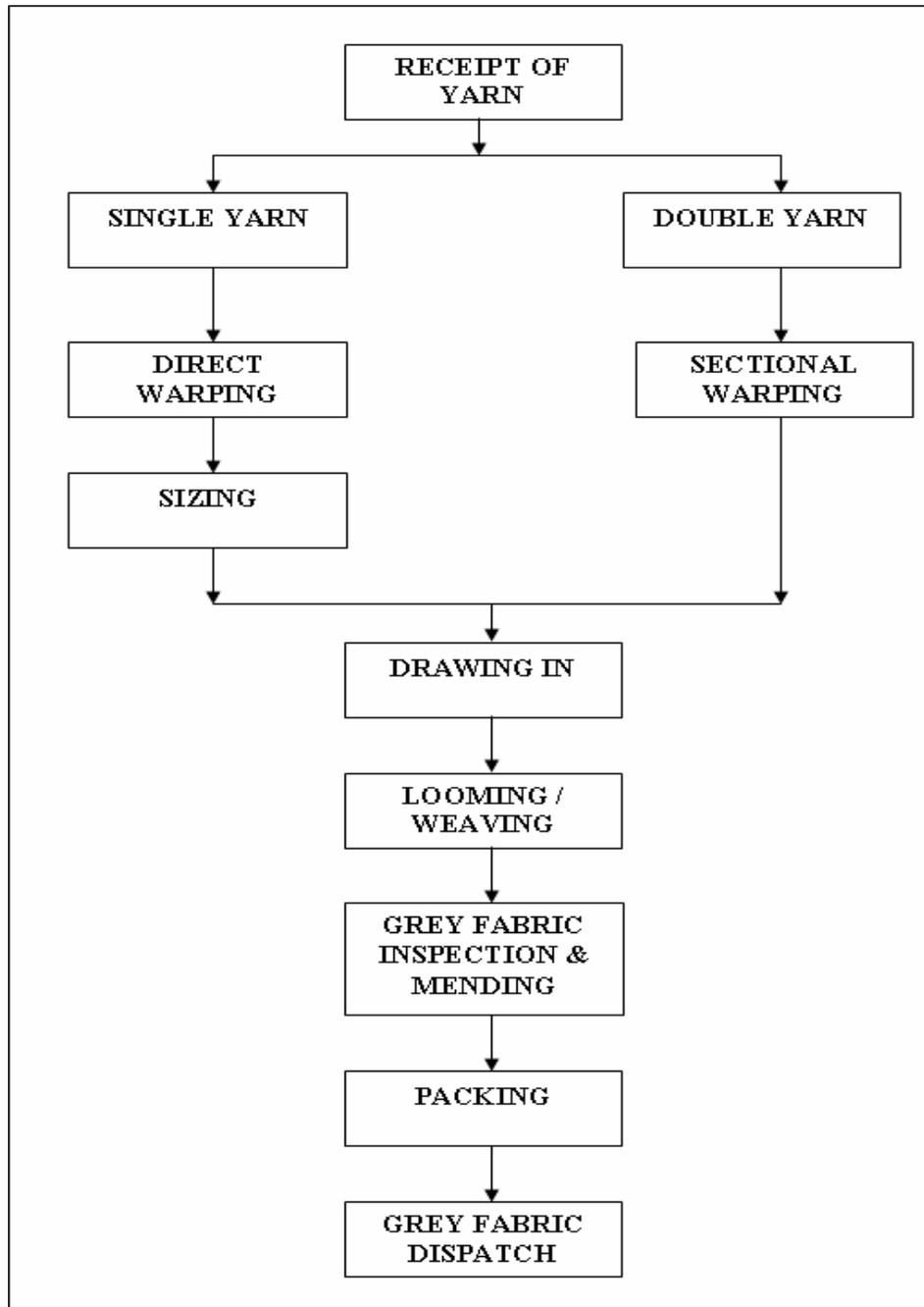
The Warping Beam so prepared is sent to the Drawing Department. In this department, the yarn from the beam is drawn in such a way that it meets the requirement of design, pattern, number of shafts on the fabric, count of reed, width of pattern and colour.

**Looming:**

Looming is nothing but the process of weaving the fabric with the help of power loom by the synchronized movement of weft yarn against the warp yarn drawn in parallelly on the beam. In this process the yarn which is warped according to the design required is passed uniformly and the weft yarn is interlaced in order to build a compact arrangement of filaments to form the grey fabric. The fabric so woven is wound round to form rolls of desired length. These rolls are sent to mending department for the inspection.

**Inspection & Mending:**

After the fabric is woven, it is sent to the Mending Department in which the fabric is thoroughly inspected to find if there are any defects in the weaving process. Defects like extra yarn on the fabric, gaps if any between the filaments, damages if any, etc are identified and small corrections that can be made by cutting off the extra yarn on the fabric. Fabric is cut into different pieces of the desired length and made ready for delivery.

**SCHEMATIC FLOW-CHART OF GREY FABRIC MANUFACTURING PROCESS**

## MARKETING

Our current customers in weaving business are textile wholesalers, manufacturers & exporters of garments. We adopt marketing strategy of direct customers approach. We sell our fabric through our sales representatives directly to the customers as well as through third-party agents who procure orders from customers. Orders are procured on a day to day basis. Our grey fabric has significant demand in the domestic market. Our third-party sales agents are assigned to promote our fabric to specific customers as they receive commission based on the quantity of fabric purchased by the customers they cover. Although we believe that we have good relationship with our sales agent, we have no agreements in place between us and the sales agents and the sales agents are not exclusive to our Company. We have separate sales office at Marine Lines, Mumbai which co-ordinates with the sales agents and our different customers. We have two warehouses in Bhiwandi, Maharashtra which is famous for number of garment and textile units, which gives us logistics advantage.

We will sell our garment products i.e. men's wear shirts primarily in the domestic market through our own existing relationships with customers and sales agents. We believe that there is significant opportunity for us to develop value retail customers in the Indian retail apparel market. We also believe that with significant growth in retail sector, these retailers are increasingly looking for organized high-volume production capacities from single supplier.

## COMPETITION

The textile industry is fiercely competitive. The threat of competition emerges not only from the organized sector but also from the unorganized sector and from both small and big players. At the international level, we are in direct competition with companies based in nations having a low cost such as Philippines, China and Bangladesh. We are also in direct competition with the leading fabric manufacturers of India as well as the local manufacturers.

## EXPORT OBLIGATION

At present our Company does not have any export obligation.

## OUR PROPERTY:

S. No	Location of property	Nature of Title/Interest	Details	Total Area
<b>Factory &amp; Godown premises</b>				
1	Plot No. C-9/1, Tarapur Industrial Area, Village Kolvade, Palghar Municipal Council, District Thane*	Lease Deed	Date of lease – May 5, 2006 Period of lease – 95 years from January 30, 1982 (i.e. the date of original lease agreement which was executed between MIDC and Geeta Gopal Synthetic Private Limited, from whom the property was acquired)** Lessor –Maharashtra Industrial	5121 Sq.Meters

S. No	Location of property	Nature of Title/Interest	Details	Total Area
			Development Corporation	
2	Godown Gala No 12, H.No.266, Rahnal, Tal Bhiwandi, Maharashtra*	Sale Deed	Date of execution of Sale Deed: June 6, 2003 Vendor: Ms. Rajani Mahendra Patodia	2700 Sq.ft.
3	Godown Gala No 8, G.P.H.No.266, Rahnal, Tal Bhiwandi*	Sale Deed	Date of execution of Sale Deed: June 6, 2003 Vendor: Rajani Mahendra Patodia	2020 sq.ft.
4	No. 201, 2 <sup>nd</sup> Floor, Plot No. 117/118, C.S.T. 740 & 741, P.L.Lokhande Marg, Chembur, Mumbai – 400 089*	Agreement for Sale	Date of Agreement: October 20, 2003 Transferors: 1.Vivekanand Chaturvedi 2. Ramvati Chaturvedi	612 Sq.ft.
<b>Registered Office</b>				
5	No.605, 6 <sup>th</sup> Floor, Business Classic, C.T.S. No. 10-A, Chincholi Bunder Road, Malad (West), Mumbai – 400 064	Agreement for License	Date of Agreement: May 8, 2007 Licensor: Solitaire Texfeb & Traders Private Limited The above agreement has been further renewed for a period of 11 months from March 01, 2008 vide agreement dated March 01, 2008	700 sq.ft.

\*The properties are free from all encumbrances except for the equitable mortgage created in favour of banks who have extended credit facilities in the normal course of business.

\*\* Originally, the property was on lease with Geeta Gopal Synthetic Private Limited for a period of 95 years from January 30, 1982 under lease agreement with MIDC. Our Company had paid a sum of Rs. 95 lakhs as premium for transfer of lease deed in our Company's name and accordingly fresh lease deed was executed between MIDC, Geeta Gopal Synthetic Private Limited and our Company granting us lease rights for balance period of 95 years. The said lease deed was duly executed and stamped.

### Properties of our Subsidiaries

(a) First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)

Sr. No.	Location of property	Lease / Sale Deed	Details	Total Area
<b>Factory</b>				
1	Plot No. C-8/1, Tarapur Industrial Area, Village Kolvade, Palghar Municipal Council, District Thane.	Lease Deed	Date of lease – April 27, 2007 Period of lease – 95 years from August 1, 1982 (i.e. the date of original lease agreement which was executed between MIDC and Vipul Textile	5319 Sq.Mts

			Private Limited, from whom the property was purchased) Lessor –Maharashtra Industrial Development Corporation	
<b>Godown Premises</b>				
1	Godown Gala No.1, Shelar Bhiwandi, Thane District	Sale Deed	Date of execution of Sale Deed – August 16, 2004 Vendor- Mishra Properties Private Limited (now Solitaire Texfeb & Traders Private Limited)	2340 Sq. Ft
2	Godown Gala No.2, Shelar Bhiwandi, Thane District	Sale Deed	Date of execution of Sale Deed – August 16, 2004 Vendor- Mishra Properties Private Limited (now Solitaire Texfeb & Traders Private Limited)	2250 Sq. Ft

**(b) Ramshyam Textile Industries Ltd.**

Sr. No	Location of property	Nature of Title/Interest	Details	Total Area
<b>Factory</b>				
1	N – 48, MIDC Tarapur, Boisar, District Thane, Maharashtra	Lease Deed	Date of Lease agreement – December 11, 2006 Period of lease – 95 years from April 1, 1984 (i.e. the date of original lease agreement which was executed between MIDC and Boruka Synthetics Private Limited, from whom the property was purchased) Lessor – Maharashtra Industrial Development Corporation	2000 Sq.Mts

**PURCHASE OF PROPERTY**

Except as stated in section titled “Objects of the Issue” in this Red Herring Prospectus, on page no. 29 of this Red Herring Prospectus, there is no property which the Company has purchased or acquired or propose to purchase or acquire which is to be paid wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed as on the date of filing of this Red Herring Prospectus with SEBI, other than property:

- the contract for the purchase or acquisition whereof was entered into in the ordinary course of the business, the contract not being made in contemplation of this Issue, nor this Issue in contemplation of the contract; or
- in respect of which the purchase money is not material.

Except as stated in the section titled “Related Party Transactions” on page no. 110 of this Red Herring Prospectus, the Company has not purchased any property in which any Directors, have

any direct or indirect interest in any payment made thereof.

## INSURANCE

We have taken different insurance policies under standard Fire and Special Peril Policy, brief details of which are as under:

Sr. No.	Name of the Insurance Company	Description	Maintenance Period	Sum Insured (Rs in Lakh)	Premium Amount (Rs in Lakh)	Nature of Policy
1	New India Assurance Company Limited	Building, Plant & Machinery and Accessories at Tarapur	April 4, 2008 to April 3, 2009	3000.00	1.85	Standard Fire and Special Perils
2	New India Assurance Company Limited	Building & Stocks – Storage of Non-hazardous Stock of Fabric at Bhiwandi godown	December 15, 2007 to December 14, 2008	310.00	0.29	Standard Fire and Special Perils
3	New India Assurance Company Limited	Building & stocks at Chembur Godown	March 28, 2008 to March 27, 2009	30.00	0.01	Standard Fire and Special Perils
4.	United India Assurance Company Limited	Building, Installations, Computers, Furniture Fixtures etc. at Registered Office	July 26, 2007 to July 25, 2008	74.45	0.04	Standard Fire and Special Perils

## INTELLECTUAL PROPERTY RIGHTS

Our Company does not have any Intellectual Property Rights and has not entered into any trade mark agreement. We have applied for registration of our logo pursuant to application made on October 15, 2007 with Trademark Registry, Mumbai under class 24 of the Trade Marks Act, 1999. The Registrar of Trade Marks, Mumbai has allotted serial number 1611616 to the application. However the registration of logo has yet to be approved.

## OUR INDEBTEDNESS

Following are the details of our fund based facilities taken from banks/Financial institutions:

S. no.	Bank/Types of credit facilities	Sanctioned Amount/rate of interest	Balance outstanding as on May 10, 2008	Repayment Schedule	Securities offered
<b>State Bank of India</b>					
1.	CC Account  Standby Line of Credit (SLOC)	Rs.650 Lakhs  Rs. 90 Lakhs  (Rate of interest at 1% above State Bank Advance Rate (SBAR). Present effective rate will be 13.75% p.a. at monthly rest)	Rs. 542.40 Lakhs  Rs. 90.00 Lakhs	Renewable in one year	<p>1 Primary Securities: Hypothecation Charge over Company's entire current assets.</p> <p>2. Collateral Securities: Equitable Mortgage on properties as mentioned below:</p> <p>i. Office no.201, Raji commercial Complex, P.L. Lokhande Marg, Chembur, Mumbai.</p> <p>ii. Industrial Gala No. 8 &amp;12, Gupta Compound, Near Anjur Phatak, Bhiwandi both (i &amp;ii) belonging to First Winner Trading Company Private Limited.</p> <p>iii. Shop no. 6/7/8, Raji commercial Complex, P.L. Lokhande Marg, Chembur, Mumbai in the name of Solitaire Texfeb &amp; Traders Private Limited.</p> <p>iv. Shop no.10 Gr. Floor, Gokul New Evershine Nagar, Malad, Mumbai 400 064.</p> <p>v. Office No. 301, 3 rd floor, Unique Premises CHS, Gaiwadi Industrial Estate, off S V Road, Goregaon, Mumbai. (All 5 properties i.e. from iii to v in the name of Solitaire Texfeb &amp; Traders Private Limited, formerly known as Mishra Properties Private Limited)</p>

S. no.	Bank/Types of credit facilities	Sanctioned Amount/rate of interest	Balance outstanding as on May 10, 2008	Repayment Schedule	Securities offered
					<p>vi. Residential flats at Dheeraj Solitaire, Flat no. A403 &amp; A404, 4th floor, Chincholi Bunder Road, Off Link Road, Malad (West), Mumbai 400 064 (Total area 675 and 615 sq.ft. respectively belonging to Mr. Rinku Patodia)</p> <p>3. Guarantee : Personal guarantee of Mr. Rinku Patodia &amp; Mrs. Anita Patodia Corporate guarantee of Solitaire Texfeb &amp; Traders Private Limited &amp; Rikosh Fashions Private Limited</p>
2.	Term Loan	Rs.1200 Lakhs  0.25% over SBAR. Present effective rate will be 13% p.a. at monthly rests*.	Rs.1136.84 Lakhs	75 monthly installments. of Rs. 15.79 lakhs w.e.f. January, 2008 and last instalment of Rs. 15.75 lakhs	<p>1. Primary Securities: Equitable mortgage /Hypothecation of entire fixed assets (movable/immovable) of Company acquired out of the loan.</p> <p>2 Collateral Securities: Nil</p> <p>3. Guarantee Personal guarantee of Mr. Rinku Patodia &amp; Mrs. Anita Patodia Corporate guarantee of Solitaire Texfeb &amp; Traders Private Limited (formerly known as Mishra Properties Private Limited) &amp; Rikosh Fashions Private Limited</p>
<b>State Bank of Indore</b>					
3.	Term Loan	Rs. 600 Lakhs (at par with SBI rate of interest @13%)*	Rs. 567.99 Lakhs	75 monthly instalments of Rs. 7.895 lakhs beginning from	<p>1. Primary Securities: First Charge Equitable mortgage /Hypothecation of entire fixed assets (movable/immovable) of Company acquired out of the loan on pari-passu basis with</p>

S. no.	Bank/Types of credit facilities	Sanctioned Amount/rate of interest	Balance outstanding as on May 10, 2008	Repayment Schedule	Securities offered
				January, 2008 and last instalment of Rs. 7.875 lakhs.	SBI. 2 Collateral Securities: Nil 3. Guarantee Personal guarantee of Mr. Rinku Patodia & Smt. Heetal S. Jadhav Corporate guarantee of Solitaire Texfeb & Traders Private Limited (formerly known as Mishra Properties Private Limited) & Rikosh Fashions Private Limited

\* We have applied for interest subsidy under these term loan facilities, and will get cost advantage to the extent of 5% after receipt of approval. However, in the meantime, we have decided to prepay these loan amounts aggregating to Rs. 1800 lakhs from the proceeds of the proposed public issue.

### Restrictive Covenants in Loan Agreements

The covenants in borrowings from banks, among other things, require us to obtain the bank's written consent to effect any changes in our Company's capital structure, enter into any scheme of amalgamation/ re-construction; undertake any new project/ schemes, implement any schemes of expansion or acquire fixed assets unless the expenditure on such expansion etc. is covered by our Company's net cash accruals after providing for dividends, investments etc. or from long term funds received for financing such new projects or expansion and approved by the bank; invest by way of share capital in or lend or advance funds to or place deposits with any other concern; enter into borrowing arrangement either secured or unsecured with any other Bank, financial institution, Company or otherwise save and except the working capital facilities granted/to be granted by other consortium-member banks, under consortium arrangement with the Bank and the term loans proposed to be obtained from financial institutions/Banks for completion of the replacement-cum-modernisation programme; undertake guarantee obligations on behalf of the Company; and declare dividends for any year except out of profits relating to that year after making all due and necessary provisions and provided further that no default had occurred in any repayment obligations; create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons; sell, assign, mortgage or otherwise dispose off any of the fixed assets charged to the Bank; enter into any contractual obligation of a long term nature or affecting the company financially to a significant extent; change the practice with regard to remuneration of directors by means of ordinary remuneration or commission, scale of sitting fees, etc; undertake any trading activity other than the sale of products arising out of its own manufacturing operations; and permit any transfer of the controlling interest or make any drastic change in the management set-up.

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Pursuant to the aforesaid we have received No Objection Certificate from the following banks:

<b>S. No.</b>	<b>Name of Lender</b>	<b>Letter Ref. No. and Date</b>
1	State Bank of India	AGM2RM/MIDC/Mdh/2007-08 dated October 16, 2007
2	State Bank of Indore	October 18, 2007

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## REGULATION AND POLICIES

The Government of India has over the years formulated various regulations and policies for the development of the textile sector in India.

### **National Textile Policy**

The Ministry of Textiles has formulated the National Textile Policy, 2000 (“Textile Policy”) with the objective of enabling the textile industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The Textile Policy envisages a multi-pronged strategy to achieve these long-term goals. The strategy aims at modernizing the equipment and technology that is used in the sector and simultaneously strengthening the traditional knowledge, skills and capabilities in this sector. The Textile Policy also targets the development of a strong multi-fibre base to facilitate product upgradation and diversification. The Textile Policy provides for government financing and venture capital funding for setting up textile plants. Particular emphasis is laid on exports with the proposal of multi-disciplinary institutional mechanisms to formulate policy and action plans, including the restructuring of Export Promotion Councils and operating a brand equity fund exclusively for textile and apparel products.

The Textile Policy also contains sector specific agendas. For the cotton sector, it designates the Technology Mission of Cotton as the nodal body to bring about increase in productivity and stability in prices. For the spinning and weaving sectors, decentralized modernization is the thrust of the government policy and for the garments sector, the government proposes a number of measures in light of the WTO rules and regulations, including strategic alliances with leading global manufacturers and the establishment of textile/apparel parks.

### **The Textiles Committee Act, 1963**

The Textiles Committee has been established under the Textiles Committee Act, 1963, with the primary objective of ensuring standard quality of textiles both for internal marketing and export purposes and standard type of textile machinery. Its functions include the promotion of textiles and textile exports, research in technical and economic fields, establishing standards for textiles and textile machinery, setting up of laboratories, data collection etc. 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 duty of excise on certain textiles and textile articles.

### **Cotton Control Order 1986**

The Cotton (Control) Order, 1986 (“Cotton Order”) prescribes the maximum quantity of cotton that may be possessed by a manufacturer, a cotton ginning factory, a cotton pressing factory, a cotton ginning and pressing factory and a person (other than a member of a Hindu Undivided Family growing cotton). The Cotton Order establishes the office of the Textile Commissioner as the

regulator there under. The Cotton Order further specifies the quality standards that have to be met while picking cotton for the purposes of export and domestic consumption as well as the markings that have to be made on the cotton bale before marketing of the same.

### **Ministry of Textiles Order**

The Ministry of Textiles Order, F.No.8/3/2001-Tpc, dated December 19, 2001 ("Textiles Order") was promulgated in super session 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 keep books of accounts and records relating to his business as required under the Textiles Order and must furnish such returns or information in respect of their business as and when directed by the Textile Commissioner.

Further, 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. 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.

### **Multi Fibre Agreement and Agreement on Textiles and Clothing**

Exports of textiles and clothing from developing countries have long faced restrictive blocks to their exports called quotas. After more than forty years of trade with import quotas, the textiles and clothing sector eventually became subject to the general rules on the World Trade Organization (WTO) from January 1, 2005 and hence now textile quota regime has come to an end. In 1962, a Long-term Agreement (LTA) regarding International Trade in Cotton Textiles was signed under the auspices of General Agreement of Tariffs and Trade (GATT). The LTA was renegotiated several times until it was replaced by the Multi Fibre Agreement (MFA), which came into force in 1974. Under the MFA regime textile and clothing quotas were negotiated bilaterally. It provided for the application of selective quantitative restrictions when surges in imports of particular products caused, or threatened to cause, serious damage to the industry of the importing country. Thus MFA came into force to allocate export quotas to the low cost developing countries, limiting the amount of imports to countries whose domestic industries were facing serious challenge from rapidly increasing imports. The MFA was negotiated four times and it finally expired in 1994. However, the expiration did not symbolize the end of quotas. With the establishment of the WTO in 1995, the Agreement on Textiles and Clothing (ATC) was negotiated as a transitory regime to the full integration of textiles and clothing into multi-lateral trading system. The basic aim of the ATC was to secure the removal of restrictions applied by developed countries to imports of textiles and clothing. The ATC as a transitional instrument was built on certain key elements. The ATC ruled the scene for ten years, and terminated on December 31, 2004, performing its due role of dismantling the MFA regime. Four countries that had been restricting their imports of textiles and clothing viz., Canada, the European Union, Norway and the United States integrated textiles into GATT 1994 in four steps over a period of ten years.

## **Technology Upgradation Fund Scheme**

The Technology Upgradation Fund Scheme (TUFS) is the flagship scheme of the Ministry of Textiles, which aims at making available funds to the domestic textile industry for technology upgradation of existing units and to set up new units, to increase their viability and competitiveness in national and international markets. The Scheme was launched in February 1997 and was last extended upto March 2012. This scheme has acted as a catalyst in spurring investment in the textile sector and has received the support of the industry. Under the TUFS the eligible units, as prescribed under the Scheme, will be provided loans at concessional terms and conditions by the nodal agencies notified for different segments by the Ministry of Textiles. The said nodal agencies in turn will nominate lending institutions, i.e., Financial Institutions/banks thereby facilitating the process of availing various benefits under the Scheme. The Government funding is limited to reimbursement of 5% interest charged by the financial institutions / banks for Rupee Term Loan (RTL) or exchange rate fluctuation/forward cover premium limited to 5% for Foreign Currency Loan (FCL) on a project of technology Upgradation in conformity with the scheme. There is no cap on funding under the scheme.

With effect from 1.1.2002, an option has been provided to small-scale textile and jute industry to avail of either 12% credit link capital subsidy or the existing 5% interest reimbursement. For small scale power loom units, with effect from November 6, 2003 an additional option of credit linked upfront 20% capital subsidy for power loom and weaving preparatory machinery has been allowed, upto a cost of Rs. 60 Lakhs, with a facility to obtain credit from an enlarged credit network that includes all cooperative banks and other genuine non-banking financial companies (NBFCs) recognized by the RBI.

The Government of India, Ministry of Textiles vide their Circular dated April 4, 2007 decided to keep TUFS in abeyance for sanction of any fresh loans w.e.f. April 1, 2007 till the finalization of modifications and issuance of instructions as the process of modifications / necessary corrections have started in consultation with the stakeholders.

## **Generalized System of Preferences (GSP) Scheme**

The Generalized System of Preferences (GSP) is an instrument by which the developed countries allow imports originating from developing and least developed countries on duty-free or preferential duty basis. Presently, 29 preference-giving countries are extending GSP concession through their respective Schemes. These are Australia, Canada, Czech Republic, European Union, Japan, New Zealand, Norway, Bulgaria, Hungary, Poland, Russian, Federation, Slovakia, Switzerland, and USA.

## **Foreign Trade Policy (FTP), 2004-2009 Export Oriented Units (EOUs)**

Units undertaking to export their entire production of goods and services, except prohibited items of exports, can be registered under the Export Oriented Unit (EOU) Scheme. Such units may be engaged in manufacture of goods including repair, remaking, reconditioning, re-engineering, agriculture, including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry, sericulture and rendering of services. EOU units are permitted to import goods, including capital goods required by it for its activities or

in connection therewith, provided they, are not prohibited items of imports in the ITC (HS) without payment of customs/excise duty. The units are also permitted to import goods required for the approved activity, including capital goods, free of cost or on loan from clients. These EOU have to be net positive foreign exchange earners. The EOUs enjoy tax holidays under section 10 B of the Income tax Act, 1961 from payment of income tax on 100% profits and gains derived by the undertaking from the export of such articles, things etc. However the aforesaid tax holiday from payment of income tax is available upto FY 2009-10. In case of an EOU in the textile sector, disposal of leftover material/fabrics upto 2% of CIF value or quantity of import whichever is lower, on payment of duty on transaction value may be allowed, subject to certification of central excise/custom officers certify that these are leftover items. Also, export of textile items are covered by bilateral agreements.

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

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

**Ministry of Commerce & Industry, Department of Industrial Policy and Promotion, Office Memorandum No. 1(10)/ 2001-NER, 7th January, 2003**

New industrial units and existing industrial units on their substantial expansion as defined, set up in Growth Centres, Industrial Infrastructure Development Centres (IIDCs), Industrial Estates, Export Processing Zones, Theme Parks (Food Processing Parks, Software Technology Parks, etc.) and other areas as notified from time to time by the Central Government, are entitled to the following benefits:

- a) 100% (hundred percent) outright excise duty exemption for a period of 10 years from the date of commencement of commercial production.
- b) 100% income tax exemption for initial period of five years and thereafter 30% for companies and 25% for other than companies for a further period of five years for the entire states of Himachal Pradesh from the date of commencement of commercial production.
- c) All New industries in the notified location would be eligible for capital investment subsidy @ 15% of their investment in plant & machinery, subject to a ceiling of Rs.30 Lakhs. The existing units will also be entitled to this subsidy on their substantial expansion, as defined.

## HISTORY AND CERTAIN CORPORATE MATTERS

### History:

Our Company was incorporated on January 22, 2003 under the Companies Act, 1956 as Firstwinner Trading Private Limited. Our Company was originally promoted by Mr. Vijay Dargar and Mr. Sanjay Gupta on January 22, 2003. Their shareholding was purchased by Mr. Rinku Patodia, Mr. Sachin K. Jadhav, Ms. Hetal S. Jadhav and their friends on January 24, 2003. Mr. Vijay Dargar and Mr. Sanjay Gupta resigned from the Directorship on January 24, 2003 and in their place Mr. Sachin K. Jadhav and Ms. Hetal S. Jadhav had been appointed as Directors. Mr. Rinku Patodia appointed as Director on August 4, 2003 and then Mr. Sachin K. Jadhav resigned on September 5, 2003.

The name of our Company has been changed to First Winner Industries Private Limited, and further to First Winner Industries Limited. We started our operations with the objective to supply the textile fabrics to wholesalers and apparel & garment manufacturers. Initially, we started trading in the textile fabrics and now with a view to have our own manufacturing facilities, we have set up our own weaving unit during 2006-07 by installing 100 looms. The manufacturing facilities are located at MIDC, Tarapur, District Thane, Maharashtra. The unit has total installed capacity to manufacture 108 lakh meter grey fabrics per annum and commenced commercial production w.e.f. March 19, 2007. We are executing job works for fabric and garment manufacturers. The income from job work constituted 0.07% and 8.42% of total income during 2006-07 and for the period of ten months ended January 31, 2008.

We have two subsidiaries viz. Ramshyam Textile Industries Limited and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) which are engaged in the same business. Ramshyam Textile Industries Limited commenced its operations of weaving from February 1, 2006 and became our subsidiary on April 1, 2007. Ramshyam Textile Industries Limited is having 48 looms with total installed capacity of 42.24 lakh meter fabrics per annum. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited), which was incorporated on December 12, 2002 as Realgold Exports Private Limited also became our subsidiary on April 1, 2007 and is having weaving unit with 48 looms and total installed capacity of 62 lakh meters per annum. This unit has commenced its commercial production from February 1, 2008. Both the subsidiaries are having manufacturing facilities at MIDC Tarapur, District Thane, Maharashtra. For details, please refer to paragraph "Our Subsidiaries" appearing on page number 91 of this Red Herring Prospectus.

### Major events in the History of Our Company:

A chronology of key events in our corporate history is set out below:

Year	Key Events
2003	Incorporation of Company
2003	Started trading of Textile fabrics
2006	Change of Name to First Winner Industries Private Limited
2006	Conversion of private limited company into public limited company
2007	Establishment of Factory at MIDC, Tarapur for manufacturing of fabrics with a capacity of 108 lakh meters per annum and commencement of production in

	March, 2007.
2007	Ramshyam Textile Industries Limited became Subsidiary of our Company
2007	First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) became Subsidiary of our Company

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

To carry on the business in India or abroad as Traders, distributors, Dealers, Exporter, Importer, Converters, Stockiest & Commission Agent, Agency Business, Research and Developments and Processors of Industrial, Commercial, Agricultural, Scientific, Household, Domestic, Automobiles, Farms and Forest product, Food product, Leather & Leather products, Rubber and rubber products, LP Gas, Petroleum and Petroleum products, Engineering product goods, Plant & Machinery, Equipment, Apparatus and other Gadgets, appliances, Accessories, Spare Parts, Computer hardware, Software, Intellectual Property Rights, all type of Chemical, Minerals, Pharmaceutical, Wool, Silk Yarn, Fibers, Garments, Textiles, Share Trading, Share Broking, Timber products, Rubber Plastics, Tyres & Tubes, Cement Fertilizers, Iron & Steel, Copper, Gold, Silver, Precious Stones and jewellery, Ferrous & Non-Ferrous metals, Electronic Organisers, Computer Floppy Diskettes, Audio, Video tapes, Compact Discs, T.V. Software Film and T.V. serials, e-commerce, interactive communication services, web based solutions and internet portals or any other merchandise or service on ready or forward basis.

To carry on business of manufacturing, spinning, weaving, processing, dyeing, bleaching, sanforising, mercerizing, printing, combing, preparing, selling, buying, importing, exporting and otherwise dealing in knitted fabrics, fabrics of cotton, hand-made fibres, tiles terylene, silk, rayon, nylon, linen, hemp, jute, woolen fabric and blends thereof and other natural or man made fibres and to carry on the business of manufacturing, trading, dealing, distributing, stocking, exporting, importing of all types of machineries, spare parts required for manufacturing, spinning, weaving, processing, dyeing, bleaching, sanforising, mercerizing printing and combing of various textile products.

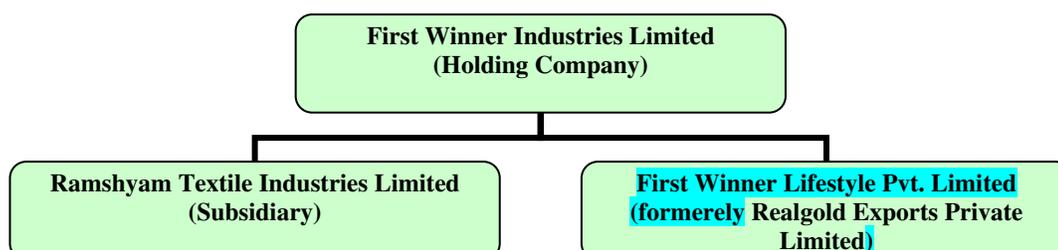
The main objects clause of our Memorandum of Association enable us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

**Changes in Memorandum of Association:**

Date	Reason
September 30, 2003	Increase in Authorized Capital from Rs. 1.00 lakh to Rs. 25 lakh
October 6, 2004	Increase in Authorized Capital from Rs. 25 lakh to Rs. 50 lakh
June 6, 2005	Increase in Authorized Capital from Rs. 50 lakh to Rs. 75 lakh
March 27, 2006	Change in Object clause of our Company
June 22, 2006	Increase in Authorized Capital from Rs. 75 lakh to Rs. 400 lakh
August 17, 2006	Change of Name of the company from First Winner Trading Private Limited to First Winner Industries Private Limited
August 18, 2006	Change of Name of the company from First Winner Industries Private Limited

	to First Winner Industries Limited, a Public Limited Company
January 29, 2007	Increase in Authorized Capital from Rs. 400 lakhs to Rs. 1200 lakhs
August 29, 2007	Increase in Authorized Capital from Rs. 1200 lakhs to Rs. 2000 lakhs

## Our Subsidiaries



Following are details of our Subsidiary Companies:

### 1. Ramshyam Textile Industries Limited:

Name of the Company	Ramshyam Textile Industries Limited (Originally incorporated as Prominent Pharmaceuticals Limited.) The name of the Company was changed to its current name with effect from September 23, 2005.
Date of Incorporation	February 21, 2000
Registered office	605, Business Classic, Chincholi Bunder Road, Malad (West), Mumbai – 400 064
Promoters	Originally promoted by Mr. Pawankumar Bajaj, Mr. Sajankumar Bajaj, Mrs. Kabita Bajaj, Mrs. Babita Bajaj, Mr. Gopal V. Mehta, Mr. Jayesh N. Mehta, Mr. Suresh D. Patel. Subsequently, they transferred their equity in the company on July 21, 2005. The present promoter is First Winner Industries Limited. There is no relation between our Promoters and / or Directors with the original promoters of Ramshyam Textile Industries Limited.
Nature of Activities	Manufacturing of grey fabric and trading in fabrics
Location of Manufacturing facilities	The manufacturing facilities are located at N – 48, MIDC Tarapur, Boisar, District Thane, Maharashtra.

### Board of Directors:

1. Mr. Rinku Patodia
2. Mr. Subhash K. Harlalka
3. Ms. Anita Patodia

**Shareholding Pattern:**

S.No.	Name of shareholders	No. of Shares	% of Shareholding
1	Mr. Rinku Patodia	20	Negligible
2	Ms. Anita Patodia	20	Negligible
3	Mr. Subhash Harlalka	10	Negligible
4	Mr. Rajendra Pareek	10	Negligible
5	Mr. Ram K. Singh	10	Negligible
6	Mr. Narender S. Mahar	10	Negligible
7	First Winner Industries Limited	6,07,770	99.99
	<b>Total</b>	<b>6,07,850</b>	<b>100</b>

**Audited Financial Information:**

(Rs. In Lakhs)

Particulars	2004-05*	2005-06	2006-07	For the Period April 01, 2007 to January 31, 2008***
Sales	Nil	Nil	879.42	2,832.99
Job-Work	Nil	11.88	109.75	212.01
Other Income	Nil	0.02	Nil	Nil
Total Income	Nil	11.90	989.17	3,045.01
Profit after Tax	Nil	(28.69)	85.18	306.25
Share Capital	5.00	5.00	60.78	60.78
Share Application Money	Nil	314.75	Nil	Nil
Reserves & Surplus	-	(28.69)	446.99	753.23
Earning Per Share (Rs.)	Nil	(57.39)	14.01	50.38
NAV (Rs.)**	1.41	(47.39)	83.53	133.92

\* No commercial activity was undertaken during this period.

\*\* Share Application Money has not been considered for purpose of calculation of NAV.

\*\*\* The audited accounts are for period of ten months.

Ramshyam Textile Industries Limited commenced its operations of weaving from February 1, 2006 with an installed capacity of 42.24 lakh meter fabrics per annum. It became our subsidiary on April 1, 2007. R.J. Rathi & Co., Chartered Accountants, who have vide their valuation report dated April 1, 2007 have derived the swap ratio of 1:1 (i.e. one equity share of First Winner Industries Limited for every one equity share of Ramshyam Textile Industries Limited). The valuation report of R.J. Rathi & Co., Chartered Accountants, has been kept as part of material document for inspection for public between 10.00 A.M. to 4.00 P.M. on working days at our Registered Office.

Ramshyam Textile Industries Limited is not listed at any stock exchange neither it has any subsidiary. Ramshyam Textile Industries Limited has not completed any public or Rights Issue in the proceeding three years. It has not become sick under the SICA and is not under the winding up.

## 2. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)

Name of the Company	First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)
Date of Incorporation	December 12, 2002. Originally incorporated as Realgold Exports Private Limited. Name of the company was changed to the current name with effect from May 12, 2008.
Registered office	605, Business Classic, Chincholi Bunder Road, Malad (West), Mumbai – 400 064
Promoters	Originally incorporated by Mr. Vijay Dargar and Mr. Sanjay Gupta. Subsequently they transferred their equity in the company on January 15, 2003. The present promoter is First Winner Industries Limited. There is no relation between our Promoters and / or Directors with the original promoters of Realgold Exports Private Limited.
Nature of Activities	Trading in fabrics and mobile accessories

### Board of Directors:

1. Mr. Rinku Patodia
2. Ms. Anita Patodia
3. Mr. Subhash K. Harlalka

### Shareholding Pattern:

Sno.	Name of shareholders	No. of Shares	% of Shareholding
1.	Mr Rinku Patodia	10	Negligible
2.	Ms. Anita Patodia	6	Negligible
3.	Mr. Subhash Harlalka	1	Negligible
4.	Mr. Rajendra Pareek	1	Negligible
5.	Mr. Narender S Mahar	1	Negligible
6.	Mr. Ram K Singh	1	Negligible
7.	First Winner Industries Limited	16,24,980	99.99
	<b>Total</b>	<b>16,25,000</b>	<b>100.00</b>

### Audited Financial Information:

(Rs. In Lakhs)

Particulars	2004-05	2005-06	2006-07	For the Period April 01, 2007 to January 31, 2008**
Sales	4402.41	4749.32	4654.53	5213.29
Other Income	10.56	4.41	5.55	1.94
Profit after Tax	10.40	1.56	12.07	446.84
Share Capital	72.50	72.50	110.00	162.50
Share Application Money	Nil	150.00	400.00	Nil

Reserves & Surplus	142.25	143.82	266.39	1462.73
Earning Per Share (Rs.)	1.43	0.21	1.10	27.50
NAV (Rs.)*	29.54	29.78	32.23	100.01

\* Share Application Money has not been considered for purpose of calculation of NAV.

\*\* The audited accounts are for period of ten months.

First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited), which was incorporated on December 12, 2002 is engaged in trading of textile fabrics. The company is setting up weaving unit at MIDC Tarapur, District Thane for manufacture of fabrics with an annual capacity of 62 lakh meters. This unit has commenced its commercial production from February 1, 2008. It became our subsidiary on April 1, 2007. R.J. Rathi & Co., Chartered Accountants, who have vide their valuation report dated April 1, 2007 have derived the swap ratio of 1:1 (i.e. one equity share of First Winner Industries Limited for every one equity share of Ramshyam Textile Industries Limited). The valuation report of R.J. Rathi & Co., Chartered Accountants, has been kept as part of material document for inspection for public between 10.00 A.M. to 4.00 P.M. on working days at our Registered Office.

First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) is not listed at any stock exchange neither it has any subsidiary. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) has not completed any public or Rights Issue in the proceeding three years. It has not become sick under the SICA and is not under the winding up.

#### **Shareholder Agreement**

Our company has not entered into any shareholders agreement.

#### **Strategic Partners**

Our company, as on date does not have any strategic partners.

#### **Financial Partners**

At present, Our Company does not have any financial partners.

## OUR MANAGEMENT

### Board of Directors

The following table sets forth details regarding our Board of Directors as at the date of this Red Herring Prospectus:

Name, Designation, DIN, Father's / Husband's Name, Address, Occupation	Age (years)	Date of Appointment and Term	Other Directorships
<p><b>Dr. M. K. Sinha</b> Non-Executive Chairman (Independent) DIN : 00011506</p> <p>S/o Late M.P. Sinha <b>Address</b> :1604, Orchid, Vasant Valley Complex, Film City Road, Malad (East), Mumbai – 400 097</p> <p>Occupation : Ex-Banker</p>	72	<p>March 31, 2007</p> <p>Term: Liable to Retire by rotation</p>	<ol style="list-style-type: none"> <li>1. Animes &amp; Plastieizers Limited</li> <li>2. Austral Coke &amp; Projects Limited</li> <li>3. Jhaveri Flexo (India) Limited</li> <li>4. Prag Bosomi Synthetics Limited</li> <li>5. Radaan Media Works Limited</li> <li>6. Bang Overseas Limited</li> </ol>
<p><b>Mr. Rinku Patodia</b> Managing Director</p> <p>DIN : 00752500</p> <p>S/o Mr. Indra Kumar Patodia <b>Address</b> : A/402, Gurukrupa Building, Evershine Nagar, Malad (West) Mumbai – 400 064</p> <p>Occupation : Business</p>	29	<p>August 04, 2003</p> <p>Appointed as Managing Director w.e.f. April 01, 2007</p> <p>Term : 5 years from April 01, 2007</p>	<ol style="list-style-type: none"> <li>1. Ramshyam Textile Industries Limited</li> <li>2. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)</li> <li>3. Rikosh Fashions Private Limited</li> <li>4. Solitaire Texfeb &amp; Traders Private Limited</li> </ol>
<p><b>Ms. Anita Patodia</b> Executive Director</p> <p>DIN : 01357505</p> <p>W/o Mr. Rinku Patodia <b>Address</b> : A/402, Gurukrupa Building, Evershine Nagar, Malad(West), Mumbai – 400 064</p> <p>Occupation : Business</p>	29	<p>March 10, 2007</p> <p>Appointed as Executive Director w.e.f. April 01, 2007</p> <p>Term : 5 years from April 01, 2007</p>	<ol style="list-style-type: none"> <li>1. Ramshyam Textile Industries Limited</li> <li>2. First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)</li> <li>3. Solitaire Texfeb &amp; Traders Private Limited</li> </ol>

Name, Designation, DIN, Father's / Husband's Name, Address, Occupation	Age (years)	Date of Appointment and Term	Other Directorships
<b>Mr. Brijgopal Bajranglal Agarwal</b> Independent Director  DIN : 01556889 S/o Mr. Barjanglal Agarwal  <b>Address:</b> 102, Vishal Residency, 779, Manishpuri, Saketnagar, Indore – 452 018  Occupation : Retired Government Official	62	March 28, 2007  Term : Liable to retire by rotation	None
<b>Mr. Anil Gupta</b> Independent Director  DIN : 00283431  S/o Mr. S.S. Gupta  <b>Address :</b> 5034/3, Shanti Krishna, Sant Nagar, Karol Bagh, New Delhi – 110 005  Occupation : Business	57	March 28, 2007  Term : Liable to retire by rotation	1. Asa Ram Developers Private Limited. 2. Pee Cee Cosma Sope Limited 3. Rohan Tyres Private Limited

### Brief Biography of Our Directors

**Dr. M.K. Sinha**, aged 72 years, is a Doctorate in Operation Research and has done his Masters in Mathematics. He retired as Chairman & Managing Director of State Bank of India in 1995 after serving the bank for almost 39 years. During his tenure in the Bank, he has been involved in critical areas like management audit, human resource, organizational development, foreign exchange, fund management, and financial restructuring. He was a representative of State Bank of India for the East European countries at Moscow for almost 4 years. He was on the Board of seven associate banks of State Bank of India while working with the SBI.

**Mr. Rinku Patodia** aged 29 years, has completed B.Com in the year 1999 from Bombay University. He is the Promoter and also the Managing Director of our Company. He started his career in the textile broking and trading in the year 1999. He joined our Company as Promoter in the year 2004. He had been appointed as Managing Director in our Company in the year 2007. For details, please refer to section "Our Promoters" appearing on page number 105 of this Red Herring Prospectus.

**Ms. Anita Patodia**, aged 29 years and has completed Diploma in fashion designing from CVTI Institute of Fashion Technology, Mumbai. She had been appointed as Executive Director in the year 2007. She is engaged in assisting selection and designing of fabrics. For details, please refer to section "Our Promoters" appearing on page number 105 of this Red Herring Prospectus.

**Mr. Brijgopal Bajranglal Agarwal**, aged 62 years completed his Masters degree in Arts from Lucknow University in the year 1966 in Statistical Mathematics. Mr. Agarwal worked as Lecturer of Statistics at Banaras Hindu University & Lucknow University from 1967 to 1970. He cleared All India Administration and allied services examination in the year 1970 organised by Union Public Commission and joined Indian Revenue Services (Income Tax) as Income Tax Officer in the year 1970. He served in the capacity of Assistant Commissioner, Deputy Commissioner, Joint Commissioner, Commissioner and retired as Chief Commissioner of Income Tax, Calcutta in the year 2005. He was awarded Gold Medal in 1972 from the Chairman, Central Board of Direct Taxes. He was also awarded Master of Philosophy from Punjab University in the year 1988 for his work on "Zero based budgeting".

**Mr. Anil Gupta** aged 57 years had completed bachelor of textile technology from Punjab University in the year 1974. He is also the Fellow Member of Institution of Engineers. He has 32 years of experience in Sales and General Management in the Textile and Engineering Industries. He served as President from 2001 to 2003 of The Textile Association of India (TAI) and had been awarded service memento in the year 1999 by the then Hon'ble Union Minister of Textiles - Mr. Kashi Ram Rana, at TAI Annual Conference at Ahmedabad. He served as member in various non-profit organizations i.e. Confederation of Indian Industry (CII), Indo-French Technical Society, Rotary Club of India and Indian Red Cross Society.

#### **DETAILS OF BORROWING POWERS OF DIRECTORS**

The Board of Directors of our Company have been authorized by a resolution passed at the Extra-Ordinary General Meeting of our Company held on June 22, 2006 to borrow from time to time any sum or sums of money which together with the moneys already borrowed by the Company may exceed the aggregate of the paid up capital of the Company and its free reserves, provided that the total amount so borrowed shall at any time doesnot exceed a sum of Rs. 50000 lakhs.

#### **Compensation to Managing Director / Whole time Directors / Executive Directors**

##### **Agreement for appointment of Mr. Rinku Patodia as Managing Director**

**Mr. Rinku Patodia** was appointed as Managing Director of the Company with effect from April 01, 2007 for a period of 5 years by the members of the Company in the EGM held on January 29, 2007. The terms of the appointment are as under:

<b>Particulars</b>	<b>Terms of Appointment and Remunerations</b>
Remuneration	Rs. 50,000/- per month with annual increments effective April 1 every year as may be decided by the Board.
Benefits, perquisites and allowances	As determined by the Board from time to time.

### Agreement for appointment of Ms. Anita Patodia as Executive Director

Ms. Anita Patodia was appointed as Executive Director of our Company with effect from April 01, 2007 for a period of 5 years by the members of our Company in EGM held on April 12, 2007. The terms of her appointment are as under:

Particulars	Terms of Appointment and Remunerations
Remuneration	Rs. 25,000/- per month with annual increments effective April 1 every year as may be decided by the Board.
Benefits, perquisites and allowances	As determined by the Board from time to time.

### Compensation to Non-Executive Directors

Non executive independent directors are not entitled to any remuneration other than the sitting fees for attending meetings of the Board or any Committee meetings of our Company.

### Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance shall be applicable to us immediately upon listing of our Company's Equity Shares on the Stock Exchanges. We have already complied with SEBI guidelines in respect of corporate governance with respect to broad basing of Board including appointment of independent directors, constituting various committees such as Audit Committee, Remuneration Committee and Shareholders'/Investors' Grievance Committee. We undertake to adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to listing. In terms of the Clause 49 of the Listing Agreement, our company has already appointed Independent Directors and constituted the following committees:

### Audit Committee

The Audit Committee re-constituted at our Board meeting held on March 31, 2007. The Audit Committee comprises of the following members:

Name of Director	Status in Committee	Nature of Directorship
Dr. M.K. Sinha	Chairman	Non-Executive Independent Director
Mr. Brijgopal Bajranglal Agarwal	Member	Non-Executive Independent Director
Mr. Anil Gupta	Member	Non-Executive Independent Director

The general objective of the audit committee is to establish a transparent and effective system of monitoring and control, to review annual plan of our company, and any special examination by internal audit and implementation of internal audit recommendations, to review quarterly, half yearly and annual financial statement before submission to the board and to conduct limited review, together with coverage of scope of activity prescribed under 292A of companies Act 1956. The audit committee also considers and reviews ethical adherence and corporate governance principles.

### Remuneration Committee

The Remuneration Committee was constituted on March 31, 2007 and comprises the following directors of the Board.

Name of Director	Status in Committee	Nature of Directorship
Mr. Brijgopal Bajranglal Agarwal	Chairman	Non-Executive Independent Director
Mr. Anil Gupta	Member	Non-Executive Independent Director
Dr. M.K. Sinha	Chairman	Non-Executive Independent Director

Subject to supervision and control of the Board of Directors, the Remuneration Committee will approve / recommend to the Board Remuneration / commission payable to Directors; Managerial Remuneration; Framing of Policies for personnel and other functions of the Remuneration Committee as required / recommended in the Listing Agreement.

### Shareholders and Investors Grievances Committee

We have constituted the Shareholders and Investors Grievances Committee on March 31, 2007 in the Listing Agreement consists of the following Directors.

Name of Director	Status in Committee	Nature of Directorship
Mr. Anil Gupta	Chairman	Non-Executive Independent Director
Dr. M.K. Sinha	Member	Non-Executive Independent Director
Mr. Brijgopal Bajranglal Agarwal	Member	Non-Executive Independent Director

The Shareholders and Investors Grievances Committee is responsible for remedying of all investor and shareholder grievances. This Committee will also oversee the performance of the Registrars, Transfer Agents and the depository related services. This Committee will also undertake all such acts, deeds and things related to share transfer, transmission, splitting of share certificates, issuance of duplicate shares certificates and other related matters as may be considered necessary in this behalf. The Committee also oversees the implementation and compliance of the Code of Conduct adopted by our Company for Prevention of Insider Trading for Listed Companies as specified in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 as amended on February 20, 2002.

Our Company also undertakes to comply with the other requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

### Shareholding of Directors

As per the Articles of Association of the company, the directors are not required to hold any qualification shares. Details of the shareholdings of our Directors in our Company as on the date of filing of this Red Herring Prospectus are given in the following table:

Name	No. of Shares	%age of Shareholding
Mr. Rinku Patodia	35,27,505	28.84%
Ms. Anita Patodia	24,35,130	19.91%
Dr. M.K. Sinha	Nil	Nil
Mr. B. G. Agrawal	Nil	Nil
Mr. Anil Gupta	Nil	Nil

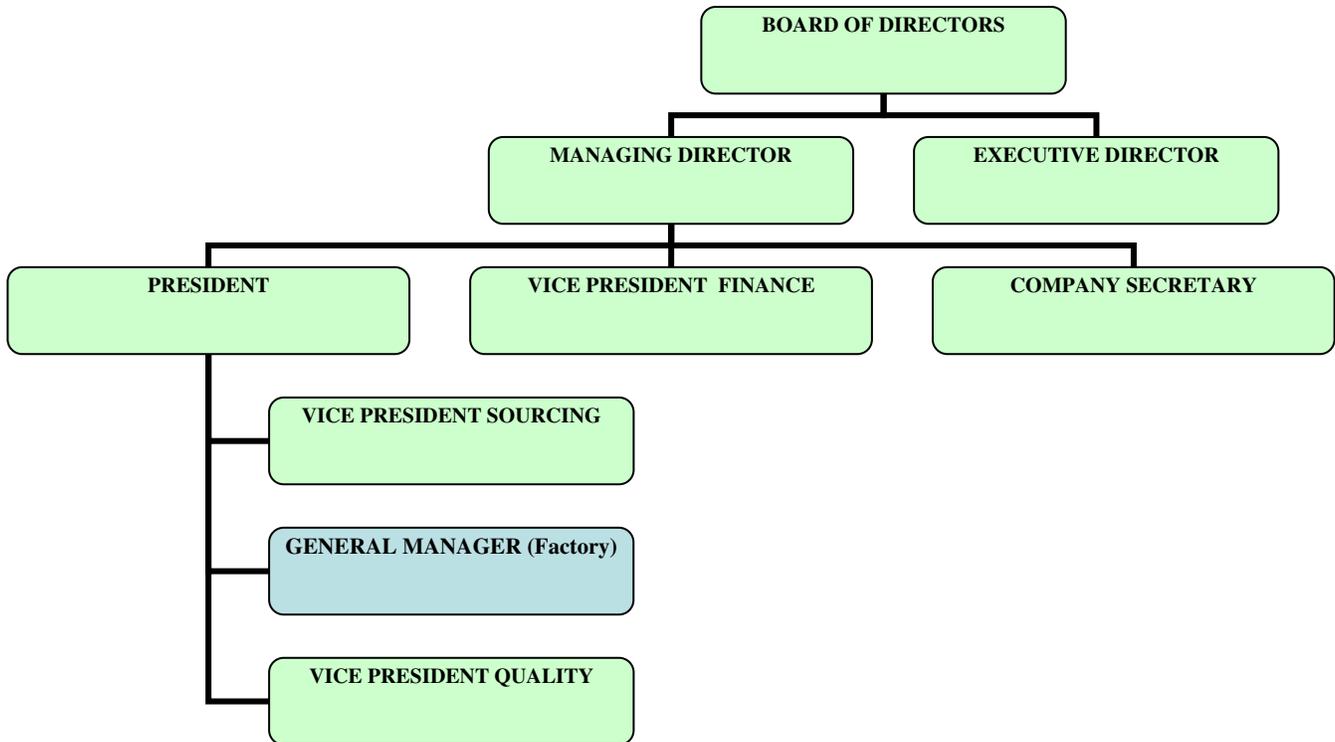
### Interest of our Directors

Except as stated in "Related Party Transactions" beginning on page no. 110 of this Red Herring Prospectus, to the extent of shareholding in our Company either by themselves or shareholding of companies in which they are interested, the Directors do not have any other interest in our Company. Our Directors do not have any interest in any property acquired by our Company in a period of two years before filing this Red Herring Prospectus with SEBI or proposed to be acquired by us as on date of filing this Red Herring Prospectus with SEBI.

### Changes in Board of Directors during the last three years:

Name of the Director	Date of Appointment	Date of Resignation	Reasons for change
Mr. Sachin Subhash Harlalka	December 1, 2005	March 10, 2007	Appointed as Director & Resigned from Directorship
Ms. Anita Patodia	March 10, 2007	-	Appointed as Director
Mr. Brijgopal Bajranglal Agarwal	March 28, 2007	-	Appointed as Director
Mr. Jaikumar Gupta	March 28, 2007	September 18, 2007	Appointed as Additional Director & resigned.
Mr. Anil Gupta	March 28, 2007	-	Appointed as Director
Dr. M. K.Sinha	March 31, 2007	-	Appointed as Non-Executive Chairman
Ms. Hetal S. Jadhav		March 31, 2007	Resignation

**Management Organizational Chart:**



**Key Management Personnel:**

S. No.	Name	Designation	Age (Years)	Date of Joining	Qualification	Experience (Years)	Previous Employment
1.	Mr. Shantivadan Ratanlal Dalal	President	63	August 01, 2006	Inter, Diploma in Textile Manufacturing	40	The Century Mills Limited, Hindustan Spinning & Weaving Mills Limited
2.	Mr. B. Bhadran	General Manager (Factory)	55	August 01, 2006	B.A.	33	Detco Textiles Limited
3.	Mr. Madan Saravgi	Vice President (Sourcing)	59	April 01, 2006	B. Sc	35	Banka (India) Limited
4.	Mr. Dinesh Krishna Gawad	Head of Preparatory	39	April 21, 2007	Diploma in Manmade Textile (DMTT)	15	Century Mills Limited
5.	Mr. Praful Jayantilal Shah	Head of Quality Control	53	September 08, 2006	Technical Course in Weaving	34	Hindustan Mills
6.	Mr. Surendran Nair	Vice President (Production)	42	April 01, 2007	Diploma in Textile Technology	19	Vishwa Fashions Private Limited
7.	Mr. Hukmat D. Kingar	Vice President (Finance)	39	April 02, 2007	B. Com & C.A. Inter	16	Hiran Orgochem Limited
8.	Mr. R. C. Sharma	Company Secretary	41	October 15, 2007	B.Com, ACS	13	R. C. Sharma & Associates

**Brief details of Key Management Personnel**

**Mr. Shantivadan Ratanlal Dalal**, (President) aged 63 years, is a holder of Diploma in Textile Manufacture from the Department of Technical Education, Gujarat State in 1967. He started his career as Deputy Assistant in weaving preparatory department in Shree Ram Mills Ltd in the year 1967. He had undergone training in Schlafhorst Autoconer Winding, in Switzerland for Benninger Direct & Sectional Warping and also in Dupont, U.S.A. for manufacturing of Aramide yarn fabric. He worked in various positions at The Century Mills Limited, Hindustan Spinning & Weaving Mills Limited, President Clothing Company, Hindustan Spinning & Weaving Mills Limited Matulya Mills (Mafatlal Group), Reliance Textile Industries at Lagos, Nigeria, Beechins Creations Private Limited, and Composite Textile Mills at Lagos, Nigeria. He has an experience of 40 years in different operations of textile industry. He joined our Company on August 01, 2006 and is looking after overall operations of our manufacturing facilities. He was paid remuneration of Rs. 6.00 lakhs during F.Y. 2007-08.

**Mr. B. Bhadran**, General Manager (Factory) aged 55 years, is a graduate in Arts from Kerala University in the year 1973. He has an experience of 33 years in the operations and management of different units in textile. He started his career from Central Water Commission, Government of India and then joined Poddar Group of Industries. He had also worked as CEO for Detco Textiles Limited, as Vice President for Chiranjilal Spinners Private Limited, General Manager for Patodia Group, Welspun Group of Industries, Poddar Group of Industries. He joined our Company on August 1, 2006 and was paid remuneration of Rs. 3.00 lakhs during the last financial year 2007-08.

**Mr. Madan K Saravgi**, Vice President (Sourcing) aged 58 years, is a Science graduate from University of Bombay. He started his career from 1972 by joining BHR Prestress as Factory Manager till 1974 and worked as Factory Manager in Ajanta Enterprises from 1974 to 1980, as Chief Executive – Purchases in Banka (India) Limited from 1980 to 2006. He has an experience of 35 years in purchase, material handling and supervision of factory operations. He joined our Company on April 1, 2006 and is looking after sourcing of raw material and textile fabrics. He was paid total remuneration of Rs. 1.43 lakhs during F.Y. 2007-08.

**Mr. Dinesh Krishna Gawad**, (Head of Preparatory) aged 39 years holding Diploma in Manmade Textile Technology (D.M.T.T.) from Sasmira in 1991. Mr. Gawad joined our company on 21<sup>st</sup> April 2007 as Weaving preparatory & planning incharge and was promoted as Head of preparatory from November 2007 and looks after preparatory process of the production in the weaving unit. He was paid remuneration of Rs. 1.20 lakhs during the last financial year 2007-08.

**Mr. Praful Jayantilal Shah**, (Head of Quality Control) aged 56 years and holds a Certification course in Cotton Weaving from Board of Technical Examinations, Maharashtra State. He is having an experience of 34 years in quality control, maintenance, and supervision. Previously, he worked as Sulzer Incharge & Ruti Incharge for Hindustan Mills at Karad, as Production and Machine Maintenance Incharge for Standard Mills, as Loom Shed Assistant for Hindustan Mills, as Shift Assistant for Crown Mills. He joined our Company on September 8, 2006 and was paid remuneration of Rs. 1.31 lakhs during the last financial year 2007-08.

**Mr. Surendran Nair**, Vice President (Production) aged 42 years is a holder of Diploma in Textile Technology from State Board of Technical Education, Government of Kerala in 1984. He has an experience of 19 years in the field of production and maintenance in textile sector. He started his career from Garden Vareli and then joined D.C. Polyesters. He had also worked as Production Manager for Vishwa Fashions Private Limited from 1999 to 2004. Mr. Nair joined our Company on April 1, 2007 and is responsible for managing and supervising production process of grey fabric. He was paid remuneration of Rs. 2.39 lakhs during the last financial year 2007-08.

**Mr. Hukmat D. Kingar**, Vice President – Finance, aged 39 years, is a Graduate in Commerce from University of Pune and has completed intermediate examination of Institute of Chartered Accountants of India. He has an experience of 16 years in the field of finance and accounts. He started his career with Dinubhai & Co., Chartered Accountants and then joined Hiran Orgochem Limited as Accounts Manager. He was paid remuneration of Rs. 1.47 lakhs during the last financial year 2007-08.

**Mr. R. C. Sharma, Company Secretary** – aged 41 years is a graduate in Commerce from Meerut University and completed his Company Secretary ship in 1994. He worked as Company Secretary

for various companies from 1994 to 2001 and later he started his own practice. He has an experience of 13 years in secretarial matters, legal and compliances. He joined our Company in the year 2007 as Company Secretary. He was paid remuneration of Rs. 1.00 lakhs during the last financial year 2007-08.

All the persons named as our Key Management Personnel are the permanent employees of our Company and are key managerial personnel as per AS 18 of Indian Accounting Standard.

1. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.
2. None of the above mentioned key management personnel are related to each other as per the term "relative" defined under section 6 of the Companies Act, 1956.

#### **Changes in the Key Managerial Personnel during the last one year**

<b>Name</b>	<b>Designation</b>	<b>Date of Joining</b>	<b>Date of Resignation</b>
R.C. Sharma	Company Secretary	October 15, 2007	
Bharat G.Shah	Head of Preparatory		December 12, 2007

#### **Interest of Key Managerial Personnel**

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Red Herring Prospectus in which the key managerial personnel are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

#### **Details of Shareholding of our Key Managerial Personnel in our Company**

None of the Key Managerial Personnel in our Company hold any shares of our Company as on the date of filing of this Red Herring Prospectus.

#### **Bonus or Profit Sharing Plan for the Key Managerial Personnel**

Our Company does not have any bonus/profit sharing plan for any of the Key Managerial Personnel.

#### **Employees Share Purchase Scheme / Employees Stock Option Scheme to Employees**

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

#### **Other benefits to our Key Managerial Personnel**

There is no other benefit payable to our Key Managerial Personnel other than listed above.

## OUR PROMOTERS

**Following Individuals are the Present Promoters of Our Company:**

1. Mr. Rinku Patodia
2. Ms. Anita Patodia

Details of our Promoters are given in the following table:

	<p>Passport No.: F3711772            PAN: AAJPP6974D            Bank A/c No: 233010100116992 (AXIS BANK LIMITED)            Driving License No: MH-02-2003-B.13370</p> <p><b>Mr. Rinku Patodia</b> aged 29 years is a Commerce graduate from Bombay university and has 4 years experience of trading in textile fabrics. He looks after the day to day affairs of our Company. He has been instrumental in formulating various business strategies, marketing tie-up and expansion plans of our Company under the overall supervision and directions of Board of Directors. He has been able to build up relationships with customers for marketing and distribution of our products.</p>
	<p>Passport No.: F1607649            PAN: AKRPP7593E            Bank A/c No.: 233010100116978 (AXIS BANK LIMITED)            Driving License No.: MH-01-07-5833</p> <p><b>Ms. Anita Patodia</b>, aged 29 years and has completed Diploma in fashion designing from CVTI Institute of Fashion Technology, Mumbai. She had been appointed as Executive Director in the year 2007. She is engaged in assisting selection and designing of fabrics.</p>

### Interest of Promoters

Except as stated in "Related Party Transactions" beginning on page no. 110 of this Red Herring Prospectus, to the extent of shareholding in our Company either by themselves or shareholding of companies in which they are interested, the Promoters do not have any other interest in the business. Further, our Promoters are also Directors of our Company; they are interested to the extent of their remuneration from our Company as disclosed under the Section titled 'Our Management' appearing on page no. 95 of this Red Herring Prospectus. Our Promoters do not have any interest in any property acquired by our Company in a period of two years before filing this Red Herring Prospectus with SEBI or proposed to be acquired by us as on date of filing

this Red Herring Prospectus with SEBI.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of all the above Promoters have been submitted to Bombay Stock Exchange Limited and National Stock Exchange of India Limited at the time of filing the Draft Red Herring Prospectus with them.

## OUR PROMOTER GROUP COMPANIES

Following are the details of our Promoter Group Companies:

### 1. Rikosh Fashions Private Limited

Name of the Company	Rikosh Fashions Private Limited
Date of Incorporation	June 24, 1998
Registered office	605, Business Classic, Chincholi Bunder Road, Malad (West), Mumbai - 400064
Nature of Activities	Trading in textile fabrics

#### Board of Directors:

1. Mr. Rinku Patodia
2. Ms. Anita Patodia

#### Shareholding pattern:

S.No.	Name of shareholders	No. of Shares	% of Shareholding
1.	Mr. Rinku Patodia	151,000	31.43%
2.	Ms. Anita Patodia	60,000	12.49%
3.	Solitaire Texfeb & Traders Private Limited	50,000	10.41%
4.	Mr. Manubhai J. Patel	45,000	9.37%
5.	Mr. Anil L. Didwania	40,000	8.33%
6.	Vishnu Textile Trade Private Limited	37,500	7.81%
7.	Karsam TeleTrading Co. Private Limited	35,000	7.29%
8.	Geeta Gopal Synthetics Private Limited	33,286	6.93%
9.	Chintamani Textiles Private Limited	14,286	2.97%
10.	Varad-Vinayak Textiles Private Limited	14,285	2.97%
	<b>Total</b>	<b>480,357</b>	<b>100.00%</b>

#### Audited Financial Information:

(Rs. In Lakhs)

Particulars	2004-05	2005-06	2006-07
Sales	2103.25	2560.54	2441.40
Other Income	28.20	15.85	35.74
Profit after Tax	23.17	13.11	33.40
Share Capital	37.50	43.75	48.04
Share Application Money	Nil	30.00	Nil
Reserves & Surplus	121.92	153.78	212.90
Earning Per Share (Rs.)	6.18	3.00	6.95

Particulars	2004-05	2005-06	2006-07
NAV (Rs.)*	42.29	45.00	54.23

\* Share Application Money has not been considered for the purpose of calculation of NAV.

Rikosh Fashions Private Limited is not listed at any stock exchange neither it has any subsidiary. Rikosh Fashions Private Limited has not completed any public or Rights Issue in the proceeding three years. It has not become sick under the SICA and is not under the winding up.

## 2. Solitaire Texfeb & Traders Private Limited

Name of the Company	<b>Solitaire Texfeb &amp; Traders Private Limited.</b> (Originally incorporated as Mishra Properties Private Limited. The name of the company was changed to its current name with effect from June 27, 2005).
Date of Incorporation	October 6, 2003
Registered office	Unit No.8, Raji Commercial Complex, P.L.Lokhande Marg, Chembur, Mumbai 400 089
Nature of Activities	Trading in textile / fabrics

### Board of Directors:

1. Mr. Rinku Patodia
2. Ms. Anita Patodia

### Shareholding pattern:

Sno.	Name of shareholders	No. of Shares	% of Shareholding
1	Mr. Rinku Patodia	5,000	50.00%
2	Ms. Anita Patodia	5,000	50.00%
	<b>Total</b>	<b>10,000</b>	<b>100.00%</b>

### Audited Financial Information:

Particulars	(Rs. In Lakhs)		
	2004-05	2005-06	2006-07
Sales	0.00	160.72	260.10
Other Income	4.95	16.07	15.00
Profit after Tax	2.01	4.73	2.08
Share Capital	1.00	1.00	1.00
Reserves & Surplus	1.95	6.68	8.76
Earning Per Share (Rs.)	20.04	47.30	20.80
NAV (Rs.)	29.50	76.50	97.42

Solitaire Texfeb & Traders Private Limited is not listed at any stock exchange neither it has any subsidiary. Solitaire Texfeb & Traders Private Limited has not completed any public or Rights Issue in the proceeding three years. It has not become sick under the SICA and is not under the winding up.

**Details of companies / firms from which Promoters have disassociated**

During last three years, our Promoters have not disassociated themselves from any company/partnership firm.

**Details of Promoter group companies whose names have been struck off from Registrar of Companies**

None of our Promoter Group companies of our Promoter Group Companies has been struck off as a defunct company by any ROC in India. There are no sick companies promoted by our Promoters. There are no BIFR proceedings against any company promoted by our Promoters.

**Undertaking / confirmations**

Our Promoters and promoter group companies / subsidiaries / firms / entities have confirmed that they have not been detained as wilful defaulters by the RBI or any other Government authority. Additionally, there are no violations of securities laws committed by them in the past or are pending against them and none of our promoters or persons in control of body corporate forming part of our Promoter Group have been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

**Common Pursuits/Conflict of Interest**

Our Promoter Group Companies viz. Rikosh Fashions Private Limited and Solitaire Texfeb & Traders Private Limited are also in the trading of textile fabrics. Hence to this extent there exists a potential conflict between us.

There are no transactions relating to sales or purchases between our Company and any of our Promoter Group Companies or subsidiaries exceeding 10% of the sales or purchases of our Company, except as disclosed under "Related Party Transactions" appearing on page no. 110 of this Red Herring Prospectus and as under:

Year/Period ended	31.01.2008 (10 months)	2006-07	2005-06	2004-05	2003-04	2002-03
Gross Sales of our Company	6,647.98	5,545.53	3,822.49	2,772.53	1,828.99	244.37
<b>Sales made by our Company to:</b>						
First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)	-	-	-	-	77.67	106.36
Rikosh Fashions Private Limited	-	-	-	-	-	20.75
Total	-	-	-	-	77.67	127.11
%age of total sales	-	-	-	-	4.25%	52.02%

## **RELATED PARTY TRANSACTIONS**

For details of the related party transactions, please refer to page number 127 of this Red Herring Prospectus appearing as Annexure - 15 of Auditors Report under section titled "Financial Information".

## **DIVIDEND POLICY**

The declaration and payment of dividend will be recommended by our Board of Directors and approved by the shareholders of our Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, applicable Indian legal restrictions and other factors considered relevant by the Board may also from time to time pay interim dividend. All dividend payments are made in cash to the shareholders of our Company.

We have not declared any dividends since the inception.

## SECTION V – FINANCIAL INFORMATION OF THE COMPANY

### FINANCIAL STATEMENT OF OUR COMPANY

#### Auditors' Report

The Board of Directors,  
First Winner Industries Limited,  
Mumbai.

We have examined the following financial information of First Winner Industries Limited ("the Company") on a stand-alone basis as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors which 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 (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines"), as amended from time to time, in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the terms of reference received from the company vide their letter dated 29<sup>th</sup> August 2007, requesting us to carry out the work, proposed to be included in the Red Herring Prospectus of the Company in connection with its proposed Initial Public Issue.

<b>Annexure 1</b>	:	Statement of Assets and Liabilities, restated as at 31st January 2008, 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006, 31 <sup>st</sup> March 2005, 31 <sup>st</sup> March 2004, and 31 <sup>st</sup> March 2003.
<b>Annexure 2</b>	:	Statement of Profit and Loss, restated for the period ended 31st January 2008 and for the year ended 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006, 31 <sup>st</sup> March 2005, 31 <sup>st</sup> March 2004 and 31 <sup>st</sup> March 2003.
<b>Annexure 3</b>	:	Statement of Cash Flows for the period ended 31st January 2008 and year ended 2006-07, 2005-06, 2004-05, 2003-04 and 2002-03
<b>Annexure 4</b>	:	Significant Accounting Policies
<b>Annexure 5</b>	:	Notes on accounts
<b>Annexure 6</b>	:	Statement of rate of Dividend
<b>Annexure 7</b>	:	Statement of other income
<b>Annexure 8</b>	:	Statement of Accounting Ratios.
<b>Annexure 9</b>	:	Capitalization Statement.
<b>Annexure 10</b>	:	Statement of Investment
<b>Annexure 11</b>	:	Statement showing Age-wise analysis of Sundry Debtors.
<b>Annexure 12</b>	:	Statement of Loans & Advances
<b>Annexure 13</b>	:	Statement of Secured and Unsecured Loans
<b>Annexure 14</b>	:	Tax Shelter Statement
<b>Annexure 15</b>	:	Statement of related party transactions.
<b>Annexure 16</b>	:	Statement of Consolidated Financial Statement

Based on examination of the above statements with the respective audited financial statements and on the basis of information and explanations given to us, we report as under:

(i) The Statements referred to as Annexure 1 to 16 read with the respective Significant Policies and read together the notes thereon and after making such adjustments, regroupings and disclosures as

were, in our opinion, appropriate and required have been prepared out of audited financial statements for the years/period.

(ii) We confirm the calculations of (a) Accounting ratios in Annexure 8; (b) Long-term Debt / Equity ratios mentioned in Annexure 9; and (c) Tax Shelter Statement in Annexure 14.

This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus/Prospectus in connection with the Proposed Initial Public Issue of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For Deshmukh & Associates**  
**Chartered Accountants**

**For Praful M. Joshi**  
**Chartered Accountants**

Deepen Kapadia  
**Partner**  
Membership Number: 112565

Praful M. Joshi  
**Proprietor**  
Membership Number: 30276

Place: Mumbai  
Date: 18<sup>th</sup> May 2008

## Annexure - 1

## Unconsolidated Restated Statement of Assets &amp; Liabilities

(Rs. In lakhs)

As at	31.01.08	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>Particulars</b>						
<b>Fixed Assets (A)</b>						
Gross Block	3,082.21	3,028.79	68.94	58.15	55.52	3.50
Less : Accumulated Depreciation	130.20	12.92	7.63	4.40	1.36	0.10
<b>Net Block</b>	<b>2,952.01</b>	<b>3,015.87</b>	<b>61.31</b>	<b>53.75</b>	<b>54.16</b>	<b>3.40</b>
<b>Investments (B)</b>	972.02	400.10	-	8.00	-	-
<b>Current Assets, Loans and Advances (C)</b>						
Inventories	318.18	308.48	203.86	137.21	49.56	54.87
Sundry Debtors	1477.55	1,362.10	975.06	472.51	425.30	187.36
Cash & Bank Balance	70.66	44.96	15.27	28.59	11.69	0.15
Loans & Advances	507.85	76.55	55.63	22.58	0.64	-
<b>Total ( C )</b>	<b>2,374.24</b>	<b>1,792.09</b>	<b>1,249.82</b>	<b>660.89</b>	<b>487.19</b>	<b>242.38</b>
<b>Total Assets</b>	<b>6,298.27</b>	<b>5,208.06</b>	<b>1,311.13</b>	<b>722.64</b>	<b>541.35</b>	<b>245.78</b>
<b>Liabilities and Provisions ( D )</b>						
Secured Loans	2,578.27	2,514.21	498.21	275.68	125.42	-
Unsecured Loans	-	-	-	-	12.00	35.00
Deferred Tax Liability/(Assets)	169.78	73.08	2.52	1.75	1.36	0.23
Current Liabilities & Provisions	606.65	711.56	385.76	225.64	242.41	170.18
<b>Total ( D )</b>	<b>3,354.70</b>	<b>3,298.85</b>	<b>886.49</b>	<b>503.07</b>	<b>381.19</b>	<b>205.41</b>
<b>Net Worth (A+B+C-D) = (E)</b>	<b>2,943.57</b>	<b>1,909.21</b>	<b>424.64</b>	<b>219.57</b>	<b>160.16</b>	<b>40.37</b>
<b>Represented by</b>						
1. Share Capital	1,223.27	988.50	61.25	48.75	25.00	1.00
2. Reserves & Surplus	1775.50	527.52	164.63	121.26	40.21	0.42
3. Share Application Money	-	400.00	200.00	50.00	95.00	39.00
Less : Preliminary Expenditure	(55.20)	(6.81)	(1.24)	(0.44)	(0.05)	(0.05)
<b>Total</b>	<b>2,943.57</b>	<b>1,909.21</b>	<b>424.64</b>	<b>219.57</b>	<b>160.16</b>	<b>40.37</b>

## Annexure - 2

## Unconsolidated Restated Statement of Profits &amp; Losses

(Rs. In lakhs)

Year/ period ended	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>Particulars</b>						
<b>Income</b>						
Sales of products traded by us	6,077.39	5,545.53	3,767.44	2,409.07	1,559.73	244.37
Sales of products manufactured by us	9.90	-	-	-	-	-
Sales of products not normally dealt by us	-	-	55.05	363.46	269.26	-
Job Work charges	560.69	4.09	-	-	-	-
Other Income	8.72	4.99	5.03	14.53	5.68	-
<b>Total Income</b>	<b>6,656.70</b>	<b>5,554.61</b>	<b>3,827.52</b>	<b>2,787.06</b>	<b>1,834.67</b>	<b>244.37</b>
<b>Expenditure</b>						
Raw Material Consumed	5,341.30	5,022.83	3,738.50	2,721.55	1,803.49	241.92
Other Direct Expenses	31.50	2.05	-	-	-	-
Administrative Expenses	166.83	42.56	23.46	20.35	16.11	1.69
Interest and Financial Charges	219.71	84.60	52.38	27.60	8.40	-
Depreciation	117.28	7.35	3.23	3.03	1.26	0.10
<b>Total Expenditure</b>	<b>5,876.62</b>	<b>5,159.39</b>	<b>3,817.57</b>	<b>2,772.53</b>	<b>1,829.26</b>	<b>243.71</b>
Profit before Tax	780.08	395.22	9.95	14.53	5.41	0.66
Provision for taxation						
Current Tax	(170.77)	(69.02)	(2.80)	(3.60)	(0.85)	(0.01)
Deferred Tax	(96.70)	(70.56)	(0.78)	(0.39)	(1.13)	(0.23)
Fringe Benefit Tax	(0.64)	(0.50)	(0.50)	-	-	-
Prior period items – Income Tax	-	-	-	(0.74)	0.36	-
<b>Profit after Tax but before extra ordinary items</b>	<b>511.97</b>	<b>255.14</b>	<b>5.87</b>	<b>9.80</b>	<b>3.79</b>	<b>0.42</b>
Extra ordinary items	-	-	-	-	-	-
<b>Profit after Tax and extra ordinary items</b>	<b>511.97</b>	<b>255.14</b>	<b>5.87</b>	<b>9.80</b>	<b>3.79</b>	<b>0.42</b>
Profit brought forward from previous year	275.02	19.88	14.01	4.21	0.42	-
Balance Carried over to Balance Sheet	786.99	275.02	19.88	14.01	4.21	0.42

## Annexure 3

## Cash Flow Statement, restated

(Rs. In lakhs)

Particulars	(From April 01, 2007 to Jan 31, 2008)	FY 2006-07	FY 2005-06	FY 2004-05	FY 2003-04	FY 2002-03
<b>Cash Flow from Operating Activities (A)</b>						
Profit before Tax	780.08	395.22	9.95	14.53	5.41	0.66
Adjustments for :						
(Profit)/Loss on Sale of Fixed Assets	-	1.51				
Depreciation	117.28	7.35	3.23	3.03	1.26	0.10
Preliminary Expenses written off	2.13	1.76	0.16	0.10	0.01	0.01
Interest Income	(1.29)	(1.03)	(1.09)	(0.71)	-	-
Interest and financial charges	219.71	84.60	52.38	27.60	8.40	-
<b>Operating Profit before Working Capital Changes</b>	<b>1,117.91</b>	<b>489.41</b>	<b>64.63</b>	<b>44.55</b>	<b>15.08</b>	<b>0.77</b>
Adjustments for :						
(Increase)/Decrease in Inventories	(9.69)	(104.62)	(66.65)	(87.65)	5.31	(54.87)
(Increase)/Decrease in Debtors	(115.45)	(387.04)	(502.55)	(47.21)	(237.94)	(187.36)
(Increase)/Decrease in Loans and Advances	(358.91)	(20.46)	(31.54)	(21.17)	(0.33)	-
Increase/(Decrease) in Current Liabilities	(275.79)	258.15	159.77	(20.23)	71.74	170.17
<b>Cash Generated from Operations</b>	<b>358.07</b>	<b>235.44</b>	<b>(376.34)</b>	<b>(131.71)</b>	<b>(146.14)</b>	<b>(71.29)</b>
Tax Paid	(72.92)	(2.32)	(4.46)	(1.63)	(0.32)	-
<b>Net Cash Flow from Operating Activities</b>	<b>285.15</b>	<b>233.12</b>	<b>(380.80)</b>	<b>(133.34)</b>	<b>(146.46)</b>	<b>(71.29)</b>
<b>Cash Flow from investing Activities (B)</b>						
(Purchase/addition) of Fixed Assets	(53.41)	(2,967.42)	(10.79)	(2.63)	(52.02)	(3.50)
Interest Income	1.29	1.03	1.09	0.71	-	-
(Increase)/Decrease in Investment (Excluding investment made other than cash)	(401.15)	(400.10)	8.00	(8.00)	-	-
Proceeds from sale of assets	-	4.00	-	-	-	-
Miscellaneous Expenditure	(50.53)	(7.34)	(0.96)	(0.50)		(0.06)
<b>Net Cash Flow from Investing Activities</b>	<b>(503.80)</b>	<b>(3,369.83)</b>	<b>(2.66)</b>	<b>(10.42)</b>	<b>(52.02)</b>	<b>(3.56)</b>
<b>Cash Flow from Financing Activities (C)</b>						
Proceeds from issue of Share Capital (Excluding share capital issued other than cash)	64.00	103.50	12.50	23.75	24.00	1.00
Proceeds/(Conversion into fully paid up capital) from Share Application Money	(400.00)	200.00	150.00	(45.00)	56.00	39.00
Proceeds from Share Premium	736.00	931.50	37.50	71.25	36.00	
Proceeds from Secured Loans	64.06	2,016.00	222.52	150.26	125.42	-
Proceeds from Unsecured Loans	-	-	-	(12.00)	(23.00)	35.00
Interest Paid	(219.71)	(84.60)	(52.38)	(27.60)	(8.40)	-
<b>Net Cash Flow from Financing Activities</b>	<b>244.35</b>	<b>3,166.40</b>	<b>370.14</b>	<b>160.66</b>	<b>210.02</b>	<b>75.00</b>

<b>Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>25.70</b>	<b>29.69</b>	<b>(13.32)</b>	<b>16.90</b>	<b>11.54</b>	<b>0.15</b>
Cash and Cash Equivalents at the Beginning of the Year	44.96	15.27	28.59	11.69	0.15	-
<b>Cash and Cash Equivalents at the end of the Year</b>	<b>70.66</b>	<b>44.96</b>	<b>15.27</b>	<b>28.59</b>	<b>11.69</b>	<b>0.15</b>

**Annexure – 4****Background:**

First Winner Industries Limited was incorporated on 22<sup>nd</sup> January 2003. It was initially engaged in trading activities. The Company was converted into public limited company on 18<sup>th</sup> August 2006. The Company established its manufacturing unit on 19<sup>th</sup> March 2007 for manufacturing of grey fabric. On 1<sup>st</sup> April 2007 Company acquired 99.986% equity of Ramshyam Textile Industries Ltd. and 99.998% equity of First Winner Lifestyle Pvt. Ltd. (Formerly Realgold Exports Pvt. Ltd) and these companies became wholly owned subsidiary of First Winner Industries Ltd.

**SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION OF RESTATED ACCOUNTS****1. Basis of preparation of Financial Statements**

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provision of the Companies Act, 1956.

**2. Use of Estimate**

The preparation of financial statements requires estimates and assumptions to be made that effects the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

**3. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

**(i) Sale of goods**

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales revenue is net of sales return, discounts and rebates.

**(ii) Interest**

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

**(iii) Dividends**

Revenue is recognized as and when received.

**4. Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation and impairment loss, if any. The cost of an asset comprises of purchase price and any directly attributable cost of bringing the assets to

its present condition for intended use

#### **5. Depreciation**

Depreciation on the fixed assets has been provided for on straight line method at the rates prescribed and in the manner specified in Schedule XIV to the Companies Act, 1956.

#### **6. Inventories**

Inventories are measured at lower of cost or net realizable value. Raw Material is valued at cost, Stores, Spares parts and packing material valued as cost.

#### **7. Investment:**

Current Investments are measured at the lower of cost or market value. Long Term Investments are measured at Cost.

#### **8. Foreign Exchange Transaction**

- (a) Transaction denominated in foreign currencies is normally recorded at the exchange rate prevailing at the time of the transaction.
- (b) Monetary items denominated in foreign currency as at the balance sheet date are translated at the year end exchange rate.
- (c) Premium on forward cover contracts in respect of import of raw material is charged to profit & loss account over the period of contracts. In case of Liabilities for acquiring fixed assets, the difference are debited or credited as the case may be in the profit & loss account.

#### **9. Employee Retirement Benefits**

The company provides for gratuity, a defined benefit plan in accordance with the rules of the company based on valuation carried out by the management at the balance sheet date. Contribution payable to the Employees benefits is charged to Profit & Loss Account on as incurred.

#### **10. Borrowing Costs:**

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

#### **11. Leases:**

Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss account on accrual basis.

#### **12. Earning per share**

Basic EPS is computed using the weighted average number of equity shares outstanding during the year. Diluted EPS is computed using the weighted average number of equity and diluted equity equivalent shares outstanding during the year except where the results would be anti-dilutive.

**13. Current Tax and Deferred Tax :**

(i) Provision for current tax is made after taking into consideration benefits admissible under the provision of the Income Tax Act, 1961.

(ii) Deferred tax resulting from timing difference between the book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date.

**14. Intangible Assets**

Intangible assets are capitalized if specific criteria are met and are amortised over their useful life, generally not exceeding 5 years. The recoverable amount of an intangible asset that is not available for use or is being amortized over a period exceeding 5 years should be reviewed at least at each financial year end even if there is no indication that the asset is impaired.

**15. Impairment of Assets**

The company assesses at each balance sheet date whether there is any indication that an assets may be impaired. If any such indication exists, the company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount of the cash generating unit to which the asset belong is less than its carrying amount, the carrying amount is reduced to its recoverable amount. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

**16. Provision, Contingent Liabilities and contingent assets**

Provision involving substantial degree of estimation in measurement is recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

**Annexure - 5**

**Significant notes on restated Profit & Loss and Assets and Liabilities**

1. The Disclosure as required by the Accounting Standard -18 (Related Party Disclosure) are given in the Annexure 16 of the Restated Financial Statement.
2. The calculation of Earning Per Share (EPS) has been made in accordance with Accounting Standard (AS) 20 issued by the ICAI. A statement on calculation of Basic and Diluted EPS is given in Annexure 8 of the Restated Financial Statement.
3. Details of Deferred Tax assets and liabilities:  
In view of the Accounting Standard 22 issued by Institute of Chartered Accountants of India, the significant component and classification of deferred tax liability/asset on account of timing difference comprises of the following:

Particulars	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Deferred Tax Liabilities:						
On account of Difference between book and Tax Depreciation	169.78	73.08	2.52	1.75	1.36	0.23
Deferred Tax Assets	-	-	-	-	-	-
<b>Deferred Tax Liabilities (Net)</b>	169.78	73.08	2.52	1.75	1.36	0.23

(Rs. in lakhs)

The deferred tax has been provided from the financial year 2002-03 which was the first financial year after incorporation of the company.

4. In the opinion of the Board, sundry debtors, loans and advances and other current assets are approximately of the value stated if realized in the ordinary course of business. The provisions for all known liabilities is adequate and not in excess of the amount reasonably necessary.
5. Miscellaneous Expenditure to the extent not written off includes preliminary expenditure of Rs. 8.67 lacs and IPO expenses of Rs. 46.53 lakhs.

#### 6. Contingent Liabilities

(Rs. in Lakhs)

Particulars	As on January 31, 2008	As on March 31, 2007
Letter of credit	274.46	199.92
Corporate Guarantee to Banker on behalf of Subsidiary Companies		
-Ramshyam Textile Industries Ltd.	1150.00	728.00
-First Winner Lifestyle Pvt. Ltd. (Formerly Realgold Exports Pvt. Ltd.)	2570.00	2570.00
<b>Total</b>	<b>3994.46</b>	<b>3497.92</b>

#### 7. Segment Reporting

The company operates in only one reportable segment i.e. textile and textile products. Therefore no separate disclosure of segment wise information is required.

#### 8. Prior Period items

The prior period expenses incurred on payment of Income Tax for the previous years have been adjusted in the relevant years to which the income tax relates to, in the restated accounts

#### 9. Changes in accounting policies:

There was no change in accounting policy during the reported period.

**10. Material regrouping:**

The followings regrouping have been carried out while preparing the Restated Financial Statement:

**Investment/Loans & Advances**

Share Application money of Rs. 400 lakhs in First Winner Lifestyle Pvt. Ltd. which was shown in the audited accounts as at 31.03.07 under the head Loans & Advances has been regrouped under the head Investment for the purpose of restated accounts. Share Application money in Rikosh Fashions Pvt. Ltd. of Rs. 8.00 lakhs which was shown in the audited accounts as at 31.03.05 under the head Loans & Advances has been regrouped under the head Investment for the purpose of restated accounts.

**Cash & Bank Balances/Loans & Advances**

Fixed Deposits with Bank of Rs. 35.77 lakhs, 31.11 lakhs, 15.09 lakhs, 25.30 lakhs, 11.32 lakhs as on 31.01.08, 31.03.07, 31.03.06, 31.03.05, 31.03.04 respectively which were shown under the head loans & advances in the Balance sheet of the respective date has been regrouped under the head Cash & Bank balances for the purpose of restated accounts.

**11. Material development after the balance sheet date i.e. 31<sup>st</sup> January 2008:**

No circumstances have arisen since the date of the last financial statement until the date of signing of the report, which materially and adversely affects or is likely to affect the operations or profitability of our company, or value of its assets, or its ability to pay its liability within next twelve months except additional corporate guarantee of Rs. 300 lakhs and Rs. 1850 lakhs on behalf of Ramshyam Textile Industries Limited and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited).

12. None of the employees are entitled for the gratuity benefits during the reported period as the company has existence of less than 5 years and no employee is in continues service of 5 years.

13. Sales of traded products not normally dealt by company include sale of electronic items and mobile accessories.

**Annexure 6****Statement of Dividend Paid****(Rs. in lakhs)**

Particulars	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Rate of Dividend (%)	Nil	Nil	Nil	Nil	Nil	Nil

**Annexure 7****Statement of other income****(Rs. In lakhs)**

Particulars	Nature	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Interest from Banks	Recurring	1.29	1.03	1.09	0.71	-	-
Godown Rent	Non-	-	-	-	0.48	-	-

	Recurring						
Commission	Recurring	0.04	3.96	3.94	12.37	5.68	-
Rate Difference	Non- Recurring	-	-	-	0.97		-
Foreign exchange rate Difference	Non- Recurring	6.67	-	-	-	-	-
Sale of scrap	Non- Recurring	0.72					
<b>Total</b>		8.72	4.99	5.03	14.53	5.68	-

## Annexure – 8

## Statement of Accounting Ratio

(Rs. In lakhs)

Ratios Particulars	31.01.08	31.03.07	31.03.06	31.03. 05	31.03.04	31.03.03
Basic E.P.S. (Rs.)	5.16*	2.72	0.07	0.11	0.05	0.01
Diluted E.P.S. (Rs.)	5.16*	2.63	0.07	0.11	0.04	0.01
Return on Net Worth (For Equity Shareholders) (%)	26.21%*	13.36%	1.38%	4.46%	2.37%	1.04%
Net Asset Value per Share (Rs.)	19.16	19.31	69.33	45.04	64.06	403.70
Weighted average number of equity shares outstanding during the year used for computing Basic EPS	11912750	9367500	8829167	8606250	8377500	8240000
Weighted average number of equity shares outstanding during the year used for computing Diluted EPS considering conversion of Share Application money	11912750	9687500	9029167	8731250	8615000	8396000
Total number of shares outstanding at the end of year	12232750	9885000	612500	487500	250000	10000

\* Annualised

**The ratios have been computed as below:**

- I. Earnings per share (Rs.): Net profit attributable to equity shareholders/weighted average number of equity shares outstanding as at the end of the year/period. Earnings per share are calculated in accordance with Accounting Standard 20 "Earnings per Share", issued by the Institute of Chartered Accountants of India. The E.P.S. is calculated after adjustment for 8237500 bonus shares issued vide resolution passed at the extra-ordinary general meeting held on 31.01.2007 with retrospective effect as provided in Accounting Standard (AS -20) – Earning Per Share.
- II. Return on Net Worth (%): Net profit after tax/Net worth as at the end of the year/period.
- III. Net Asset Value (Rs.): Net worth at the end of the year/Number of equity Shares outstanding at the end of the year/ period.
- IV. Net Profit, as appearing in the statement of restated profits and losses, has been considered for the purpose of computing the above ratios.

## Annexure – 9

## Statement of Capitalisation

Particulars	(Rs. In lakhs)	
	Pre-Issue As on 31st January 2008	Post – Issue
<b>Shareholders fund:</b>		
Share Capital	1223.27	*
Reserve & Surplus	1775.50	*
Less: Miscellaneous expenditure	(55.20)	*
Total Shareholders fund	2943.57	*
<b>Debt</b>		
Long Term Debt	1820.06	1820.06
Short Term Debt	758.21	758.21
Total Debt	2578.27	2578.27
<b>Long Term Debt/Shareholders fund</b>	<b>0.62</b>	<b>*</b>

\*Information pertaining to post issue can be ascertained only after completion of book building process.

## Annexure 10

## Details of Investments

Particulars	(Rs. In lakhs)					
	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Share Application Money in First Winner Lifestyle Pvt. Ltd.	-	400.00	-	-	-	-
Share Application Money in Rikosh Fashion Pvt. Ltd.	-	-	-	8.00	-	-
Investment in SBI One India Fund	0.10	0.10	-	-	-	-
Investment in SBI Infrastructure Fund	0.40	-	-	-	-	-
Investment in SBI Capital Protection fund	0.50					
UTI Infrastructure fund	0.25					
607770 Equity Shares in Ramshyam Textile Ind. Ltd.	60.78*	-	-	-	-	-
1624980 Equity Shares in First Winner Lifestyle Pvt. Ltd.	909.99**	-	-	-	-	-
<b>Total</b>	<b>972.02</b>	<b>400.10</b>	<b>-</b>	<b>8.00</b>	<b>-</b>	<b>-</b>

\* These shares were acquired on 1<sup>st</sup> April 2007 in consideration of other than cash i.e. issue of equity shares of First Winner Industries Ltd.

\*\* Out of the above investment in First Winner Lifestyle Pvt. Ltd. 1099980 equity shares worth Rs. 109.99 lakhs were acquired other than cash i.e. issue of equity shares of First Winner Industries Ltd.

## Annexure 11

## Details of Sundry Debtors

(Rs. in lakhs)

Particulars	31.01.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Debts outstanding for a period exceeding six months	-	-	-	-	-	-
Debts outstanding for a period less than six months :			-			
Considered good	1,477.55	1,362.10	975.06	472.51	425.30	187.36
Considered doubtful	-	-	-	-	-	-
<b>Total</b>	<b>1,477.55</b>	<b>1,362.10</b>	<b>975.06</b>	<b>472.51</b>	<b>425.30</b>	<b>187.36</b>

There are no amounts recoverable from promoters, promoter group, group companies, associate companies and directors of the company as at January 31, 2008.

## Annexure 12

## Details of Loans and Advances

(Rs. In lakhs)

Particulars	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Subsidy & VAT receivables	133.26	53.59	-	-		-
Sundry Advances	39.41	7.07	3.58	20.98	0.32	-
Advance for Capital Equipments & assets	251.79	5.49	48.95	-		-
Advance Tax & TDS	75.95	3.55	3.10	1.60	0.32	-
Sundry Deposits	7.44	6.85	-			-
<b>Total</b>	<b>507.85</b>	<b>76.55</b>	<b>55.63</b>	<b>22.58</b>	<b>0.64</b>	<b>-</b>

There are no amounts advanced to promoters, promoter group, group companies, associate companies and directors of the company as at January 31, 2008.

## Annexure – 13

## Statement of Secured and Unsecured Loans

## (A) Secured Loans

(Rs. In lakhs)

Particulars	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>Secured Loans</b>						
Term Loans from Banks	1,820.06	1,826.44	-	-	-	-
Working Capital	741.32	682.17	496.26	271.58	119.39	-
Car Loans	16.89	5.60	1.95	4.10	6.03	-
<b>Total</b>	<b>2578.27</b>	<b>2,514.21</b>	<b>498.21</b>	<b>275.68</b>	<b>125.42</b>	<b>-</b>

## Terms of the Secured loans

Sr. no.	Bank/Types of credit facilities	Sanctioned Amount/rate of interest	Balance outstanding as on 31st January 2008	Repayment Schedule	Securities offered
1.	State Bank of India  CC Account SLOC	Rs. 650 Lakhs  Rs. 90 Lakhs  (Rate of interest – At 1% above State Bank Advance Rate [SBAR]. Present effective rate will be 13.75% p.a at monthly rests.	Rs. 650.13 lakhs Rs. 91.19 lakhs	Renewable in one year	<p>1 <u>Primary Securities:</u> Hypothecation Charge over Co.'s entire current assets. Documentary Bills (DA/DP)</p> <p>2. <u>Collateral Securities:</u> Equitable Mortgage on various properties (For WC &amp; TL-entire facilities) Equitable Mortgage on properties as mentioned below: i. Office no.201, Raji commercial Complex, P.L. Lokhande Marg, Chembur, Mumbai. ii. Industrial Gala No. 8 &amp;12, Gupta Compound, Near Anjur Phatak, Bhiwandi both (I &amp;ii) belonging to First Winner Trading Company Pvt. Ltd. iii. Shop no. 6/7/8, Raji commercial Complex, P.L. Lokhande Marg, Chembur, Mumbai iv. Shop no.10 Gr. Floor, Gokul New Evershine Nagar, Malad, Mumbai 400 064. v. Office No. 301, 3 rd floor, Unique Premises CHS, Gaiwadi Industrial Estate, off S V Road, Goregaon, Mumbai. (All 5 properties i.e. from iii to v in the name of M/s. Solitaire Texfab and Tradeers Pvt. Ltd.,formerly known as Mishra Properties Pvt. Ltd.) vi. Residential flats at Dheeraj Solitare, Flat no. A403 &amp; A404, 4<sup>th</sup> floor, Chincholi Bunder Road, Off Link Road, Malad (West), Mumbai 400 064 (Total area 675 and 615 sq.ft.</p>

					respectively belonging to Shri Rinku Patodia) 3. <u>Guarantee</u> Personal guarantee of Shri Rinku I Patodia & Smt. Anita Patodia Corporate guarantee of M/s Solitaire Texfab & Traders Pvt. Ltd. (Formerly Mishra Properties Pvt. Ltd.) & M/s Rikosh Fashions Pvt. Ltd.
2.	State Bank of India Term Loan	Rs.1200 Lakhs  0.25% over SBAR. Present effective rate will be 13.00% p.a. at monthly rests.	Rs. 1213.25 lakhs	75 monthly instalments of Rs. 15.79 lakhs beginning from January, 2008 and last instalment of Rs. 15.75 lakhs.	1. <u>Primary Securities:</u> Equitable mortgage /Hypothecation of entire fixed assets (movable/immovable) of Company acquired out of the loan. 2 <u>Collateral Securities:</u> Nil 3. <u>Guarantee</u> Personal guarantee of Shri Rinku I Patodia & Smt. Anita Patodia Corporate guarantee of M/s. Solitaire Texfab and Traders Pvt. Ltd. (formerly known as M/s Solitaire Texfab & Traders Pvt. Ltd. (Formerly Mishra Properties P. Ltd. & M/s Rikosh Fashions Pvt. Ltd.
3.	State Bank of Indore Term Loan	Rs. 600 Lakhs  (at par with SBI rate of interest)	Rs. 606.81 lakhs	75 monthly instalments of Rs. 7.895 lakhs beginning from January, 2008 and last instalment of Rs. 7.875 lakhs.	1. <u>Primary Securities:</u> First Charge Equitable mortgage /Hypothecation of entire fixed assets (movable/immovable) of Company acquired out of the loan on pari-passu basis with SBI. 2 <u>Collateral Securities:</u> Nil 3. <u>Guarantee</u> Personal guarantee of Shri Rinku I Patodia & Smt. Hetal S. Jadhav Corporate guarantee of M/s. Solitaire Texfab and Traders Pvt. Ltd. (formerly known as M/s Mishra Properties P. Ltd.) & M/s Rikosh Fashions P. Ltd.

**(B) Unsecured Loans****(Rs. In lakhs)**

Particulars	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Inter-corporate deposits	-				12.00	35.00
<b>Total</b>	-	-	-	-	<b>12.00</b>	<b>35.00</b>

The unsecured loans referred above were unsecured, repayable on demand and interest free. No amount has been taken from the promoters, promoter group, directors and relative thereof.

**Annexure – 14****Tax Shelter Statement****(Rs. In lakhs)**

Year ended	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Net Profit/(Loss) before Tax (as restated)	395.22	9.95	14.53	5.41	0.66
Tax rate – Normal	33.66%	33.66%	36.59%	35.88%	36.75%
<b>Tax at Normal Tax Rates (A)</b>	133.03	3.35	5.32	1.94	0.24
Adjustments :					
<b>Permanent Difference (B)</b>					
Donation & Others	2.24	0.12	0.06	-	-
Dividend	-	-	-	-	-
Total Permanent Difference	2.24	0.12	0.06	-	-
<b>Temporary Difference (C )</b>					
Depreciation as per Books	7.35	3.23	3.03	1.26	0.10
Depreciation as per Income Tax	(214.93)	(5.70)	(7.65)	(4.41)	(0.74)
Total Timing Difference	(207.58)	(2.47)	(4.62)	(3.15)	(0.64)
<b>Net Adjustments (B)+(C )</b>	(205.34)	(2.35)	(4.56)	(3.15)	(0.64)
Tax Saving thereon	(69.12)	(0.79)	(1.67)	(1.13)	(0.24)
Taxation	63.91	2.56	3.65	0.81	-

**Annexure - 15****Statement of Related Party Transactions****Details of Related Party Transactions**

Information on Related Party Disclosures as per Accounting Standard 18 (AS-18) on Related Party Disclosures is given below:

**Name of the Related Parties**

Sno.	2007-08 (Apr 07- Jan 08)	2006-07	2005-06	2004-05	2003-04	2002-03
1 Key Management Personnel	Mr. Rinku Patodia Mrs. Anita Patodia	Mr. Rinku Patodia Ms. Hetal S. Jadhav	Mr. Rinku Patodia Mr. Hetal S. Jadhav	Mr. Rinku Patodia Mr. Hetal S. Jadhav	Mr. Rinku Patodia Mr. Sachin Jadhav Mr. Hetal S. Jadhav	Mr. Sachin Jadhav Mr. Hetal S. Jadhav

2. Relatives of Key Management personnel -	None
3. Enterprise controlled or managed by key management personnel	
First Winner Lifestyle Pvt. Ltd. (Formerly Realgold Exports Pvt. Ltd.)	- Subsidiary Company
Ramshyam Textile Industries Ltd.	- Subsidiary Company
Rikosh Fashion Pvt. Ltd.	- Group Company

**(i) Transactions with Key Management personnel**

(Rs. In lakhs)

Transactions/Year	31.01.08	31.03.07	31.03.06	31.03.05	30.03.04	31.03.03
<b>Salary/Remuneration</b>						
Mr. Rinku Patodia	5.00	0.84	0.84	0.84	0.70	-
Ms. Hetal S. Jadhav	-	0.84	0.84	0.84	0.84	0.15
Mr. Sachin Jadhav	-	-	-	-	0.40	0.15
Mrs. Anita Patodia	2.50	-	-	-	-	-

**(ii) Transactions with Relatives of Key Management Personnel - None****(iii) Transactions with company/firm controlled or managed by key management personnel**

(Rs. In lakhs)

Transactions/Year	31.01.08	31.03.07	31.03.06	31.03.05	30.03.04	31.03.03
<b>Sales:</b>						
First Winner Lifestyle Pvt. Ltd.	-	-	-	-	77.67	106.36
Rikosh Fashions Pvt. Ltd.	-	-	-	-	-	20.75
<b>Investment:</b>						
First Winner Lifestyle Pvt. Ltd.	509.99	400.00	-	-	-	-
Ramshyam Textile Industries Ltd.	60.78	-	-	-	-	-
<b>Corporate Guarantee to Banker on behalf of:</b>						
Ramshyam Textile industries Ltd.	422.00	-	728.00	-	-	-
First Winner Lifestyle Pvt. Ltd.	-	2570.00	-	-	-	-

Annexure - 16

**I. Consolidated Restated Statement of Assets & Liabilities**

(Rs. In lakhs)

Particulars	As at 31.01.08
<b>Fixed Assets (A)</b>	
Gross Block	6,624.21
Less : Accumulated Depreciation	239.26
<b>Net Block</b>	<b>6,384.95</b>
<b>Investments (B)</b>	2.50
<b>Current Assets, Loans and Advances</b>	
Inventories	615.69
Sundry Debtors	3,965.99

Cash & Bank Balance	162.71
Loans & Advances	758.22
<b>Total ( C )</b>	<b>5,502.61</b>
<b>Total Assets</b>	<b>11,890.06</b>
<b>Liabilities and Provisions ( D )</b>	
Secured Loans	5,626.92
Unsecured Loans	-
Deferred Tax Liability/(Assets)	374.64
Current Liabilities & Provisions	1,476.94
<b>Total ( D )</b>	<b>7,478.50</b>
<b>Minority Interest (E)</b>	<b>0.15</b>
<b>Net Worth (A+B+C-D-E) = (F)</b>	<b>4,411.41</b>
Represented by	
1. Share Capital	1,223.27
2. Reserves & Surplus	3,243.81
3. Share Application Money	-
Less : Preliminary Expenditure	(55.67)
<b>Total</b>	<b>4,411.41</b>

## II. Consolidated Restated Statement of Profits & Losses

Particulars	(Rs. In lakhs)
	From April 1, 2007 to January 31, 2008
<b>Income</b>	
Sales of products traded by us	14,123.67
Sales of products manufactured by us	9.90
Sales of products not normally dealt by us	-
Job Work Charges	772.70
Other Income	10.66
<b>Total Income</b>	<b>14,916.93</b>
<b>Expenditure</b>	
Raw Material Consumed	12,090.11
Other Direct Expenses	113.98
Administrative Expenses	232.38
Interest and Financial Charges	364.32
Depreciation	164.62
<b>Total Expenditure</b>	<b>12,965.41</b>
Profit before Tax	1,951.52
Provision for taxation	
Current Tax	(435.04)
Deferred Tax	(248.31)
Fringe Benefit Tax	(2.04)

<b>Profit after Tax, restated before extra ordinary items</b>	<b>1,266.13</b>
<b>Less : Extra ordinary items</b>	<b>-</b>
<b>Profit after Tax, restated after extra ordinary items</b>	<b>1,266.13</b>
Less: Minority Interest	(0.05)
<b>Profit after Tax and minority interest</b>	<b>1,266.08</b>

### III. Consolidated Restated Cash Flow Statement

Particulars	(Rs. In lakhs)
	From April 1, 2007 to January 31, 2008
<b>Cash Flow from Operating Activities (A)</b>	
Profit before Tax	1951.52
Adjustments for :	
(Profit)/Loss on Sale of Fixed Assets	1.21
Depreciation	164.62
Preliminary Expenses written off	2.32
Dividend and Interest Income	(3.23)
Interest and financial charges	364.32
<b>Operating Profit before Working Capital Changes</b>	<b>2480.76</b>
Adjustments for :	
(Increase)/Decrease in Inventories	12.29
(Increase)/Decrease in Debtors	(1,037.45)
(Increase)/Decrease in Loans and Advances	49.85
Increase/(Decrease) in Current Liabilities	(99.12)
<b>Cash Generated from Operations</b>	<b>1,406.33</b>
Tax Paid (Net of Refund)	(96.41)
<b>Net Cash Flow from Operating Activities</b>	<b>1,309.92</b>
<b>Cash Flow from investing Activities (B)</b>	
(Purchase/addition) of Fixed Assets	(2,395.12)
Dividend and Interest Income	3.23
(Increase)/Decrease in Investment	(2.40)
Proceeds from sale of assets	4.00
Miscellaneous Expenditure	(50.53)
<b>Net Cash Flow from Investing Activities</b>	<b>(2,440.82)</b>
<b>Cash Flow from Financing Activities (C)</b>	
Proceeds from issue of Share Capital	64.00
Increase/(conversion into share capital) of Share Application Money	(400.00)
Proceeds from Share Premium	736.00
Proceeds from Secured Loans	1,174.88
Interest Paid	(364.32)
<b>Net Cash Flow from Financing Activities</b>	<b>1,210.56</b>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>79.66</b>
Cash and Cash Equivalents at the Beginning of the Year	83.05
<b>Cash and Cash Equivalents at the end of the period</b>	<b>162.71</b>

**IV. Statement of Accounting Ratio****(Rs. In lakhs)**

<b>Ratios Particulars</b>	<b>As on 31.01.08</b>
Basic E.P.S. (Rs.)	12.75*
Diluted E.P.S. (Rs.)	12.75*
Return on Net Worth (For Equity Shareholders) (%)	34.44%*
Net Asset Value per Share (Rs.)	36.06
Weighted average number of equity shares outstanding during the year used for computing Basic EPS	11912750
Weighted average number of equity shares outstanding during the year used for computing Diluted EPS considering conversion of Share Application money	11912750
Total number of shares outstanding at the end of year	12232750

\* **Annualised****The ratios have been computed as below:**

- I. Earnings per share (Rs.): Net profit attributable to equity shareholders/weighted average number of equity shares outstanding as at the end of the period. Earnings per share are calculated in accordance with Accounting Standard 20 "Earnings per Share", issued by the Institute of Chartered Accountants of India. The E.P.S. is calculated after adjustment for 8237500 bonus shares issued vide resolution passed at the extra-ordinary general meeting held on 31.01.2007 with retrospective effect as provided in Accounting Standard (AS -20) – Earning Per Share.
- II. Return on Net Worth (%): Net profit after tax/Net worth as at the end of the period.
- III. Net Asset Value (Rs.): Net worth at the end of the year/Number of equity Shares outstanding at the end of the period.
- IV. Net Profit, as appearing in the statement of restated profits and losses, has been considered for the purpose of computing the above ratios.

**V. Significant notes on Consolidated restated Profit & Loss account and Assets and Liabilities****1. The Subsidiary Company considered in the consolidated financial statements:**

Name of the Company	% of voting powers held as at 01.04.2007	% of voting powers held as at 31.01.2008	% of voting power held as at 31.03.2007 and preceding financial year	Consolidation from
Ramshyam Textile Industries Ltd.	99.986%	99.986%	Nil	01.04.2007
First Winner Lifestyle Pvt. Ltd. (Formerly Realgold Exports Pvt. Ltd.)	99.998%	99.987%	Nil	01.04.2007

## **2. Acquisition of Ramshyam Textile Industries Ltd.**

Pursuant to 'Share Purchase and Sale agreement' ('SPA') dated 1<sup>st</sup> April 2007 entered into between the Company and shareholders of Ramshyam Textile Industries Ltd, on 1<sup>st</sup> April 2007 the Company acquired 99.986% equity interest in Ramshyam Textile Industries Ltd.. for the consideration of 607770 equity shares of the company. As a result of this acquisition, Ramshyam Textile Industries Ltd. became a wholly owned subsidiary of First Winner Industries Ltd. The Face value of shares given on consideration has been considered as cost of investment in Ramshyam Textile Industries Ltd.

## **3. Acquisition of First Winner Lifestyle Pvt. Ltd. (Formerly Realgold Exports Pvt. Ltd.)**

Pursuant to 'Share Purchase and Sale agreement' ('SPA') dated 1<sup>st</sup> April 2007 entered into between the Company and shareholders of First Winner Lifestyle Pvt. Ltd. (Formerly Realgold Exports Pvt. Ltd.) on 1<sup>st</sup> April 2007 the Company acquired 99.998% equity interest in Realgold Exports Pvt. Ltd. for the consideration of 109980 equity shares of the company. As a result of this acquisition, Realgold Exports Pvt. Ltd. became a wholly owned subsidiary of First Winner Industries Ltd. The Face value of shares given on consideration has been considered as cost of investment in First Winner Lifestyle Pvt. Ltd.

During the period company has been allotted 4,00,000 equity shares on October 1, 2007 and 1,25,000 equity shares on January 21, 2008 against investment of Rs. 800 lakhs.

## **4. Principles of Consolidation**

The consolidated financial statements relate to First Winner Industries Limited ('the Company') and its subsidiary Company Ramshyam Textile Industries Ltd. and First Winner Lifestyle Pvt. Ltd. The consolidated financial statements have been prepared on the following basis.

- The financial statements of the company and its subsidiary companies have been combined on a line by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
  - As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements..
  - The difference of the cost to the company of its investment in subsidiaries over its share in the equity of the investee company as at the date of acquisition of stake is recognized in financial statements as Goodwill or Capital Reserve, as the case may be.
5. The restated financial statement of Subsidiary company Ramshyam Textile Industries Ltd. has been audited by M/s Ashish H. Goyal & Co., Chartered Accountants and the restated financial statement of First Winner Lifestyle Pvt. Ltd. has been audited by M/s Praful M. Joshi, Chartered Accountants.

## Unconsolidated Financial Information of Subsidiaries of our Company

### Auditor's Report for First Winner Lifestyle Private Limited (Formerly Realgold Exports Private Limited)

The Board of Directors,  
First Winner Lifestyle Pvt. Ltd.  
Mumbai.

We have examined the following financial information of First Winner Lifestyle Pvt. Ltd. ("the Company") on a stand-alone basis as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors which 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 (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines"), as amended from time to time, in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the terms of reference received from the company vide their letter dated 29<sup>th</sup> August 2007, requesting us to carryout the work, proposed to be included in the Red Herring Prospectus of the Company in connection with its proposed Initial Public Issue.

<b>Annexure 1</b>	:	Statement of Assets and Liabilities, restated as at 31st January 2008, 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006, 31 <sup>st</sup> March 2005, 31 <sup>st</sup> March 2004, and 31 <sup>st</sup> March 2003.
<b>Annexure 2</b>	:	Statement of Profit and Loss, restated for the period ended 31 <sup>st</sup> January 2008 and for the year ended 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006, 31 <sup>st</sup> March 2005, 31 <sup>st</sup> March 2004 and 31 <sup>st</sup> March 2003.

Based on examination of the above statements with the respective audited financial statements and on the basis of information and explanations given to us, we report as under:

The Statements referred to as Annexure 1 to 2 in our opinion, appropriate and have been prepared out of audited financial statements for the years/period.

This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus in connection with the Proposed Initial Public Issue of Equity Shares of the parent company M/s First Winner Industries Ltd. and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**for Praful M. Joshi**  
**Chartered Accountants**

Praful M. Joshi  
**Proprietor**  
Membership Number: 30276

Place: Mumbai  
Date: 18<sup>th</sup> May 2008

**First Winner Lifestyle Private Limited.**  
**(Formerly Realgold Exports Private Limited)**

## Annexure - 1

## Statement of Assets &amp; Liabilities

(Rs. In lakhs)

Particulars	31.01.08	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>Fixed Assets (A)</b>						
Gross Block	2405.62	54.61	42.25	41.78	6.02	3.50
Less : Accumulated Depreciation	9.43	8.46	5.06	2.32	0.70	0.10
<b>Net Block</b>	<b>2396.19</b>	<b>46.15</b>	<b>37.19</b>	<b>39.46</b>	<b>5.32</b>	<b>3.40</b>
<b>Investments (B)</b>	1.25	-	-	-	-	-
<b>Current Assets, Loans and Advances</b>						
Inventories	285.05	305.33	300.77	164.18	95.98	-
Sundry Debtors	1,555.72	1,271.97	922.82	486.30	190.37	138.71
Cash & Bank Balance	83.38	33.54	29.11	29.51	4.09	0.60
Loans & Advances	164.79	599.38	2.70	7.07	2.60	-
<b>Total ( C )</b>	<b>2,088.94</b>	<b>2,210.22</b>	<b>1,255.40</b>	<b>687.06</b>	<b>293.04</b>	<b>139.31</b>
<b>Total Assets</b>	<b>4,486.38</b>	<b>2,256.37</b>	<b>1,292.59</b>	<b>726.52</b>	<b>298.36</b>	<b>142.71</b>
<b>Liabilities and Provisions ( D )</b>						
Secured Loans	2191.24	1,209.15	470.28	155.29	50.25	-
Unsecured Loans	-	-	-	-	-	11.85
Deferred Tax Liability/(Assets)	118.41	3.87	3.21	2.44	0.76	0.23
Current Liabilities & Provisions	551.98	289.83	453.25	354.61	162.91	121.75
<b>Total ( D )</b>	<b>2861.63</b>	<b>1,502.85</b>	<b>926.74</b>	<b>512.34</b>	<b>213.92</b>	<b>133.83</b>
<b>Net Worth (A+B+C-D) = (F)</b>	<b>1624.75</b>	<b>753.52</b>	<b>365.85</b>	<b>214.18</b>	<b>84.44</b>	<b>8.88</b>
Represented by						
1. Share Capital	162.50	110.00	72.50	72.50	30.00	1.00
2. Reserves & Surplus	1462.72	267.36	143.78	142.25	4.49	0.49
3. Share Application Money	-	400.00	150.00	-	50.00	7.45
Less : Miscellaneous Expenditure	(0.47)	(23.84)	(0.43)	(0.57)	(0.05)	(0.06)
<b>Total</b>	<b>1624.75</b>	<b>753.52</b>	<b>365.85</b>	<b>214.18</b>	<b>84.44</b>	<b>8.88</b>

**First Winner Lifestyle Private Limited**  
**(Formerly Realgold Exports Private Limited)**

Annexure - 2

## Statement of Profit &amp; Loss

(Rs. In lakhs)

Particulars	31.01.2008	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>Income</b>						
Sales of products traded by us	5213.29	4,654.53	4,749.32	3,802.33	1,347.60	336.41
Sales of products manufactured by us	-	-	-	-	-	-
Sales of products not normally dealt by us	-	-	-	600.08	224.76	-
Job Work Charges	-	-	-	-	-	-
Other Income	1.94	5.55	4.41	10.56	-	-
<b>Total Income</b>	<b>5,215.23</b>	<b>4,660.08</b>	<b>4,753.73</b>	<b>4,412.97</b>	<b>1,572.36</b>	<b>336.41</b>
<b>Expenditure</b>						
Cost of Sales	4420.13	4,533.72	4,648.11	4,328.02	1,548.48	333.01
Other Direct Expenses	-	-	-	-	-	-
Administrative Expenses	30.56	25.51	38.29	25.94	11.05	2.53
Interest and Financial Charges	80.64	77.94	61.10	41.06	6.00	-
Depreciation	3.05	3.39	2.75	1.62	0.60	0.10
<b>Total Expenditure</b>	<b>4,534.38</b>	<b>4,640.56</b>	<b>4,750.25</b>	<b>4,396.64</b>	<b>1,566.13</b>	<b>335.64</b>
Profit before Tax	680.85	19.52	3.48	16.33	6.23	0.77
Provision for taxation						
Current Tax	(117.82)	(5.96)	(0.40)	(4.24)	(1.70)	(0.05)
Deferred Tax	(114.54)	(0.67)	(0.77)	(1.69)	(0.53)	(0.23)
Fringe Benefit Tax	(0.59)	(0.82)	(0.75)	-	-	-
Less: Prior period items adjusted to relevant year	-	(1.03)	(0.03)			
<b>Profit after Tax, restated</b>	<b>447.90</b>	<b>11.04</b>	<b>1.53</b>	<b>10.40</b>	<b>4.00</b>	<b>0.49</b>

### **Auditor's Report for Ramshyam Textile Industries Limited**

The Board of Directors,  
Ramshyam Textile Industries Ltd.  
Mumbai.

We have examined the following financial information of Ramshyam Textile Industries Ltd. (formerly Prominent Pharmaceuticals Ltd.) ("the Company") on a stand-alone basis as attached to this report stamped and initialed by us for identification and as approved by the Board of Directors which 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 (Disclosure and Investor Protection) Guidelines 2000 ("the Guidelines"), as amended from time to time, in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the terms of reference received from the company vide their letter dated 2nd May 2008, requesting us to carryout the work, proposed to be included in the Red Herring Prospectus of the Company in connection with its proposed Initial Public Issue.

<b>Annexure 1</b>	:	Statement of Assets and Liabilities, restated as at 31 <sup>st</sup> January 2008, 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006, 31 <sup>st</sup> March 2005, 31 <sup>st</sup> March 2004, and 31 <sup>st</sup> March 2003.
<b>Annexure 2</b>	:	Statement of Profit and Loss, restated for the period ended 31 <sup>st</sup> January 2008 and for the year ended 31 <sup>st</sup> March 2007, 31 <sup>st</sup> March 2006, 31 <sup>st</sup> March 2005, 31 <sup>st</sup> March 2004 and 31 <sup>st</sup> March 2003.

The financial statements of the Company for the financial year ended on March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 which were audited and reported upon by the other auditor M/s Singrodia Goyal & Co., Chartered Accountants. We have relied on this audited financial statements and have not carried out any audit tests or review procedures on the financial statement of the Company for that year. Since we did not perform the audit for the above year, the financial report included for such year is solely based on the report submitted by the statutory auditor M/s Singrodia Goyal & Co., Chartered Accountants for the year ended March 31, 2003. The financial statements for the period ended January 31, 2008 has been audited by us.

Based on examination of the above statements with the respective audited financial statements and on the basis of information and explanations given to us, we report as under:

The Statements referred to as Annexure 1 to 2 in our opinion, appropriate and have been prepared out of audited financial statements for the years/period.

This report is intended solely for use for your information and for inclusion in the Red Herring Prospectus in connection with the Proposed Initial Public Issue of Equity Shares of the parent company M/s First Winner Industries Ltd. and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**for Ashish H. Goyal & Co.**  
**Chartered Accountants**

**Ashish Kumar Goyal**  
**Partner**

Membership Number: 114363

Place: Mumbai

Date: 18<sup>th</sup> May 2008

**Ramshyam Textile Industries Ltd.**

**Annexure - 1**

**Statement of Assets & Liabilities**

**(Rs. In lakhs)**

Particulars	31.01.08	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>Fixed Assets (A)</b>						
Gross Block	1136.38	1,129.80	958.65	23.50	23.50	23.50
Less : Accumulated Depreciation	99.64	55.35	10.64	-	-	-
<b>Net Block</b>	<b>1,036.74</b>	<b>1,074.45</b>	<b>948.01</b>	<b>23.50</b>	<b>23.50</b>	<b>23.50</b>
<b>Investments (B)</b>	-	-	-	-	-	-
<b>Current Assets, Loans and Advances (C)</b>						
Inventories	12.47	14.17	-	-	-	-
Sundry Debtors	932.72	294.47	5.62	-	-	-
Cash & Bank Balance	8.67	4.55	25.50	0.05	0.02	0.02
Loans & Advances	85.58	38.14	16.80	-	-	-
<b>Total ( C )</b>	<b>1039.44</b>	<b>351.33</b>	<b>47.92</b>	<b>0.05</b>	<b>0.02</b>	<b>0.02</b>
<b>Total Assets</b>	<b>2,076.18</b>	<b>1,425.78</b>	<b>995.93</b>	<b>23.55</b>	<b>23.52</b>	<b>23.52</b>
<b>Liabilities and Provisions ( D )</b>						
Secured Loans	857.41	728.68	669.44	-	-	-
Unsecured Loans	-	-	4.80	22.79	20.32	20.25
Deferred Tax Liability/(Assets)	86.45	49.38	9.13	-	-	-
Current Liabilities & Provisions	318.31	139.95	21.50	0.06	2.41	2.41
<b>Total ( D )</b>	<b>1,262.17</b>	<b>918.01</b>	<b>704.87</b>	<b>22.85</b>	<b>22.73</b>	<b>22.66</b>
<b>Net Worth (A+B+C-D) = (F)</b>	<b>814.01</b>	<b>507.77</b>	<b>291.06</b>	<b>0.70</b>	<b>0.79</b>	<b>0.86</b>
Represented by						
1. Share Capital	60.78	60.78	5.00	5.00	5.00	5.00
2. Reserves & Surplus	753.23	446.99	(28.69)	-	-	-
3. Share Application Money	-	-	314.75	-	-	-
Less : Preliminary Expenditure	-	-	-	(4.30)	(4.21)	(4.14)
<b>Total</b>	<b>814.01</b>	<b>507.77</b>	<b>291.06</b>	<b>0.70</b>	<b>0.79</b>	<b>0.86</b>

**Ramshyam Textile Industries Ltd.**

**Annexure - 2**

**Statement of Profit & Loss**

**(Rs. In lacs)**

<b>Particulars</b>	<b>31.01.2008</b>	<b>31.03.2007</b>	<b>31.03.2006</b>	<b>31.03.2005</b>	<b>31.03.2004</b>	<b>31.03.2003</b>
<b>Income</b>						
Sales of products traded by us	2,832.99	879.42	-	-	-	-
Sales of products manufactured by us	-	-	-	-	-	-
Sales of products not normally dealt by us	-	-	-	-	-	-
Job Work Charges	212.01	109.75	11.88			
Other Income	-	-	0.02	-	-	-
<b>Total Income</b>	<b>3,045.00</b>	<b>989.17</b>	<b>11.90</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditure</b>						
Raw Material Consumed	2,328.68	646.81	-	-	-	-
Other Direct Expenses	82.48	83.00	8.14			
Administrative Expenses	34.99	27.93	6.21	-	-	-
Interest and Financial Charges	63.97	44.91	6.40	-	-	-
Depreciation	44.29	44.71	10.64	-	-	-
<b>Total Expenditure</b>	<b>2,554.41</b>	<b>847.36</b>	<b>31.39</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit before Tax	490.59	141.81	(19.49)	-	-	-
Provision for taxation						
Current Tax	(146.46)	(14.75)	-	-	-	-
Deferred Tax	(37.07)	(40.25)	(9.13)	-	-	-
Fringe Benefit Tax	(0.81)	(0.80)	(0.07)	-	-	-
<b>Profit after Tax, restated</b>	<b>306.25</b>	<b>86.01</b>	<b>(28.69)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

*The following discussion and analysis is derived from and should be read together with the restated standalone financial statements of our Company for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 and period of ten months ended January 31, 2008 included elsewhere in this Red Herring Prospectus. The financial Statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in Auditors' Report of M/s. Deshmukh & Associates, & Praful M. Joshi Chartered Accountants dated May 18, 2008.*

### Industry Overview

The Indian domestic textile industry is characterized by highly fragmented producers who sell unbranded products to consumers directly. With rising disposable incomes and the emergence of the organized retail sector, the branded textiles business is expected to become an increasingly important part of the Indian domestic market.

The Indian textile industry is focusing on adding value by developing skills and manufacturing products across various segments of the global textile and apparel markets. This is an attempt to differentiate Indian from Chinese textile production, where the focus is on volumes and lower prices.

The textile industry is very crucial to the Indian economy in terms of its contribution to GDP and employment. It contributes about 14% to industrial production, 4% to the GDP and 16.63% to the country's export earnings. It provides direct employment to over 35 millions people. The textile sector is the second largest provider of employment after agriculture sector. agriculture (Source: Ministry of Textiles, Government of India Annual Report 2006-2007, available at <http://texmin.nic.in/annualrep/arep.htm>). The WTO agreements, low costs of production, availability of abundant domestic cotton supply and availability of skilled labor have combined to enhance the prospects for India's textile companies. The export basket includes a wide range of items, including cotton yarn and fabrics, man-made yarn and fabrics, wool and silk fabrics, made-ups, and a variety of garments.

The Indian textile and apparel industry occupies a significant position in the global textile map as it is the third largest producer of cotton and cellulose fibre/yarn, second largest producer of cotton yarn, largest producer of jute, second largest producer of silk and fifth largest producer of synthetic fibre/yarn.

The Indian textile industry is highly localized around Western India-Ahmedabad and Mumbai, though there are other centers at Kanpur, Kolkata, Indore, Coimbatore etc. The structure of the Indian textile industry is both complex and unique. There is the modern sophisticated mill sector on one hand and the handloom, powerloom and hosiery sector on the other. This dualistic manufacturing structure is dominated by the decentralized or unorganized sector comprising of the handloom, powerloom and the hosiery sector. India is one of the few countries that have a presence across the entire value chain of the textiles and apparel business starting from fibre production, spinning, weaving/knitting, processing to garment manufacturing.

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## **Business Overview**

Our company was incorporated on January 22, 2003 under the Companies Act, 1956 as First Winner Trading Private Limited. The name of the company has been changed to First Winner Industries Private Limited, and further to First Winner Industries Limited. The company started its operations with the objective to supply the Textile Fabrics to Wholesalers and Apparel & Garment manufacturers. Initially the Company started trading in the textile fabrics by purchasing the fabrics in bulk and supplying the same to wholesalers and Apparel & Garment manufactures.

However with a view to add margins to its business and a measure of backward integration our promoters set up their first weaving unit in the year 2005-06 under name of Ramshyam Textile Industries Limited with a total capacity of 42 lakh meter fabrics per annum by installing 48 looms in MIDC, Tarapur with a total investment of Rs. 11 crore. This Company became 100% subsidiary of our Company on April 01, 2007. In the year 2006-07 our Company set up its first weaving unit with a total capacity of 108 lakh meter fabrics per annum by installing 100 looms in MIDC, Tarapur with a total investment of Rs. 30 crore. The commercial production of this unit started on February 01, 2006. Our promoters are in the process of establishing a third weaving unit under the name First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) with a total capacity of 62 lakh meter fabrics per annum by installing 48 Air jet looms in MIDC, Tarapur with a total investment of Rs. 25 crore. The commercial production has commenced from February 1, 2008. This Company is also 100% subsidiary of our Company since April 01, 2007.

## **Income**

Our total income comprises of income from operations, which includes:

- income from trading of fabric
- income from items not normally traded by us
- income from job work
- other income, which mostly comprises of interest income and brokerage.

### ***Sale of fabrics***

We sell the fabrics in the domestic market.

### ***Income from job work***

We are manufacturing grey fabrics for the other manufacturers.

### ***Other Income***

Other income includes income from, among other things, interest from Bank, Commission and foreign exchange exchange rate fluctuation. Some of these incomes may be recurring in nature.

## **Expenditure:**

Our total expenditure is accounted for under the following heads:

### ***Raw Material Consumed:***

Raw material consumed includes fabric purchased.

**Other Direct Expenses:**

Other direct expenses include direct expenses on manufacturing of grey fabric for the purpose of job work.

***Administrative Expenses:***

Our administrative and general expenses include office electricity charges, travel, insurance, rent, security, conveyance, Directors' remuneration, and the costs of maintaining assets, legal/professional charges and auditor fees, and other miscellaneous expenditure.

***Interest and financial charges:***

The finance charges incurred by us include interest payable by us for short term and long term loans including working capital loans, and processing fees for loans, bank guarantees, commission etc.

***Depreciation:***

This includes depreciation on building, plant and machinery, furniture, fixtures, motor vehicles, computers and certain other items used in factory, offices and warehouse.

***Taxation:***

Income taxes are accounted for in accordance with AS-22 issued by the ICAI on "Accounting for Taxes on Income". Taxes comprise current tax, deferred tax and fringe benefit tax.

**Factors affecting results of operations*****Demand for our products***

The sales volumes and prices for our fabrics are influenced by the demand for these products in the domestic market. Demand for our products is influenced by factors such as quality of our products, fashion trends, consumer preferences, competition, pricing and sales promotion and the macroeconomic and retail environment in the markets of our operation. Changes in consumer preferences may change our product mix from period to period, which may impact our revenues and margins.

***Competition and pricing pressures***

Our business performance is subject to competition and pricing pressures especially considering various brands entering the market.

***Price and availability of raw materials***

We rely on third-party suppliers for yarn and consumables. Our raw material requirements include yarn & other consumables. Fluctuations in the price, availability and quality of the yarn or other raw materials used by us in our fabric manufacturing could have a material adverse effect on our cost of sales or our ability to meet our customers' demands.

***Working Capital intensity***

Textile business in India is highly working capital intensive. This can lead to significant drain on the cash flows of the company which in turn can affect the growth and/or profitability of our Company.

**Internal control and systems**

Our Company has been growing at a rapid pace over the recent period. Managing this growth will require adequate internal control and systems. Lack of such adequate controls and systems can hamper the growth of our Company. Some of the other factors that may affect our business include potential labour disruptions, stability of economic policies and the political situation in India, changes in management, etc.

**Results of operations**

The following table sets forth for the periods indicated, certain items derived from our restated standalone financial statements, in each case stated in absolute terms and as a percentage of total income. Amounts have been rounded to ensure percentages total to 100% as appropriate.

**(Rs. in lakhs)**

Particulars	March 31, 2007	% of Total Income	March 31, 2006	% of Total Income	March 31, 2005	% of Total Income
<b>Income</b>						
Sales Income	5545.53	99.84	3822.49	99.87	2772.53	99.48
Job work Income	4.09	0.07	0.00	0.00	0.00	0.00
Other Income	4.99	0.09	5.03	0.13	14.53	0.52
<b>Total Income</b>	<b>5554.61</b>	<b>100.00</b>	<b>3827.52</b>	<b>100.00</b>	<b>2787.06</b>	<b>100.00</b>
<b>Expenditure</b>						
Raw Material Consumed	5022.83	90.43	3738.50	97.67	2721.55	97.65
Other Manufacturing Expenses	2.05	0.04	0.00	0.00	0.00	0.00
Administrative Expenses	42.56	0.77	23.46	0.61	20.35	0.73
Interest and Financial Charges	84.60	1.52	52.38	1.37	27.60	0.99
Depreciation	7.35	0.13	3.23	0.08	3.03	0.11
<b>Profit before Tax</b>	<b>395.22</b>	<b>7.12</b>	<b>9.95</b>	<b>0.26</b>	<b>14.53</b>	<b>0.52</b>
Provision for Taxation	0.00		0.00		0.00	
Current Tax	(69.02)		(2.80)		(3.60)	
Deferred Tax	(70.56)		(0.78)		(0.39)	
Fringe Benefit Tax	(0.50)		(0.50)		0.00	
Prior period items	0.00		0.00		(0.74)	
<b>Profit after Tax</b>	<b>255.14</b>	<b>4.59</b>	<b>5.87</b>	<b>0.15</b>	<b>9.80</b>	<b>0.35</b>

**Comparison between FY 2007 and for ten months period ended January 31, 2008****Income****Sales of products traded by us:**

Sales of fabric were Rs. 6077.39 lakhs for the period ended January 31, 2008 as against Rs. 5545.53 lakhs during financial year ended March 31, 2007.

**Sales of products manufactured by us:**

Sales of fabric manufactured by us was Rs. 9.90 lakhs for the period ended January 31, 2008 as against Rs. Nil during financial year ended March 31, 2007.

**Job Work Charges:**

Job work charges received for the period ended January 31, 2008 was Rs. 560.69 lakhs as against Rs. 4.09 lakhs for the financial year ended March 31, 2007.

Other income was Rs. 8.72 Lakhs for the period ended January 31, 2008 as against Rs. 4.99 lakhs during financial year ended March 31, 2007. Other income includes foreign exchange benefits of Rs. 6.67 lakhs.

**Raw Materials consumed:**

Raw material consumed was Rs. 5341.30 Lakhs for the period ended January 31, 2008 as against Rs. 5,022.83 lakhs during financial year ended March 31, 2007. As a percentage of total income raw material consumed was 80.24% for the period ended January 31, 2008.

**Other Manufacturing Expenses:**

Other manufacturing expenses were Rs. 31.50 lakhs which was 5.52% of Manufacturing income & Job-work income for the period ended January 31, 2008 as against Rs. 2.05 lakhs during financial year ended March 31, 2007.

**Administrative Expenses:**

Our administrative expenses were Rs. 166.83 Lakhs for the period ended January 31, 2008. Administrative expenses were 2.51% of total income for the period ended January 31, 2008 as against Rs. 42.56 lakhs during financial year ended March 31, 2007.

**Interest and Financial charges:**

Our interest and financial charges increased to Rs. 219.71 Lakhs for the period ended January 31, 2008 which is 3.30% of the total income as against Rs. 84.60 lakhs during financial year ended March 31, 2007.

**Depreciation:**

Depreciation cost was Rs. 117.28 Lakhs for the period ended January 31, 2008 which is 1.76% of total income as against Rs. 7.35 lakhs during financial year ended March 31, 2007.

**Profit before Tax**

Our profits before tax were increased to Rs. 780.08 Lakhs for the period ended January 31, 2008. Profit before tax as percentage of total income increased to 11.72% for the period ended January 31, 2008 as against Rs. 395.22 lakhs during financial year ended March 31, 2007.

**Taxation:**

The provision for taxation including current and deferred & fringe benefit taxes were increased to Rs. 268.11 Lakhs for the period ended January 31, 2008 as against Rs. 140.08 lakhs during financial year ended March 31, 2007.

***Profit after Tax:***

Our profit after tax increased to Rs. 511.97 Lakhs for the period ended January 31, 2008 as against Rs. 255.14 lakhs during financial year ended March 31, 2007.

**Comparison between FY 2007 and 2006*****Income***

Our sales of traded products increased to Rs. 5545.53 Lakhs in fiscal 2007 from Rs. 3822.49 Lakhs in fiscal 2006. Sales registered growth, primarily due to increase in customer base and increased demand. Job Work Charges during the fiscal 2007 was Rs. 4.09 lakhs that we derived from our new manufacturing unit started on 19<sup>th</sup> March 2007.

Other income decreased to Rs. 4.99 Lakhs in fiscal 2007 from Rs. 5.03 Lakhs in fiscal 2006. The decrease in other income was mainly due to decrease in interest on fixed deposits decreased to Rs. 1.03 lakhs from Rs. 1.09 Lakhs in fiscal 2006.

***Raw Materials consumed:***

Raw material consumed increased to Rs. 5022.83 Lakhs in fiscal 2007 from Rs. 3738.50 Lakhs in fiscal 2006. As a percentage of sales our material consumed was 90.57% during fiscal 2007 as against 97.80% during fiscal 2006. Decrease in raw material consumed was mainly on account of sourcing of fabric at a competitive price and also by getting better sales margin on sales of fabrics.

***Other Manufacturing Expenses:***

Other manufacturing expenses were Rs. 2.05 lakhs which was 50.12% of Job-work income for the fiscal 2007.

***Administrative Expenses:***

Our administrative expenses increased to Rs. 42.56 Lakhs in fiscal 2007 from Rs. 23.46 Lakhs in fiscal 2006. Administrative expenses were increased to 0.77% of total income in fiscal 2007 from 0.61% of total income in fiscal 2006 and this was primarily due to increase in manpower in the Company and the administrative expenses of new manufacturing unit at Tarapur.

***Interest and Financial charges:***

Our interest and financial charges increased to Rs. 84.60 Lakhs in fiscal 2007 from Rs. 52.38 Lakhs in fiscal 2006. Interest and financial charges were increased due to increase in our working capital limits and availment of term loan from our bank for setting up of manufacturing unit in Tarapur. In fiscal 2007 we availed term loan of Rs. 1200 Lakhs from SBI and Rs. 600 Lakhs from State Bank of Indore and the working capital limits were increased to Rs. 682.18 Lakhs in fiscal 2007 from Rs. 496.26 Lakhs in fiscal 2006. As a percentage of total income interest and financial charges were 1.52% in fiscal 2007 as against 1.37% in fiscal 2006.

***Depreciation:***

Depreciation cost increased to Rs. 7.35 Lakhs in fiscal 2007 from Rs. 3.23 Lakhs in fiscal 2006. Our first manufacturing unit was set up in the fiscal 2007, the net addition in fixed assets in fiscal 2007 was Rs. 2970.64 Lakhs and therefore, depreciation was increased by Rs. 4.12 Lakhs. As a percentage of total income depreciation was 0.13% in fiscal 2007 as against 0.08% in fiscal 2006.

***Profit before Tax***

Our profits before tax were increased to Rs. 395.22 Lakhs in fiscal 2007 from Rs. 9.95 Lakhs in fiscal 2006. Profit before tax as percentage of total income increased to 7.12% in fiscal 2007 from 0.26% in fiscal 2006. The increase in profit before tax was mainly due to increase in volume of sales and we also source fabrics at a competitive price.

***Taxation:***

The provision for taxation including current and deferred & fringe benefit taxes were increased to Rs. 140.08 Lakhs in fiscal 2007 from Rs. 4.08 Lakhs in fiscal 2006. The increase in taxation is due to increase in profitability during fiscal 2007.

***Profit after Tax:***

Our profit after tax increased to Rs. 255.14 Lakhs in fiscal 2007 from Rs. 5.87 Lakhs in fiscal 2006. Profit after Tax as percentage of total income increased to 4.59% in fiscal 2007 from 0.15% in fiscal 2006.

**Comparison between FY 2006 and 2005*****Income***

Our sales increased to Rs. 3822.49 Lakhs in fiscal 2006 from Rs. 2772.53 Lakhs in fiscal 2005, showing an increase of 37.87% on account of increased client base and more focus towards marketing.

Other income decreased to Rs. 5.03 Lakhs in fiscal 2006 from Rs. 14.53 Lakhs in fiscal 2005. The decrease in other income was mainly due to decrease in commission income. The commission income decreased to Rs. 3.94 Lakhs in fiscal 2006 from Rs. 12.37 Lakhs in fiscal 2005.

***Raw material consumed:***

Raw material consumed increased to Rs. 3738.50 Lakhs in fiscal 2006 from Rs. 2721.55 Lakhs in fiscal 2005 showing an increase of 37.37%. As a percentage of sales our cost of sales was 97.80% during fiscal 2006 as against 99.96% during fiscal 2005. The increase in cost of sales was due to increase in sales.

***Administrative Expenses:***

Our administrative expenses increased to Rs. 23.46 Lakhs in fiscal 2006 from Rs. 20.35 Lakhs in fiscal 2005 i.e. an increase of 15.28%, which is in line with the increase in total income. As a percentage of total income, administrative expenses were 0.61% in fiscal 2007 as against 0.73% in fiscal 2005.

***Interest and Financial charges:***

Our interest and financial charges increased to Rs. 52.38 Lakhs in fiscal 2006 from Rs. 27.60 Lakhs in fiscal 2005. Interest and financial charges were increased due to increase in our working capital limits. The working capital limits were increased to Rs. 496.26 Lakhs in fiscal 2006 from Rs. 271.58 Lakhs in fiscal 2005. As a percentage of total income interest and financial charges were 1.37% in fiscal 2006 as against 0.99% in fiscal 2005.

***Depreciation:***

Depreciation cost increased to Rs. 3.23 Lakhs in fiscal 2006 from Rs. 3.03 Lakhs in fiscal 2005. As a percentage of total income depreciation was 0.08% in fiscal 2006 as against 0.11% in fiscal 2005.

***Profit before Tax***

Our profits before tax were decreased to Rs. 9.95 Lakhs in fiscal 2006 from Rs. 14.53 Lakhs in fiscal 2005. Profit before tax as percentage of total income decreased to 0.26% in fiscal 2006 from 0.52% in fiscal 2005. The decrease in profit before tax was mainly due to increase in interest cost and decrease in commission income.

***Taxation:***

The provision for taxation including current deferred & fringe benefit taxes were decreased to Rs. 4.08 Lakhs in fiscal 2006 from Rs. 3.99 Lakhs in fiscal 2005. The decrease in taxation is due to decrease in profitability during fiscal 2006.

***Profit after Tax:***

Our profit after tax decreased to Rs. 5.87 Lakhs in fiscal 2006 from Rs. 9.80 Lakhs in fiscal 2005. This is on account of increased interest cost. Profit after Tax as percentage of total income decreased to 0.15% in fiscal 2006 from 0.35% in fiscal 2005.

**Comparison between FY 2005 and 2004*****Income***

Our sales increased to Rs. 2772.53 Lakhs in fiscal 2005 from Rs. 1828.99 Lakhs in fiscal 2004 registering an increase of 51.59% on account of removal of quota in textile sector which led to increase of demand of fabric.

Other income increased to Rs. 14.53 Lakhs in fiscal 2005 from Rs. 5.68 lakhs in fiscal 2005. The increase in other income was mainly on account of commission income of Rs. 12.37 Lakhs.

***Raw material consumed:***

Raw material consumed increased to Rs. 2721.55 Lakhs in fiscal 2005 from Rs. 1803.49 Lakhs in fiscal 2004. As a percentage of total income, our raw material consumed was 98.16% during fiscal 2005 as against 98.61% during fiscal 2004. The change in cost of raw material was in line with the increase in total income.

***Administrative Expenses:***

Our administrative expenses increased to Rs. 20.35 Lakhs in fiscal 2005 from Rs. 16.11 Lakhs in fiscal 2004. As a percentage of total income, administrative expenses were 0.73% of total income in fiscal 2005 as against 0.88% of total income in fiscal 2004. Administrative expenses were increased due to increase in business operations.

***Interest and Financial charges:***

Our interest and financial charges increased to Rs. 27.60 Lakhs in fiscal 2005 from Rs. 8.40 Lakhs in fiscal 2004. Interest and financial charges were increased due to increase in our working capital limits. The working capital limits were increased to Rs. 271.58 Lakhs in fiscal 2005 from Rs. 119.39 Lakhs in fiscal 2005. As a percentage of total income interest and financial charges were 0.99% in

fiscal 2005 as against 0.46% in fiscal 2004.

***Depreciation:***

Depreciation cost increased to Rs. 3.03 Lakhs in fiscal 2005 from Rs. 1.26 Lakhs in fiscal 2004. As a percentage of total income depreciation was 0.11% in fiscal 2005 as against 0.07% in fiscal 2004.

***Profit before Tax***

Our profits before tax were increased to Rs. 14.53 Lakhs in fiscal 2005 from Rs. 5.41 Lakhs in fiscal 2004. Profit before tax as percentage of total income increased to 0.52% in fiscal 2005 from 0.29% in fiscal 2004. The increase in profit before tax was mainly due to increase sales and other income.

***Taxation:***

The provision for taxation including current and deferred taxes was increased to Rs. 3.99 Lakhs in fiscal 2005 from Rs. 1.98 Lakhs in fiscal 2004. The increase in taxation is due to increase in profitability during fiscal 2005.

***Profit after Tax:***

Our profit after tax increased to Rs. 9.80 Lakhs in fiscal 2005 from Rs. 3.79 Lakhs in fiscal 2004. This is on account of increase in sales. Profit after Tax as percentage of total income increased to 0.35% in fiscal 2005 from 0.21% in fiscal 2004.

**Financial Condition**

***Net worth***

Our net worth was increased to Rs. 1909.21 Lakhs as on March, 31 2007 from Rs. 424.64 Lakhs as on March, 31 2006. Our share capital increased to Rs. 988.50 as on March 31, 2007 from Rs. 61.25 Lakhs, mainly because of further issue of shares and issue of bonus share to the shareholders. On April 1, 2007 our share capital was increased by issue of 17.08 lakhs equity shares of Rs. 10/- each to the shareholders of the Ramshyam Textile Industries Ltd. and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) for acquisition of equity in the said companies.

***Assets***

Our Gross fixed assets increased to Rs. 3028.79 Lakhs as on March 31, 2007 from Rs. 68.94 Lakhs as on March 31, 2006, mainly because of setting up of new manufacturing unit in Tarapur during the year.

Our Investment have increased to Rs. 400.10 Lakhs as on March 31, 2007. We have invested Rs. 400 Lakhs Realgold Exports Private Limited. On April 1, 2007 we acquired equity shares in Ramshyam Textile Industries Ltd. and Realgold Exports Private Limited for a consideration of Rs. 170.77 lakhs which was made other than cash.

Our current assets were increased to Rs. 1792.09 Lakhs as on March 31, 2007 from Rs. 1249.82 Lakhs as on March 31, 2006, mainly because of increase in debtors and stock in trade.

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***Liabilities***

Our secured loans were increased to Rs. 2514.21 Lakhs as on March 31, 2007 from Rs 498.21 Lakhs as on March 31, 2006, mainly because of availment of term loans of Rs. 1800 Lakhs during the current year for setting up of new manufacturing unit. Our cash credit limits were also increased to Rs. 682.17 Lakhs from Rs. 496.25 Lakhs as on March 31, 2006.

**Other Matters*****Unusual or infrequent events or transactions***

There are no unusual or infrequent events or transactions that have significantly affected our business.

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

There are no significant economic changes that materially affected Company's operations or are likely to affect income from continuing operations except for changes in government policies including changes in tax structure.

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

There are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations except as described in the section titled "Risk Factors" on page no. iii and in "Management Discussion and Analysis of Financial Condition and Results of Operations" appearing on page no. 139 of this Red Herring Prospectus, to Company's knowledge.

***Future changes in relationship between costs and revenues***

Other than as described in the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages iii and 139 respectively of this Red Herring Prospectus and elsewhere in this Red Herring Prospectus, there are to our knowledge no known factors which would have a material adverse impact on the relationship between costs and income of our Company.

***Increases in net sales or revenue and Introduction of new products or services or increased sales prices***

Increases in revenues are by and large linked to increases in volume of trade fabric, manufactured fabric and proposed garments products to be sold by our Company. Other than as described in this Red Herring Prospectus, we do not have any new products or business segment.

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

The Company operates significantly in only one Industry Segment i.e. Textile and textile products. For details, please refer to section titled "Industry Overview" on page no. 62 of this Red Herring Prospectus.

***Status of any publicly announced New Products or Business Segment***

We have not announced any new products or business segment

***Dependence on a single or few suppliers or customers***

We are not dependent on any single or few suppliers or customers.

***Competitive conditions***

We believe that on account of our competitive strengths we are well positioned to enhance our position in the sector in which we operate.

***Significant Developments after January 31, 2008 that may affect the future results of operations***

No circumstances have arisen since the date of the last financial statement until the date of filing of this Red Herring Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months except additional corporate guarantee of Rs. 300 lakhs and Rs. 1850 lakhs on behalf of Ramshyam Textile Industries Limited and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited).

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as described below, there are no outstanding litigation, suits or civil or criminal prosecutions, proceedings before any judicial, quasi-judicial, arbitral or administrative tribunals, including pending proceedings for violation of statutory regulations or alleging criminal or economic offences or tax liabilities against Company, Promoters, Directors, the Promoter Group and other companies/firms promoted by Promoters that would have a material adverse effect on business and there are no defaults, non-payments or overdue of statutory dues, institutional/bank dues and dues payable to holders of debentures or fixed deposits and arrears of cumulative preference shares that would have a material adverse effect on business.

Further, except as set out below, as of the date of filing this Red Herring Prospectus with SEBI, there are no show cause notices/claims served on Company, Promoters or Directors from any statutory authority/revenue authorities that would have a material adverse effect on business.

#### I Outstanding litigations Involving our Company

##### A. Filed against the Company

There is no litigation against our Company involving tax liabilities, disputes involving criminal, securities, economic, statutory, civil and labour Laws.

##### B. Filed by the Company

There is no litigation filed by our Company involving Tax Liabilities, Disputes involving Criminal, Securities, Economic, Statutory, Civil and Labour Laws except as mentioned below:

Sno.	Subject	Details
1	Parties to the case	Indian Overseas Bank, Kandivali (E) Branch, Mumbai & Others
2	Court in which it is filed and in which it is pending as on date	Debt Recovery Tribunal 2, Mumbai
3	Section and clause	Provisions of R.B.B.D. Act, 1993 read with Schedule II & III of Income Tax Rules
4	Nature of Case	The Company purchased two properties No 8 & 12 H. No. 266, Rahnal, Tal Bhiwandi, Maharashtra from Mrs. Rajani Patodia through its constituted attorney Mr. Atmaram Patodia and paid a sales consideration of Rs. 9.60 lakhs. Mr. Atmaram Patodia got the property as per the arbitration award of arbitrator appointed by Civil Court Patna dated January 9, 2002 from Mrs. Rajani Patodia. The Company came to know that said properties are subject matter of the recovery proceedings no. 139 of 2004 before Debt Recovery Tribunal 2, Mumbai. The Company is a bonafide purchaser for valuable consideration without notice from the seller. The Company has made an intervening application in the Debt

		Recovery Tribunal 2, Mumbai for protection of its title in the said properties.
5	Present Status	Pending before presiding officer of Debt Recovery Tribunal II, Mumbai.
6	Amount involved	Rs. 9.60 lakhs

2. In addition to filing the aforesaid intervening application in the Debt Recovery Tribunal 2, Mumbai for protection of its title in the aforesaid properties, the Company has also filed one plaint in the District Civil Judges Court at Thane vide case no. SP.L.C. Suit no. 77 of 2008 against M/s Hanuman Textiles & Others. The proceedings have been initiated and are pending at present.

## **II. Outstanding Litigations involving Directors and Promoters**

### **By and against Directors and Promoters of our Company**

There is no litigation by or against Directors and Promoters of our Company involving Tax liabilities, disputes involving Criminal, Securities, Economic, Statutory, Civil and Labour Laws.

## **III. Outstanding Litigations involving Subsidiaries / Group Companies**

There is no litigation by or against group companies involving Tax liabilities, disputes involving Criminal, Securities, Economic, Statutory, Civil and Labour Laws except as mention below:

### **A. Filed against our Subsidiary Companies / Promoter Group Companies**

There is no litigation against our subsidiary companies or promoter group companies involving Tax liabilities, disputes involving Criminal, Securities, Economic, Statutory, Civil and Labour Laws except the following notices received from Income Tax Departments:

#### **First Winner Lifestyle Private Limited (Formerly Realgold Exports Private Limited) - Subsidiary Company**

1. Notice sent by the Deputy Commissioner Income Tax (DCIT), 9(3), Mumbai on November 21, 2007 to First Winner Lifestyle Private Limited under Section 221(1) of the Income Tax Act for the assessment year 2005-06. The company has submitted reply and the proceedings are pending at present.
2. Notice sent by the Deputy Commissioner Income Tax (DCIT), 9(3), Mumbai on September 29, 2007 to First Winner Lifestyle Private Limited under Section 143(2) of the Income Tax Act for the assessment year 2006-07. Assessment proceedings have been initiated and are pending at present.
3. Notice sent by the Deputy Commissioner Income Tax (DCIT), 9(3), Mumbai on November 23, 2007 to First Winner Lifestyle Private Limited under Section 115WE(2) of the Income Tax Act for the assessment year 2006-07. Assessment proceedings have been initiated and are pending at present.

**Ramshyam Textile Industries Limited (Subsidiary Company)**

Notice sent by the Deputy Commissioner Income Tax (DCIT), 9(3), Mumbai on March 17, 2008 to Ramshyam Textile Industries Limited under Section 143(2) of the Income Tax Act for the assessment year 2006-07. Assessment proceedings have been initiated and are pending at present.

**Solitaire Textfab & Traders Private Limited (Group Company)**

Notice sent by the Deputy Commissioner Income Tax (DCIT), 9(3), Mumbai on November 26, 2007 to Solitaire Textfab and Traders Private Limited under Section 115WE(2) of the Income Tax Act for the assessment year 2006-07. Assessment proceedings have been initiated and are pending at present.

Notice sent by the Income Tax officer 9(2)-4, Mumbai on October 10, 2007 to Solitaire Textfab & Traders Private Limited under Section 143(2) of the Income Tax Act for the assessment year 2006-07. Assessment proceedings have been initiated and are pending at present.

**B. Filed by our Subsidiary Companies / Promoter Group Companies**

There is no litigation by our subsidiary companies or promoter group companies involving Tax liabilities, disputes involving Criminal, Securities, Economic, Statutory, Civil and Labour Laws except as mentioned below:

**(i) First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited) (Subsidiary Company)**

(a)

Sno.	Subject	Details
1.	Assessment Year	2004-05
2	Parties to the case	M/s Realgold Exports Private Limited vs. Commissioner of Income Tax (Appeals) IX, Mumbai.
3	Authority with which it is filed.	Filed with the Income Tax Appellate Tribunal at Mumbai.
4	Nature of the Appeal.	Appeal filed against the order passed by Commissioner of Income Tax (Appeals) IX, Mumbai.
5.	Section under which the order appealed against was passed	250
6.	Nature of Case	A Notice of demand under Section 156 of the Income Tax-Act, 1961 dated 22.12.06 was served on the Company for the assessment year 2004-05 asking for the payment of a sum of Rs. 45.98 lakhs towards Income Tax. An appeal has been instituted against the said notice of the AO u/s. 143(3) of the I.T. Act, 1961 dated 22-1-2007 by the company. However the appeal was dismissed by an Appellate order dated 02-01-2008 passed by the Commissioner of Income Tax (Appeal) IX, Mumbai. The Company then filed Form No.36 (Form of Appeal to the

		Appellate Tribunal) against the appellate order passed by the Commissioner of Income Tax (appeals) before the Income Tax Appellate Tribunal, Mumbai along with the necessary grounds of appeal dated 7 <sup>th</sup> March 2008.
7.	Date of communication of the order appealed against	13.02.08
8.	Present Status	Form Of Appeal has been filed in Form No 36 before the Income Tax Appellate Tribunal, Mumbai along with the grounds of appeal dated 7 <sup>th</sup> March 2008.The matter is still pending.
9.	Amount involved	Rs. 45.98 lakhs

**(ii) Rikosh Fashions Private Limited (Promoter Group Company)**

Sno.	Subject	Details
1	Assessment Year	2004-05
2	Parties to the case	M/s Rikosh Fashions Private Limited vs. Commissioner of Income Tax (Appeals) IX, Mumbai.
3	Authority with which it is filed.	Filed with the Income Tax Appellate Tribunal at Mumbai.
4	Nature of the Appeal.	Appeal filed against the order passed by Commissioner of Income Tax (Appeals) IX, Mumbai.
5.	Section under which the order appealed against was passed	250
6	Nature of Case	A Notice of demand under Section 156 of the Income Tax-Act, 1961 dated 27.12.06 was sent to the Company for the assessment year 04-05 asking for the payment of a sum of Rs. 34.14 lakhs towards Income Tax.. An appeal has been instituted against the said notice of the AO u/s. 143(3) of the I.T. Act, 1961 dated 22-1-2007 by the Company. However the appeal was dismissed by an Appellate order dated 02-01-2008 passed by the Commissioner of Income Tax (Appeal) IX, Mumbai. The Company then filed Form No.36 (Form of Appeal to the Appellate Tribunal) against the appellate order passed by the Commissioner of Income Tax (appeals) before the Income Tax Appellate Tribunal, Mumbai along with the necessary grounds of appeal dated 7 <sup>th</sup> March 2008.
7.	Date of communication of the order appealed against	13.02.08
8.	Present Status	Form Of Appeal has been filed in Form No 36 before the Income Tax Appellate Tribunal, Mumbai along with the grounds of appeal dated 7 <sup>th</sup> March 2008. The matter is still pending .
8.	Amount involved	Rs. 34.14 lakhs

**IV. List of Creditors whom the Company owes a sum exceeding Rs. 1 lakh and which is outstanding for more than 30 days**

There are no creditors who are small-scale industries who owes a sum exceeding Rs.1 lakh and which is outstanding for more than 30 days.

**V. Contingent Liabilities outstanding**

As on January 31, 2008, the contingent liability outstanding against our Company is provided in the table below:

(Rs. In lakhs)	
<b>Particulars</b>	<b>As on January 31, 2008</b>
Letter of credit	274.46
Corporate Guarantee issued to State Bank of India for credit facilities taken by subsidiary companies i.e. Ramshyam Textile Industries Limited and First Winner Lifestyle Private Limited (formerly Realgold Exports Private Limited)	3720.00
<b>Total</b>	<b>3,994.46</b>

**VI. Penalties imposed on our Companies in the last five years**

No penalty is imposed on our Company during the last five years.

**VII. Penalties imposed on our Promoter Group Companies / Subsidiary Companies in the last 5 years**

No penalty is imposed on our Promoter Group Companies / Subsidiary Companies during the last 5 years.

## GOVERNMENT APPROVALS / LICENSING ARRANGEMENTS

We have received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for our business and no further approvals are required by us for carrying on the present business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities except as mentioned below.

We have also received approvals from those of our lenders whose financing arrangements required us to obtain approvals in connection with the Issue.

Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus

Sr. No.	Particulars	Granting Authorities	Registration /Approval No.	Period of validity if any
1	SIA Registration	Govt. of India, Ministry of Commerce & Industry, Secretariat For Industrial Assistance Public Relation & Complaints Section	5984/SIA/IMO/2006	Valid till cancellation
2	Importer – Exporter Code (IEC)	Govt. of India, Ministry of Commerce	0303026839	Valid till cancellation
3	Permanent Account Number	Income Tax Department, Govt. of India	AAACF7079H	Valid till cancellation
4	Tax Deducted at Source Account Number	Income Tax Department, Govt. of India	MUM03607C	Valid till cancellation
5	Service Tax Number	Service Tax Division IV.	ST/MUM/DIV IV/BAS/ 4178/GEG/2006	Valid till cancellation
6	Consent for Air, Water & Hazardous Waste from Pollution Control Board.	Maharashtra Pollution Control Board	TSR-I/SAT/R-42	30.06.2013
7.	Tin Number under Maharashtra Value Added Tax Act	Sales Tax Department	TIN 27930374875V	Valid till cancellation
8	Tin number under Central Sales Tax (Registration & Turnover) Rules	Sales Tax Department	TIN 27930374875C	Valid till cancellation
9	Factory License	Joint Director, Industrial Safety &	VASAI 2(w)(i)17124	31-12-2008

		Health		
10	Shop & Establishment Registration	Office of the inspector under Bombay Shops & Establishment Act, 1948	760015429	31-12-2010
11	Employee Provident Fund	Office of the Regional provident fund Commissioner	MH/210102	Valid till cancellation
12	Professional Tax	Profession Tax Officer, (1), Mumbai	PT/R/1/1/33/15920	Valid till cancellation
13	Water Supply	Executive Engineer, MIDC Division, Thane	DB/TRP/550/569	-
14	Electricity	Superintending Engineer, Maharashtra State Electricity Distribution Company Limited	SE/VC/Tech/PLG/Con/0329321/7/2006	-
15	Boilers	Dy Director of Steam Boilers, Maharashtra State, Mumbai	SB-6/SMS/2007/4991	Provisional permission to use the Boiler upto 07-04-2009 granted pending issue of renewed certificate from Directorate of Steam Boiler

### **Approvals for New Project**

The Company is establishing a new weaving and garmenting unit for which the Company shall require the following approvals and licenses:

- ✓ Factory Registration
- ✓ SIA Registration
- ✓ Pollution Control Consent Orders
- ✓ MIDC NOC for the Land, if any
- ✓ Water approvals from MIDC
- ✓ Power approvals from MIDC
- ✓ And other approvals as applicable at the time of acquisition of land by the company.

## SECTION VII – OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The Issue of Equity Shares in the Issue by the Company has been authorised by the resolution of the Board of Directors passed at their meeting held on August 1, 2007 subject to the approval of shareholders through a special resolution is to be passed pursuant to Section 81(1A) of the Companies Act, 1956. The shareholders approved the issue at the Extra Ordinary General Meeting of the Company held on August 29, 2007.

### Prohibition by SEBI

Neither our Company, nor our Promoters, our Directors, any of our Promoter Group Companies, our Subsidiary Companies and the companies or entities with which Directors of our Company are associated, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

None of the Promoters, their relatives, our Company, our Directors or our Subsidiaries or the Promoter Group Companies are detained as wilful defaulters by RBI/Government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

### Eligibility for the Issue

The Company is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines, as confirmed by the Auditors of the Company:

- The Company has net tangible assets of atleast Rs. 300.00 lakhs in each of the 3 preceding full years (of 12 months each) of which not more than 50% is held in monetary assets.
- The Company has a pre-issue net worth of not less than Rs. 100.00 lakhs in each of the three preceding full years (of 12 months each).
- The Company has a track record of distributable profits as per Section 205 of the Companies Act, 1956, for atleast three out of the immediately preceding five years.
- The proposed issue size would not exceed five (5) times the pre-issue net worth of the Company as per the audited accounts for the year ended March 31, 2007.
- The Company has not changed its name within the last one year.

The net tangible assets, monetary assets, distributable profits and net worth as derived from the restated financial statements prepared in accordance with SEBI Guidelines, for the last five financial years ended March 31, 2007 is set forth below:

(Rs in lakhs)

Financial Year	2006-07	2005-06	2004-05	2003-04	2002-03
Net Tangible Assets	4496.50	925.37	497.00	298.94	75.6
Monetary Assets	44.96	15.27	28.59	11.69	0.15
Monetary Assets as a Percentage of Net	1.00%	1.65%	5.75%	3.91%	0.20 %

Financial Year	2006-07	2005-06	2004-05	2003-04	2002-03
Tangible Assets					
Distributable Profits	255.14	5.87	9.80	3.79	0.42
Net Worth	1909.21	424.64	219.57	160.16	40.37

- a) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).
- b) Monetary assets include cash in hand and deposits with bank.
- c) The distributable profits of the company as per section 205 of the Companies Act have been calculated from the restated Financial Statements.
- d) Net Worth includes equity share capital and reserves (net off miscellaneous expenditure not written off, if any)

In addition, we shall ensure that number of allottees getting Equity Shares is not less than one thousand in number.

#### SEBI DISCLAIMER CLAUSE

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT 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 OFFER DOCUMENT. THE BOOK RUNNING LEAD MANAGER, ALMONDZ GLOBAL SECURITIES LIMITED (FORMERLY ALLIANZ SECURITIES LIMITED) HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ALMONDZ GLOBAL SECURITIES LIMITED (FORMERLY ALLIANZ SECURITIES LIMITED) HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED OCTOBER 18, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

- (1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH

COLLABORATORS ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALIZATION OF THE DRAFT RED HERRING 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, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
- (a) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO THE BOARD IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - (b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY THE BOARD, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
  - (c) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.
- (3) WE CONFIRM THAT BESIDE 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 SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS.
- (5) WE CERTIFY THAT WRITTEN CONSENT FROM SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

THE FILING OF THE OFFER DOCUMENT DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE OFFER DOCUMENT.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, ANDHRA PRADESH IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956.

**Disclaimer from the Issuer and the Book-Running Lead Manager**

The Company, its Directors and the Book Running Lead Manager accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisement or any other material issued by or at its instance and that anyone placing reliance on any other source of information, including website of the Company, [www.firstwinnerind.com](http://www.firstwinnerind.com) would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Book Running Lead Manager, Almondz Global Securities Limited and our Company dated October 12, 2007 and the Underwriting agreement to be entered into between the Underwriters and our Company.

All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at collection centres or elsewhere.

Neither the Company nor BRLM or Syndicate Members shall be liable to the Bidders for any failure in downloading the bids due to faults in any software/ hardware system or otherwise.

**Caution**

Investors that bid in this Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. The Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

**Disclaimer in respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds, National Investment Fund set up by resolution F.No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India and to NRIs on non-repatriable basis and FIIs registered with SEBI. This Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes into is required to inform himself 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 permission would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus has been filed with RoC as per the provisions of the Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this 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 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 under the US Securities Act ("the Securities Act") or any state securities laws in the United States and may not be issued or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Accordingly, the Equity Shares are only being issued and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those issues and sales occur.

**Disclaimer clause of Bombay Stock Exchange limited (BSE, the Designated Stock Exchange)**

Bombay Stock Exchange Limited (the Exchange) has given vide its letter dated February 13, 2008 permission to this Company to use the Exchange's name in this offer document as one of the Stock Exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason

whatsoever.

**Disclaimer clause of the National Stock Exchange of India Limited (NSE)**

As required, a copy of this Offer Document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref: NSE/LIST/68036-5 dated February 29, 2008, permission to the Issuer to use the Exchange's name in this Offer Document as one of the Stock Exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this Draft Offer Document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoter, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever

**Disclaimer of CARE for IPO Grading**

CARE's Grading is a one time assessment and the analysis draws heavily from the information provided by the issuer as well as the information obtained from the sources believed by CARE to be accurate and reliable. However, CARE, does not guarantee the accuracy, adequacy and completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. CARE's IPO grading does not take cognizance of the price of the security and it is not a recommendation to buy, sell or hold shares/ securities. It is also not a comment on the offer price or the listed price of the scrip. It does not imply that CARE performs an audit function or forensic exercise to detect fraud. It is also not a forecast of the future market performance and the earning prospects of the issuer, also it does not indicate compliance/ violations of various statutory requirements. CARE shall not be liable for any losses incurred by users from any use of the IPO grading.

**Filing**

A copy of the Draft Red Herring Prospectus was filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C-4A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051, Maharashtra.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC situated at Everest 100, Marine Lines, Mumbai-400002, India.

**Listing**

The initial listing applications have been made to Bombay Stock Exchange Limited (BSE) and The

National Stock Exchange of India Limited (NSE) for permission to list the Equity Shares and for an official quotation of the Equity Shares of the Company. The Bombay Stock Exchange Limited (BSE) will be the Designated Stock Exchange.

In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the money with interest prescribed under Section 73 of the Companies Act 1956.

The Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the basis of allotment for the Issue.

### **Consents**

Consents in writing of Directors, the Company Secretary, Compliance Officer, the Statutory Auditors, Bankers to the Company, Escrow Bankers / Bankers to the Company, Book Running Lead Manager to the Issue, Registrars to the Issue and Legal advisors, Syndicate Members, Underwriters to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, as required under Sections 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of a copy of this Red Herring Prospectus, for registration with the Registrar of Companies, Maharashtra at Mumbai.

Deshmukh & Associates and Praful M. Joshi, Statutory Auditors, have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Red Herring Prospectus and also tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Maharashtra at Mumbai.

### **Expert Opinion**

No opinion of any expert has been obtained by the Company, except that of M/s. Deshmukh & Associates and Mr. Praful M. Joshi, Statutory Auditors of the Company and Deltaa Legal Associates, Legal Advisors to the Issue and CARE, Grading agency for the Issue.

### **Issue Expenses \***

The expenses for this Issue includes issue management fees, selling commission, underwriting commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchanges, among others. The total expenses for this Issue are estimated at approximately [●], details of which are as under:

(Rs. In lakhs)

Activity	Amount (Rs. In lakhs)	% Total Issue Size	% Total Issue Expenses
Issue Management Fees, Brokerage & Selling Commission	[•]	[•]	[•]
Fees payable to Registrars to the Issue	[•]	[•]	[•]
Fee for Legal Advisors to the Issue	[•]	[•]	[•]
Fee payable to Grading Agency for grading the Issue	[•]	[•]	[•]
Printing and Distribution of Issue Stationery	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Other expenses (stamp duty, initial listing fees, depository fees, charges for using the book building software of the exchanges and other related expenses)	[•]	[•]	[•]
<b>Total</b>	[•]	[•]	[•]

\* Will be incorporated after finalization of Issue Price

#### **Fees payable to the BRLM, underwriting, brokerage and selling commission**

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the engagement letter(s) dated October 12, 2007 is available for inspection at the Registered Office of the Company.

#### **Fees payable to the Registrar to the Issue**

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar dated August 27, 2007, the copy of which is available for inspection at the Registered Office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

#### **Previous public and rights issues**

The Company has not made any public or rights issue since its inception.

#### **Previous issues of shares otherwise than for cash**

The Company has not issued shares for consideration other than for Cash, except as stated in the title "Capital Structure" on page no. 19 of this Red Herring Prospectus.

#### **Commission and brokerage paid on previous issues**

Since this is the initial public issue of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of Equity Shares of the Company since its inception.

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**DETAILS OF CAPITAL ISSUE MADE DURING LAST THREE YEARS IN REGARD TO THE ISSUER COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956.**

There have been no capital issues during last 3 years by our Company and other listed companies under the same management within the meaning of Section 370(1)(B) of the Act at present or during the last three years.

**Option to subscribe**

Equity Shares being issued through this Red Herring Prospectus can be applied for in Dematerialized form only.

**Previous public and rights issues**

The Company has not made any public or rights issue since its inception.

**Previous issues of shares otherwise than for cash**

The Company has not issued shares for consideration other than for Cash, except as stated in the title "Capital Structure" on page no. 19 of this Red Herring Prospectus.

**Commission and brokerage paid on previous issues**

Since this is the initial public issue of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of Equity Shares of the Company since its inception.

**Listed ventures of Promoters**

Our promoters do not have any listed ventures.

**Outstanding debentures, bonds, redeemable preference shares or other instruments**

Our Company since its incorporation has not issued any Redeemable Preference shares and debentures, bonds or other instruments.

**Stock market data for equity shares of the company**

This being the Initial Public Issue of First Winner Industries Limited, the Equity Shares of our Company are not listed on any stock exchange.

**Mechanism for redressal of investor grievances**

The Company has appointed Intime Spectrum Registry Limited as the Registrar to the Issue, to handle the investor grievances in co-ordination with Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and Bidder/Bank branch where the application was submitted. The Company will monitor the work of the Registrar to ensure that the grievances are settled expeditiously and satisfactorily.

**Disposal of investor grievances**

Intime Spectrum Registry Limited, the Registrars to the Issue, will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by

them would be forwarded to the Company. The Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

Sr. No.	Nature of Complaint	Time Taken
1.	Non-receipt of refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of Information
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

The Company has appointed Mr. R.C. Sharma as Compliance Officer who would directly deal with SEBI with respect to implementation /compliance of various laws, regulations and other directives issued by SEBI and matters related to investor Complaints. The investor may contact the Compliance Officer in case of any pre issue/post issue related problems. The Compliance Officer can be contacted at the following address:

#### Compliance Officer

Mr. R.C. Sharma,  
 Company Secretary  
 605, Business Classic,  
 Chincholi Bunder Road, Malad (West),  
 Mumbai – 400 064  
 Tel. No.: +91-22- 2880 2255 / 99;  
 Fax No.:+91-22- 2881 2288;  
 E mail: [ipo@firstwinnerind.com](mailto:ipo@firstwinnerind.com)  
 Website: [www.firstwinnerind.com](http://www.firstwinnerind.com)

#### Changes in Auditors

There has been no change in the Auditors of the Company during the last three years except as per details below:

Name of Auditor	Period	
	From	To
M/s Suresh C. Shah	January, 2003	February, 2004
M/s Rishabh D. Jain & Co.	February, 2004	February, 2005
M/s Praful M. Joshi	February, 2005	-
M/s Deshmukh & Associates	Appointed as Joint Auditor alongwith M/s Praful M. Joshi with effect from March, 2007	

**Capitalization of reserves or profits (during the last five years)**

The Company has not capitalized its profits or reserves at any time except as stated in the section titled "Financial Statements" and "Capital Structure" on page no. 112 and 19 of this Red Herring Prospectus.

**Revaluation of assets (during the last five years)**

The Company has not revalued its assets during the last five years.

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## SECTION VIII – ISSUE RELATED INFORMATION

### TERMS OF THE ISSUE

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

#### **Ranking of Equity Shares**

The Equity Shares being issued shall be subject to the provisions of Memorandum and Articles of Association of our Company and shall rank pari passu in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment.

#### **Mode of payment of Dividend**

Our Company shall pay dividend to its shareholders as per the provisions of the Companies Act, 1956, if recommended by our board and declared at its general meeting.

#### **Face Value and Issue Price**

The Equity Shares with a face value of Rs. 10/- each are being issued in terms of this Red Herring Prospectus at an Issue Price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

#### **Compliance with SEBI Guidelines**

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### **Rights of the Equity Shareholders**

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public Company under the Companies Act and Memorandum and Articles of Association of our Company.

For a detailed description of the main provisions of Articles of Association of our Company dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on “Main Provisions of Articles of Association of the Company” on page no. 207 of this Red Herring Prospectus.

**Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialised form. As per existing SEBI Guidelines, the trading of Equity Shares of our Company shall only be in dematerialised form.

Since trading of Equity Shares of the Company is compulsorily in dematerialized mode, the tradable lot is one Equity Share.

Allotment through this Issue will be done only in electronic form in multiples of one Equity Shares subject to a minimum Allotment of 50 Equity Shares.

**Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, 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/ transfer/ alienation of Equity Share(s) by the Person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the Registrar or Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If an investor needs to change the

nomination, they are requested to inform their respective depository participant.

**Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount, including devolvement of Underwriters, within 60 days from the Bid Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company become liable to pay the amount (i.e., 60 days from the Bid Closing Date), our Company shall pay interest prescribed under Section 73 of the Companies Act.

**Withdrawal of the issue**

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime before the Bid/Issue Opening Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. If the Company does not receive minimum subscription of 90% of the Issue size, including devolvement of the members of the syndicate, the Company shall forthwith refund the entire subscription amount received. In case, the Company receives minimum subscription but wishes to withdraw the Issue after Issue Opening but before allotment, the Company will give public notice giving reasons for withdrawal of Issue. The public notice will appear in an English National Newspaper, a Hindi National Newspaper and one Regional language (Marathi) newspaper with wide circulation.

**Arrangements for disposal of odd lots**

Since the market lot for Equity Shares of the Company will be one, no arrangements for disposal of odd lots are required.

**Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, Maharashtra, India.

**Restriction on Transfer of Shares**

There are no restrictions on transfer and transmission of shares / debentures and on their consolidation and splitting except as provided in our Articles. Please see section "Main Provisions of Articles of Association" on page number 207 of this Red Herring Prospectus.

## ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net Issue shall be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate Members Only. In case of QIB bidders, the Company, in consultation with the BRLM, may reject any Bids procured by any or all members of the Syndicate, at the time of acceptance of Bid-cum-Application Form provided that the reasons for rejecting the same shall be disclosed to the Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

**Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.**

### Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. Bidders shall have the option to make maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allotment of Equity Shares, dispatch of the CAN and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian Nationals or NRIs applying on a non-repatriation basis	White
NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
Eligible Employees	Pink

### Who Can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;

- 
- Indian nationals resident in India who are majors, in single or joint names (not more than three);
  - HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
  - Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
  - Indian mutual funds registered with SEBI;
  - Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
  - Venture capital funds registered with SEBI;
  - Foreign venture capital investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue;
  - State Industrial Development Corporations;
  - Insurance companies registered with the Insurance Regulatory and Development Authority;
  - Provident funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
  - Pension funds with minimum corpus of Rs. 2500 Lakhs and who are authorized under their constitution to invest in Equity Shares;
  - Multilateral and bilateral development financial institutions;
  - National Investment Fund set up by resolution F.No. 2/3/2005-DD-11 dated November 23, 2005 of Government of India.
  - Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in equity shares;
  - Eligible Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable local laws; and
  - Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.
  - Eligible Employees

**As per existing regulations, OCBs are prohibited from investing in this Issue.**

*Note:* The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations if any. However, associates and affiliates of BRLM and Syndicate Member may subscribe for equity shares in the issue, including the QIBs and Non-Institutional portion where the allocation is on proportionate basis.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

**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 is greater than 1,35,000 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any Company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any Company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

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 for which the Bid has been made.

**Bids by Eligible NRIs**

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from Registered Office of the Company, members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in color). All instruments accompanying bids shall be payable in Mumbai only.

**Bids by FIIs**

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

No single FII can hold more than 10% of post-issue paid-up capital of the Company (i.e., 10% of 1,77,32,750 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of total issued capital or 5% of our total issued capital of the Company in case such sub-account is a foreign corporate or an individual. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off

shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

P-Notes have not been and are not being offered or sold pursuant to this Red Herring Prospectus. This Red Herring Prospectus does not contain any information concerning P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

The SEBI, through its Press Release (PR No. 286/2007) dated October 25, 2007 has decided that with respect to P-Notes.

- FIIs and their sub-accounts shall not issue/renew offshore derivative instruments with underlying securities as derivatives with immediate effect. They are required to wind up the current position over 18 months, during which period SEBI will review the position from time to time.
- Further issuance of offshore derivative instruments by the sub-accounts of FIIs will be discontinued with immediate effect. They will be required to wind up the current position over 18 months, during which period SEBI will review the position from time to time.
- The FIIs who are currently issuing offshore derivative instruments with notional value of P-Notes outstanding (excluding derivatives) as a percentage of their assets under custody in India of less than 40% shall be allowed to issue further offshore derivative instruments only at the incremental rate of 5% of their assets under custody in India.
- Those FIIs with notional value of Participatory Notes outstanding (excluding derivatives) as a percentage of their AUC in India of more than 40% shall issue Participatory Notes only against cancellation / redemption / closing out of the existing Participatory Notes of at least equivalent amount.

Any P-Notes that may be issued are not the securities of the Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the PNotes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company does not make any recommendation as to any investment in PNotes and does not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and do not constitute any obligations or claims on the BRLMs.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

#### **Bids by SEBI registered VCF and FVCI**

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investor) Regulations, 2000, prescribe investment restrictions on venture capital funds and foreign venture

capital investors registered with SEBI. Accordingly, the investment by any VCF or FVCI should not exceed the prescribed investment limit as the case may be.

The SEBI has issued a press release on 26 June, 2006 stating that the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft prospectus with the SEBI.

**The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modifications or changes in the applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

**Bids and revision of Bids by non-residents including Eligible NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis must be made:**

- On the prescribed Bid cum Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three)
- NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 1,00,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund and Bilateral Development Financial Institution for a minimum of such number of Equity Shares and in multiples of 50 thereafter that the Bid Amount exceeds Rs. 1,00,000; for further details see "Maximum and Minimum Bid Size" at page number 176 of this Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs or in the names of Foreign Venture Capital Funds, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be despatched 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 will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

**It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.**

## Bids by Employees

For the purpose of the Employee Reservation Portion, Employee means all or any of the following:

- (a) a permanent employee of the Company as of April 30, 2008 and based in, working and present in India as on the date of submission of the Bid cum Application Form.
- (b) a director of the Company, whether a whole time director except any Promoters or members of the Promoter group, part time director or otherwise as of April 30, 2008 and based and present in India as on the date of submission of the Bid cum Application Form. Bids under Employee Reservation Portion by Employees shall be:
  - Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
  - The sole/ first Bidder should be Employees.
  - Only Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
  - Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
  - Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
  - The maximum bid under Employee Reservation Portion by an Employee cannot exceed the total number of Equity Shares allocated for the Employee Reservation portion.
  - Bid by Employees can be made also in the "Net Issue" portion and such Bids shall not be treated as multiple bids.
  - If the aggregate demand in this category is less than or equal to 1,00,000 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 1,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, please see section titled "Basis of Allocation" on page no. 198 of this Red Herring Prospectus.
  - Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue, and the ratio amongst the investor categories will be at the discretion of the Company and the Book Runners. In case of under-subscription in the Net Issue, spill over to the extent of undersubscription shall be permitted from the Employee Reservation portion.

### Maximum and Minimum Bid size

**For Retail Bidders:** The Bid must be for minimum 50 number of Equity Shares and in multiples of 50 Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

**For Others (Non-Institutional Bidders and QIBs) Bidders:** The Bid must be for a minimum of such number of Equity Shares in multiples of 50 Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue size. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000, for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

**For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Shares thereafter. The maximum Bid in this portion cannot exceed 1,00,000 Equity Shares. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs.1,00,000 may bid at Cut-off price. The allotment in the employee reservation portion will be on proportionate basis.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

#### **Information for the Bidders**

- a. Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b. Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX-A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005. The members of the syndicate shall accept the bids from the bidders during the bidding/issue period in accordance of the terms of the syndicate agreement.
- c. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors. Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of the Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from the registered office of our Company or from the BRLM, or from a member of the Syndicate.
- d. Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Syndicate Member or their authorized agent(s) to register their Bids.
- e. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.

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- f. The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven working days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
  - g. The Price Band has been fixed at Rs. 120 to Rs. 130 per Equity Share. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One). In accordance with the SEBI Guidelines, our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
  - h. In case the Price Band is revised, the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days. The revised Price Band and Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by issuing press release to be published in two national newspapers (one each in English and Hindi) and a regional language newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the Book Runners and at the terminals of the members of the Syndicate.
  - i. We, in consultation with the BRLM, can finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

#### **Method and Process of bidding**

1. The Company and the BRLM shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement, subject to the provisions of Section 66 of the Companies Act and shall be in the format prescribed in Schedule XX-A of SEBI DIP Guidelines, as amended vide SEBI Circular no. SEBI / CFD / DIL / DIP / 14 / 2005 / 25 / 1 dated January 25, 2005. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
2. Investors who are interested in subscribing for Equity Shares of the Company should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two widely circulated newspapers (one each in English and Hindi), and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding ten working days.
4. During the Bidding Period, the Bidders may approach the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
5. 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 titled "Bids at Different Price Levels" on page no. 179 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options

submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.

6. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page 186 of this Red Herring Prospectus.
7. The members of the Syndicate 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.
8. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page 182 of this Red Herring Prospectus.

#### **Bids at Different Price Levels and Revision of Bids**

1. The Price Band has been fixed at Rs. 120 to Rs. 130 per Equity Share of Rs. 10/- each, Rs. 120 being the lower end of the Price Band and Rs. 130 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One).
2. Our Company, in consultation with the BRLM, can revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines, in which case the Bidding Period shall be extended further for a period of three additional days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the Floor of the Price-band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Red Herring Prospectus.
3. Any revision in the Price Band and the revised Bid /Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and in one Telugu newspaper with a wide circulation and also indicating the change on the relevant website of the BRLM, Company and the terminals of the members of the Syndicate.
4. The Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band, in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited**

**for QIB, Non Institutional Bidders and Employees bidding under the Employee Reservation Portion where the Bid amount exceeds Rs. 1,00,000 and such Bids from QIBs ,Non Institutional Bidders and Employees shall be rejected.**

6. Retail Individual Bidders and the 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 bidding at Cut-Off shall deposit the bid amount based on the Cap Price in the Escrow Account. In the event the bid amount is higher than the subscription amount payable by the Retail Individual Bidders and bidders in the Employee Reservation Portion, who bid at the Cut-Off (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual bidders and bidders in the Employee reservation portion shall receive the refund of the excess amounts from the respective Refund Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion at Cut-Off Price, who had bid at Cut-Off Price could either (i) revise their Bid or (ii) 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. 1,00,000 if the bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.1, 00,000, the Bid by retail Individual Bidder 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 higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders is deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion, who have bid at Cut-off, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.
9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be within the range of Rs. 5,000 to Rs. 7,000. The Company in consultation with the BRLM shall accordingly stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range.
10. During the Bidding/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 during the Bidding/Issue Period using the printed Revision Form, which is a part of the Bid cum Application Form.
11. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form.

Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

12. The Bidder can make revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
13. 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.
14. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB margin amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
15. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

### **Application in the Issue**

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

### **Payment Instructions**

### **Escrow Mechanism**

1. The Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement. Payment of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between the Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

#### **Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid-cum-Application Form by drawing a cheque, demand draft in favour of the Escrow Account of the Escrow Collection Bank(s) as per the below terms:

- (a) The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds whose bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held in the Refund Account for the benefit of the Bidders who are entitled to refunds.
- (b) Each category of Bidders (i.e. QIBs, Non Institutional Bidders, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form by way of a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. (For details please see the section titled "Issue Procedure - Payment Instructions" beginning on page no. 181 of this Red Herring Prospectus. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Basic Terms of Issue" beginning on page no. 43 of this Red Herring Prospectus. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.
- (c) Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date which shall be a minimum period of two (2) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form.
- (d) *Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Issue Closing Date, failing which the Company shall pay interest @15% per annum for any delay beyond the periods mentioned above.*
- (e) The Bidders for whom the applicable margin amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount

in favour of the Escrow Account of the Company and submit the same to the member of the Syndicate.

- (f) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- (g) The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
- (i) In case of resident QIB Bidders: **“Escrow Account – First Winner Public Issue – QIB - R”**
  - (ii) In case of Resident Retail Individual and Non-Institutional Bidders – **“Escrow Account – First Winner Public Issue – R”**
  - (iii) In case of Non-Resident QIB Bidders: **“Escrow Account – First Winner Public Issue – QIB – NR”**
  - (iv) In case of Non-Resident Retail Individual and Non-Institutional Bidders applying on a repatriation basis – **“Escrow Account – First Winner Public Issue – NR”**
  - (v) In case of Eligible Employees of the Company: **“Escrow Account- First Winner Public Issue -Employees”**
- (h) 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 a Non-Resident Ordinary Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- (i) 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 an NRO account of a Non-resident bidder bidding on 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 Account or an NRO account.
- (j) In case of Bids by FIIs, FVCI's registered with SEBI 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.

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- (k) Where a bidder has been allocated a lesser number of equity shares than the bidder has bid for, the excess amount, if any, paid on bidding, after adjusting towards the balance payable on equity shares allocated, will be refunded to the bidder from the refund amount.
  - (l) The monies deposited in the Escrow Account of the Company will be held for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of the Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
  - (m) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
  - (n) Payments should be made by cheque, or demand drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheque/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.
  - (o) Bidders are advised to mention the number of the Bid Cum Application Form on the reverse of the cheque or demand draft to avoid misuse of the instrument submitted along with the Bid cum application Form.

**Payment by Stock-invest**

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stock-invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stock-invest would not be accepted in this Issue.

**Electronic Registration of Bids**

- a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one NSE/BSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding

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centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.

- d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
- Name of the investor (Investors should ensure that the name given in the bid cum application form is exactly the same as the name in which the Depository Account is held. In case the Bid-cum-Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.)
  - Investor Category –Individual, Corporate, NRI, FII, or Mutual Fund, etc.
  - Numbers of Equity Shares bid for.
  - Bid price.
  - Bid-cum-Application Form number.
  - Whether Margin Amount is made upon submission of Bid-cum-Application Form.
  - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder.
- e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
- f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g) The BRLM / member of the Syndicate also has the right to accept the Bid or reject it in case of QIBs; however, such rejection should 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 and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page 195 of this Red Herring Prospectus.
- h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company or BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.
- i) It is also to be distinctly understood that the approval given by BSE and/or NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus/ Red Herring Prospectus has been cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red

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Herring Prospectus/ Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

- j) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

#### **Build Up of the Book and Revision of Bids**

- a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
- b) The book gets build up at various price levels. This information will be available with the BRLM on a regular basis.
- c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- e) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she has placed the original Bid. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for**

**and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

- h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between BSE or NSE and members of the Syndicate, the decision of the BRLM based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

### **Price Discovery and Allocation**

- a) After the Bid/Issue Closing Date, the BRLM shall analyze the demand generated at various price levels and discuss pricing strategy with the Company.
- b) The Company, in consultation with the BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted in each category to Bidders.
- c) The allocation for QIBs would be upto 50% of the Net Issue Size would be proportionate basis. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and not less than 35% of the Net Issue Size, respectively, would be on proportionate basis in the manner specified in the SEBI guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d) Under-subscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of the Company, in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 1,35,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB portion has been met, under-subscription, if any, would be allowed to be met with spillover from any other category or combination of categories at the discretion of Company, in consultation with the BRLM and the Designated Stock Exchange.
- e) Allocation to NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions registered with SEBI applying on repatriation basis will be subject to the applicable laws, rules, regulations, guidelines and approvals.
- f) The BRLM, in consultation with the Company shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever but before allotment. In terms of SEBI DIP guidelines, QIB bidders shall not be allowed to withdraw their bid after the bid / issue closing date.
- h) The allotment details shall be put on the website of the Registrar.

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**Signing of Underwriting Agreement and ROC Filing**

- (a) Our Company, the BRLM, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, our Company will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

**Filing of the Prospectus with ROC**

The Company will file a copy of the Prospectus with the Registrar of Companies, Mumbai, situated at Hyderabad in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956.

**Announcement of Pre-Issue Advertisement**

Subject to section 66 of the Companies Act, our Company shall after receiving final observation, if any, on the Draft Red Herring Prospectus with SEBI, and filing of the Red Herring Prospectus with RoC, publish an advertisement, in the form prescribed by the SEBI (DIP) Guidelines in two widely circulated newspapers (one each in English & Hindi) and a Marathi newspaper with a wide circulation.

**Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by our Company in two widely circulated newspapers (one each in English & Hindi) and a Marathi newspaper with a wide circulation, after 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. Any material updates between the date of the Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

**Issuance of Confirmation of Allocation Note**

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders and bids for Employees bidding in the Employee Reservation portion. Investor should note that our Company shall ensure that the demat credit of the Equity Shares pursuant to allotment shall be made on the same date to all investors in this Issue;
- (b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay in full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN;
- (c) Such Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from

the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder.

- (d) The Issuance of CAN is subject to “Notice to QIBs: Allotment Reconciliation and Revised CANs” as set forth below in this Red Herring Prospectus.

#### **Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared, by the Registrar, on the basis of, Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Designated Date and Allotment of Equity Shares**

1. Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account and Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account of the allotted Equity Shares to the allottees within two working days of the date of finalization of the basis of allotment.
2. **As per the SEBI (DIP) Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

#### **General Instructions**

##### **Do’s:**

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour)
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct, as

Allotment of Equity Shares will be in the dematerialized form only.

- d) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Syndicate Member;
- e) Investors must ensure that the name given in the Bid cum Application form is exactly the same as the name in which the Depository account is held. In case the Bid cum Application Form is submitted in Joint names, it should be ensured that the Depository account is also held in the same Joint names and are in the same sequence in which they appear in the Bid cum Application Form.
- f) Ensure that you have been given a TRS for all your Bid options;
- g) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- h) Ensure that the Bid is within the Price Band.
- i) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act.
- j) Ensure that demographic details (as defined herein below) are updated true and correct in all respects.

**Don'ts:**

- a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b) Do not Bid for lower than minimum Bid size;
- c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- e) Do not pay Bid amount in cash;
- f) Do not Bid at cut off price (for QIB Bidders, Non-Institutional Bidders);
- g) Do not bid where bid amount exceeds Rs. 1,00,000 (for Retail Individual Bidders)
- h) Do not fill up the Bid cum Application Form for an amount that exceeds the Issue size and / or investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws / regulations or maximum amount permissible under the applicable regulations.
- i) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.
- j) Do not submit bid accompanying with Stock Invest.
- k) Do not provide your GIR number instead of your PAN as bid is liable to be rejected on those ground.
- l) Do not submit the Bid without the QIB Margin Amount, in case of a Bid by QIB.

**Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name,

Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders bank account details, including the nine digit MICR code as appearing on a cheque leaf. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit to or ECS. 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 dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and such delay shall be at the Bidders sole risk and neither our Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor BRLM shall be liable to compensate for the losses caused to the Bidders due to any such delay or liable to pay any interest for such delay.

### **Bidder's Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or giving credit through ECS, Direct Credit , RTGS or NEFT and occupation (hereinafter referred to as "Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order 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 any other purposes by the Registrars to the Issue.

**Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.**

By signing the Bid-cum-Application Form, Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

Refund Orders/ Allocation Advice/ CANs would be mailed at the Bidder as per the Demographic

Details received from the Depositories. Bidders may note that delivery of refund orders/ allocation advice/ CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidders in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM 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 of refunds through electronic modes as detailed in this Red Herring Prospectus, bidders may note that refunds may get delayed if bank particulars obtained from the depository participants are incorrect.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

**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/or the Book Runners will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

#### **Bids under Power of Attorney**

In case of bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered Societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason thereof.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid. in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made by provident fund with the minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and pension fund with the minimum corpus of Rs. 2500 lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

In case of Bids made pursuant to Power of Attorney by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to Power of Attorney by National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India, a certified copy of the relevant resolution or authority, as the case may be must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as the Company and the BRLM may deem fit.

The Company in its absolute discretion reserves the right to permit the holder of the power of attorney to request the Registrar to the issue that for the purpose of printing particulars on the refund order and mailing of the refund order/ CAN's/ allocation advice, the Demographic details given on the Bid cum application form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic details as given on the Bid cum application form instead of those obtained from the Depositories.

#### **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts equivalent to the margin amount shall be submitted to the Members of the Syndicate at the time of submitting the Bid-cum-Application Form.

No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

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## OTHER INSTRUCTIONS

### **Joint Bids in the case of Individuals**

Individuals may make bid in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, illustrations of certain procedures, which may be followed by the Registrar to the Issue to detect multiple applications, are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file, which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN numbers are different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.
5. The applications will be scrutinized for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

The Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

### **Permanent Account Number (PAN)**

The Bidders or in the case of Bids made in joint names, each of the Bidder, should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act. In accordance with the SEBI Guidelines, the PAN would be the sole identification number for the 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. 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.**

### **Right to Reject Bids**

In case of QIB Bidders, the Company in consultation with the BRLM may reject a Bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject Bids only on technical grounds.

### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on, inter alia, on the following technical grounds:

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of Partnership firms, the shares may be registered in the name of individual partners and no such partnership firm shall be entitled to apply.
4. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
5. PAN not given;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional and QIB Bidders and such Bidders in the Employee Reservation Portion whose maximum Bid exceeds Rs. 100,000.
10. Bids for number of Equity Shares, which are not in multiples of 50;
11. Category not ticked;
12. Multiple bids as defined in this Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stock invest/money order/ postal order/ cash;
15. Signature of sole and/or joint Bidders missing;
16. Bid-cum-Application Form does not have the stamp of the BRLM or the Syndicate Member;
17. Bid-cum-Application Form does not have Bidder's depository account details;

18. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form; or
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
20. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's account number;
21. Bids by OCBs;
22. Bids by US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in compliance with Regulation S under the Securities Act;
23. Bids by QIBs not submitted through BRLM or members of the syndicate;
24. Bids by NRIs not disclosing their residential status;
25. If GIR number is mentioned instead of PAN number;
26. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
27. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority; and
28. Bids by any person resident outside India, if not in compliance with applicable foreign and Indian laws.

#### **Equity Shares in Dematerialised Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among the Company, the Depositories and the Registrar,

1. An Agreement dated April 24, 2008 among NSDL, the Company and Registrars to the Issue.
2. An Agreement dated April 10, 2008 among CDSL, the Company and Registrars to the Issue.

All Bidders can seek allotment only in Dematerialized mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).

5. Non Transferable allotment advice or refund orders will be directly sent to the Bidders by the registrar to the Issue.
6. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
7. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
8. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
9. The trading of Equity Shares of the Company would only be in dematerialized form for all investors in the demat segment of the respective Stock exchanges.

### **Communication**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any Pre-Issue or Post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders, etc.

### **Procedure and Time Schedule for Allotment**

The Issue will be conducted through a "100% book building process" pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on June 9, 2008 and expire on June 12, 2008. Following the expiration of the Bidding Period, our Company, in consultation with the BRLM, will determine the issue price, and, in consultation with the BRLM, the basis of allotment and entitlement to allotment based on the bids received and subject to the confirmation by the BSE/NSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

### **IMPERSONATION**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

#### **"Any person who:**

- a. makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
- b. otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

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shall be punishable with imprisonment for a term which may extend to five years.”

## **Basis of Allocation**

### **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 allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to 18,90,000 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 valid Bids in this category is greater than 18,90,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

### **B. For Non Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non- Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the valid Bids in this category is less than or equal to 8,10,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the valid Bids in this category is greater than 8,10,000 Equity Shares at or above the Issue Price; allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allotment refer below.

### **C. For Employee Reservation Portion**

- 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 1,00,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.

- If the aggregate demand in this category is greater than 1,00,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 50 Equity Shares and in multiple of 1 Equity Share thereafter. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees eligible to apply under Employee Reservation Portion.

**D. For QIB Bidders**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIBs will be made at the issue price.
- The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds of up to 1,35,000 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds are for less than 1,35,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders.
- The allotment shall be undertaken in the following manner –
  - (a) In the first instance, allocation to mutual funds for upto 5% of the QIB portion shall be determined as follows-
    - In the event that bids from mutual funds exceed 5% of the QIB portion, allocation to mutual funds shall be done on a proportionate basis upto 5% of the QIB portion.
    - In the event that the aggregate demand from mutual funds is less than 5% of QIB portion, then all mutual funds shall get full allotment to the extent of valid bids received above the issue price.
    - Equity Shares remaining unsubscribed, if any, not allocated to mutual funds shall be available to all QIB Bidders as set out in as (b) below;
  - (b) In the second instance, allocation to all QIBs shall be determined as follows –
    - In the event that the over subscription in the QIB portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for upto 95% of the QIB portion.
    - 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.
    - Under-subscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Under subscription, if any, in any category would be allowed to be met with spillover from any other category at the sole discretion of our Company and the BRLM

### Illustration of Allotment to QIBs and Mutual Funds (“MF”)

#### A. Issue details

S. No.	Particulars	Issue details
1	Issue size	100 lakhs Equity Shares
2	Allocation to QIB (minimum 50% of the Issue)	50 lakhs Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	2.50 lakhs Equity Shares
	b. Balance for all QIBs including Mutual Funds	47.50 lakhs Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	250 lakhs Equity Shares

#### B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in lakhs)
1	A1	25
2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	<b>TOTAL</b>	<b>250</b>

# A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

#### C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in lakhs)

Type of QIB bidders	Shares bid for	Allocation of 2.5 lakhs Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 47.50 lakhs Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	25	0	4.80	0
A2	10	0	1.92	0
A3	65	0	12.48	0

A4	25	0	4.80	0
A5	25	0	4.80	0
MF1	20	0.50	3.74	4.24
MF2	20	0.50	3.74	4.24
MF3	40	1.0	7.48	8.48
MF4	10	0.25	1.87	2.12
MF5	10	0.25	1.87	2.12
	<b>250</b>	<b>2.50</b>	<b>47.50</b>	<b>21.20</b>

**Please note:**

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Basic Terms of Issue” beginning on page no. 43 of this Red Herring Prospectus.
2. Out of 50 lakhs Equity Shares allocated to QIBs, 2.50 lakhs (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 lakhs shares in the QIB Portion.
3. The balance 47.50 lakhs Equity Shares [i.e. 50 – 2.5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 lakhs Equity Shares (including 5 Mutual Fund applicants who applied for 100 lakhs Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 47.50 lakhs Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
  - i. For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X  $47.5/247.5$
  - ii. For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted ( i.e., column III of the table above)] X  $47.5/247.5$

The numerator and denominator for arriving at allocation of 47.5 lakhs Equity Shares to the 10 QIBs are reduced by 2.5 lakhs shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

**Method of Proportionate Basis of Allocation**

In the event of the issue being over-subscribed, our Company shall finalize the basis of allotment to Retail Individual Bidders and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrars to the issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

Bidders will be categorized according to the number of Equity Shares applied for by them and the allotment shall be made on a proportionate basis as explained below:

- (a) 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.

- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (c) If the proportionate allotment to a Bidder is a number that is more than 50 but is not a multiple of one (which is the market 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 Bidders in such categories would be arrived at after such rounding off.
- (d) In all Bids where the proportionate allotment is less than 50 Equity Shares per Bidder, the allotment shall be made as follows:
  - Each successful Bidder shall be Allotted a minimum of 50 Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- (e) 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.

#### **Disposal of Applications and Applications Money**

Our Company shall give credit to the beneficiary account with depository participants within 2 working days of finalisation of the basis of allotment of Equity Shares. Applicants having bank accounts at any of the 68 centres where clearing houses are managed by the Reserve Bank of India (RBI), State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, our Company shall dispatch refund orders, if any, of value upto Rs. 1,500 by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post only at the sole or first Bidder's sole risk within 15 days of the Bid / Issue Closing date. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter through "Under Certificate of Posting" within 15 days of closure of issue, intimating them about the mode of credit of refund, the bank where refunds shall be credited along with the amount and the expected date of electronic credit of refund.

**Our Company will provide adequate funds required for dispatch of refund orders or for credit of refunds, as the case may be, to the Registrar to the Issue.**

We undertake that all steps will be taken for completion of necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of basis of allotment.

**Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders.**

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI guidelines, our Company undertakes that:

- Allotment shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid / Issue Closing Date at the sole or First Bidder's sole risk; and
- Our Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders have not been dispatched to the applicants or if, in case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid / Issue closing date.

Save and except refunds effected through the electronic mode i.e. ECS, direct credit or RTGS, refunds will be made by cheques, pay-orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**MODE OF MAKING REFUNDS**

The payment of refund, if any, would be done through various modes in the following order of preference –

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following 68 centers - Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non-MICR), Durgapur (Non-MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non-MICR), Nellore (Non-MICR) and Kakinada (Non-MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam managed by Andhra Bank; Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and

Jaipur). 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 through this mode for applicants having a bank account at any of the above-mentioned 68 centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS or NEFT. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by the Registrar from the Depository participant.

2. Direct Credit – Applicants having bank accounts with the Refund Bankers, shall be eligible to receive funds through direct credit. Charges, if any, levied by the Refund Bankers for the same would be borne by the Company.
3. RTGS – Applicants having a bank account at any of the above-mentioned 68 centers and whose refund amount exceeds Rs. Ten lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Bid-cum-Application form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the refund banks for the same would be borne by the Company. Charges, if any, levied by the applicants' 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 IFSC, which can be linked to a MICR, if any, available to that particular bank branch. IFSC 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 of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
5. Refund Orders - For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

**Please note that only applicants having a bank account at any of the 68 centres where clearing houses for ECS are managed by the RBI, State Bank of India, Punjab National Bank, State Bank of Indore, Union Bank of India, Andhra Bank, Corporation Bank, Bank of Baroda, State Bank of Travancore, Central Bank of India, Canara Bank, Oriental Bank of Commerce, United Bank of India, State Bank of Hyderabad and State Bank of Bikaner and Jaipur are eligible to receive refunds through the modes detailed in 1, 2, 3 & 4 hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine digit**

**MICR code, the refund orders would be dispatched “Under Certificate of Posting” for refund orders of value upto Rs. 1,500 and through Speed Post / Registered Post for refund orders of Rs. 1,500 and above.**

#### **UNDERTAKING BY THE COMPANY**

Our Company undertake as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- (c) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading “Mode of Making Refunds” on page no. 203 of this Red Herring Prospectus shall be made available to the Registrar to the Issue by our Company;
- (d) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of Issue, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund;
- (e) that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within specified time; and
- (f) that no further Issue of Equity Shares shall be made until the Equity Shares Issued through this Red Herring Prospectus are listed or until the Bid Money’s are refunded on account of non-listing, under-subscription etc.

#### **UTILISATION OF ISSUE PROCEEDS**

Our Board of Directors of the Company certifies that:

- (a) 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;
- (b) details of all monies utilized out of the Issue referred above shall be disclosed under an appropriate separate head in its balance sheet indicating the purpose for which such monies have been utilized;
- (c) details of all unutilized monies out of the Fresh Issue, if any, shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilised monies have been invested;
- (d) details of utilization of monies received under Employee Reservation Portion shall be disclosed under an appropriate separate head in its balance sheet indicating the purpose for which such monies have been utilized;
- (e) details of all unutilized monies out of the funds received from the Employee Reservation Portion shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilized monies have been kept.
- (f) Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

**Restrictions on Foreign Ownership of Indian Securities**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy of the Government of India, 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.

**Subscription by Non-Residents**

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the requirements of the Investment Company Act.

Accordingly, the Equity Shares are only being offered and sold (i) in the United States to entities that are both "qualified institutional buyers", as defined in Rule 144A of the Securities Act and "qualified purchasers" as defined under the Investment Company Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

**As per the current regulations, OCBs cannot participate in this Issue.**

The above information is given for the benefit of the Bidders. The Company, the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations. However we shall update this Red herring Prospectus and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.

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**SECTION IX: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY****CAPITAL**

3. The Authorised Share Capital of the Company is Rupees 20,00,00,000 (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crore) Equity share of Rs.10/- (Rupees Ten Only) each. The Company shall have power to increase, consolidate, subdivide, reduce and otherwise alter its Share Capital subject to provisions of the Companies Act, 1956. Notwithstanding anything contained herein, the Company shall be entitled to dematerialize its shares, debentures and other securities pursuant to the Depositories Act, 1996 and to offer its shares, debentures and other securities for subscription in a dematerialized form.

The minimum paid up capital of the Company shall be Rs.5,00,000/- (Rupees Five Lakhs only).

**SHARES AND CERTIFICATES**

4. 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 shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.
5. The Board shall observe the restriction as the allotment of shares to the public contained Sections 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 75 of the Act.
6.
  - (1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation (whichever is earlier) the Board decides to increase the capital of the Company by the issue of new shares, then subject to any directions to the contrary which may be given by the Company in General Meeting and subject only to those directions, 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 upon those shares at that date and such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. 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 if he declines to accept the shares offered, the Board may dispose of them in such manner as it thinks most beneficial to the Company.
  - (2) Notwithstanding anything contained in clause (1) hereof the further shares therein referred to may be offered to any persons whether or not those 'persons

include the persons referred to in clause (1) in any manner whatever either:

- (a) If a special resolution to that effect is passed by the Company in general meeting or
  - (b) Where no such special resolution is passed, ii- 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 proxies 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 in this behalf that the proposal is most beneficial to the Company.
- (3) Nothing in clause (1) and (2) of this Article shall apply to the increase of the subscribed capital caused by exercise of option attached to debentures issued or loans raised by the Company to convert such debentures or loans raised by the Company or to subscribe for shares in the Company in the case permitted by sub-clause (b) of sub-section (3) of Section en of the Act.
7. Subject to the provisions of these Articles and of the Act, the shares shall be under the control of the Directors, who may allot or otherwise dispose of the same to such persons on such terms and conditions and at such times as the Directors think fit and (Subject to the provisions of Section 78 and 79 of U1e Act) either at a premium or at par or at discount.
- 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 General Meeting.
8. In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 6 and 7 the Company' in General Meeting may determine that any shares whether forming part of the original capital or any increased capital of the Company shall be offered to such persons (whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or par, or at a discount such option being exercisable at such times and for such consideration as may be directed by such General Meeting, or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, removal of difficulty in apportionment of shares or disposal of any shares.
9. The Company shall be entitled to dematerialise its existing shares, debentures or other securities, rematerialise its shares, debentures or other securities held in the Depositories and/or offer its securities in a dematerialised form.

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10. Any application Signed by or on behalf of any applicant for shares in the Company, followed by an allotment of any shares herein shall be an acceptance of shares within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose names is on the Register shall for the purpose of these Articles be a member.
11. (1) The money (if any) which the Board shall on the allotment of any shares being made by them requires or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in the Register of Members as the 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.
- (2) Every member. or his heirs, nominees, 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 thereon, in such amount, 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.
- 11A. Except as required by law or ordered by a Court of competent jurisdiction no person shall be recognised by the" Company' 'as' holding any share upon any trust and the Company shall not: be bound by or compelled in any way to recognise (even when having notice thereof) any benami, equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share (except only by these presents or by law otherwise provided) or any other rights in respect of any share, except in an absolute right to the entirely thereof in the registered holder.
12. Subject to the provisions of Section 77 A, 77 AA, 77B and other applicable provisions of the Act, the Company may buy back, from the existing holders of shares, giving right to subscribe for the shares of the Company, on a proportionate basis and/or from the open market and/or from the lots smaller than market lots of shares (odd lots) and/or by purchasing the shares issued to the employees or as may hereafter be notified by the Central Government or any other regulatory authority, from time to time form out of its free reserves or share premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources as may be prescribed by law from time to time; provided that the aggregate of the Shares so bought back be within the limits, if any, as specified in law.
13. The certificates of title to share and duplicate thereof when necessary shall be issued under the seal of the Company.
- 13A. Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

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If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

13B All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956 shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

13C Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

Save as otherwise provided above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

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.

13D Notwithstanding anything contained in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.)

14. Every Member shall be entitled, without payment, to receive at least one certificate for the share registered in his name and the subdivision/consolidation of the shares into market lots shall be done by the Company free of charge and in cases other than that of market lots such fees not exceeding those as may be agreed upon by the Company with the Stock Exchange will be charged. Every certificate of shares shall specify the name of the person in whose favour it is issued the shares to which it relates and the amount paid-up thereon provided however, no share certificate(s) shall be issued for shares held by them in the depository.

15. If any certificate be worn out or defaced, then, upon production thereof to the Directors they may order the same to be cancelled and may issue a new certificate in lieu thereof and if any certificate be lost or destroyed then, upon proof thereof to the satisfaction of the Directors and on such indemnity as the Directors deem adequate being given a new certificate in lieu thereof shall be given to the registered holder of the shares to which such lost or destroyed certificate shall relate.

16. For every certificate issued under the last preceding Article there shall be paid to the Company such fees as may be agreed upon with the Stock Exchange.

17. Subject to the provisions of Section 76 of the Act, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditional) for any shares or debentures in the Company or

procuring or agreeing to procure subscription (whether absolute or conditional) for any share or debentures in the Company, but so that the commission shall not exceed in the case of shares five percent of the price at which the shares issued, and in the case of debentures two and half percent the price at which the debentures are issued, such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or debentures or partly in one way and partly in the other. The Company may also pay on any issue of shares or debentures such brokerage as may be lawful and reasonable.

## CALLS

18. The Directors may, from time to time, subject to the terms on which any shares may have been issued, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotments thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the person and at the time and place appointed by the Directors. A call may be made payable by installments.
19. A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed. Not less than fourteen days; notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.
20. 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 call of any of the members who from residence at distance or other cause the Board may deem fairly entitled to such extension; but no member shall be entitled to such extension save as a matter of grace and favour.
21. If any member fails to pay any call, due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member and the Board shall be at liberty to waive payment of such interest either wholly or in part.
22. If by the terms of issue of any shares or otherwise any amount is made payable on allotment or at any fixed date or installments at fixed times, whether on account of the amount of the share or by way of premium, every such amount or installment shall be payable as if it were a call duly made by the Directors and on which due notice had been given and all provisions herein contained in respect of calls shall relate to such amount or installment accordingly.
23. On the trial or hearing of any action or suit brought by the Company against any shareholder or his representatives to recover any debt or money claimed to be due to the Company in respect of his shares, it shall be sufficient: to prove that the name of the defendant is or was when the claim arose on the Register of Shareholders of the Company as a holder or one of the holders of the number of shares in respect of which such claim is made and that the amount claimed is not entered, as paid in the books of the Company

and it shall not be necessary to prove the appointment of the Directors who made any 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 matter whatsoever but the proof of matters aforesaid shall be conclusive evidence of the debt.

24. The Directors may, if they think fit, 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 in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate as the members paying such sum in advance and the Directors agree upon, Moneys so paid in excess of the amount of call shall not rank for dividends or participate in profits. The Directors may at any time repay the amount so advanced upon giving to such member three months notice in writing.

#### **FORFEITURE AND LIEN**

26. If the member fails to pay any call or installment on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or installment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment
27. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment of at or before the time and at the place appointed, the shares in respect of which such call was made or installment is payable will be liable to be forfeited.
28. If the requisitism of any such notice as aforesaid be not complied with any shares 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 Directors to that effect. Such forfeiture shares and not actually paid before the forfeiture.
29. When any share shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
30. Any share so forfeited shall be deemed to be property of the company and the Directors may sell, re-allot or otherwise dispose of the same in such manner, as they think fit.
31. The Directors may, at any time before any share so forfeited shall have been sold, re-

- allotted or otherwise disposed of annul the forfeiture thereof on such conditions as they think fit.
32. Any member whose shares have been forfeited shall notwithstanding be liable to pay and shall forthwith pay to the Company all calls, installment, interest and expenses, owing upon or in respect of such shares at the time of forfeiture together with interest thereon, from the time of forfeiture until payment at 12 per cent per annum, and the Directors may enforce the payment thereof without any deduction or allowance for the value of the shares at the time of forfeiture but shall not be under any obligation to do so.
  33. The forfeiture of a share shall involve the extinction of all interest in and also of 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.
  34. A duly verified declaration in writing that the declarant is a Director or secretary of the Company and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration] if any, given for the shares on the sale or disposal thereof shall constitute a good title to such shares and the person to whom the shares are sold shall be registered as the holder of such shares and shall not be bound to see the application of the purchase money nor shall his title to such shares be affected by any irregularity or invalidity in the proceeding in reference to such forfeiture sale or disposal.
  35. The Company shall have first and paramount lien upon all the shares (not being fully paid-up) registered in the name of each member (whether solely or jointly with other) and upon the proceeds of 'sale thereof for moneys called or payable at a fixed time in respect of such shares solely or jointly with any other person to the Company whether the period for the payment there of shall have actually arrived or not and no equitable interest in any share be created except upon the footing and condition that Article 11 hereof is to have full effect and such lien shall extend to all dividends 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.
  36. For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee curators bonus or other legal curator and default shall have been made by him or them in the payment of moneys called in respect of such shares for seven days after such notice.
  37. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and residue, if any, shall (subject to a like lien for sums not presently payable, as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

38. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the Directors may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceedings nor to the application of the purchase money and after his name has been entered in the register in respect of such share the validity of the sale shall not be impeached by any person any the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
39. Upon any sale re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative share 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 distinguishing it or them in such manner as they may think fit from the old certificate or certificates,

#### **TRANSFER AND TRANSMISSION OF SHARES**

- 40 (a) The instrument of transfer of any shares in the Company shall be executed both by the transfer and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect thereof,
- (b) The Company shall not register a transfer of shares in or debentures of the Company, unless proper instrument of transfer duly stamped and executed by or on behalf of the transferor and transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificate relating to the shares or debentures or if no such certificate is in existence along with letter of allotment of 0 share or debentures provided that where on an application made in writing to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that instrument to transfer signed by or on behalf of the transferor and transferee has been lost, the Company may register the transfer on such terms as to indemnity or otherwise as the Board may think fit.
- (c) An application for the registration of the transfer of any share or shares may be made either by the transferor or by the transferee, provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee in accordance with Section 110 of the Act.
- (d) For the purpose of sub-clause (c) notice to the transferee shall be deemed to have been duly given if dispatched by pre-paid registered post to, the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered in the ordinary course of post.
- (e) Nothing in sub-clause (d) shall prejudice any power of the Board of Directors to register as

a shareholder any person to whom the right to any has been transmitted by operation of law.

- (f) Nothing in this Article shall prejudice the power of the Board of Directors to refuse to register the transfer of any share, to a transferee, whether a member or not.

In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any certificate and where such shares' or debentures or securities are being held with Depository in electronic form, the provisions of the Depositories Act, 1996 shall apply.

41. The Board shall have power on giving not less than seven days' previous notice by advertisement in a newspaper circulating in the district in which the registered office of the Company is situated to close the transfer books, the register of members or register of debenture holders at such time or times any for such period or periods not exceeding thirty days at a time and exceeding not in the aggregate forth-five days in, each year as it may seem expedient.
42. Subject to the provisions of Section 111 of Companies Act, 1956 the Board may refuse whether in pursuance of any power of the Company under these articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a member in, or debentures of the Company, and the, Company shall within two months from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.

Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.

43. The executors or administrators or holders of a succession certificate or the legal representative of a deceased (not being one of two or more joint holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member and Company shall not be bound to recognise such executors or administrators or holders of succession certificate or the legal representatives unless they shall have first obtained Probate or Letters of Administration or Succession certificate or other legal representation as the case may be, from a duly constituted court in the Union of India; provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with 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 under the next article register the name of any person who claims to be absolutely entitled to the shares standing in the names of a deceased member as a member.
- 43A. Every holder of shares of the Company may at any time nominate in the manner prescribed under the Act, a person to whom his shares of the Company shall vest in the

event of his death. Such nomination and right of nominee to be registered as holder of shares or for transfer of shares shall be governed by the provisions of Sections 109A and 109B and other applicable provisions of the Companies Act, 1956 and any amendments, modification, re-promulgation or reenactment thereof.

44. Subject to the provisions of the preceding two Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he purports to act under these Articles or of his title as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holders, provided nevertheless that if such person shall elect to have provisions herein contained and until he does so he shall not be freed from any liability in respect of the shares.
45. The person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled as if were registered holder of the shares except that he shall not before being registered as a member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to the meeting of the Company provided that the Board may at any time give notice requiring any such persons to elect either to be registered himself or to transfer shares and if notice is not complied with within sixty days, the Board may thereafter withhold payment of all dividends, bonus or other moneys payable in respect of the share until the requirements of the notice have been complied with.
46. Every instrument of transfer which is registered shall remain in the custody of the Company until destroyed by order of the Board, custody of the Company until destroyed by order of the board.
47. No fee shall be payable to the Company in respect of the transfer or transmission of any shares in the Company.
48. 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 rights title or Interest or in the said shares notwithstanding that the Company may have had notice of such equitable right, title or interest to notice prohibiting regulation.

#### **BORROWING POWERS**

49. Subject to the provisions of Sections 292 and 293 of the Act and of these Articles, the Board may from time to time at its discretion, by a resolution passed at a meeting of the Board, accept deposits from members, either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the Company.

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50. The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon and upon such terms and condition in all respects as the Board as the Board may think fit and in particular by a resolution passed at a meeting of the Board, (and not by circular resolution) by the issue of debentures or debenture stock of the Company charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being and debentures, debentures stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
  51. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and subject to the provisions of the Act may be issued on condition that they shall be convertible into shares of any denomination and with any privilege or 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 to conversion into or allotment of shares shall be issued only with the consent of the Company in general meeting.
  52. If any uncalled capital of the Company is included in or charged by any mortgage or other securities, the Directors may subject to the provisions of the Act and these presents make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed.
  53. The company shall comply with all the provisions of the Act in respect of the mortgages or charges created by the Company and the registration thereof and the transfer of the debentures of the Company and the register required to be kept in respect of such mortgages charges and debentures.
  54. If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company the Directors may execute or cause to be executed any mortgage charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from loss in respect of such liability.

#### **GENERAL MEETINGS**

58.
  - (1) In addition to any other meetings, general meetings of the Company shall be held at such intervals as are specified in Section 166(1) of the Act and subject to the provisions of Section 166(2) of the Act at such times and places as may be determined by the Board.
  - (2) Each such general meeting shall be called Annual General Meeting. Every Annual General Meeting shall be called for a time during business hours on a day that is not a public holiday and shall be held either at the Registered office of the Company or at some other place within the city, town or village in which the Registered Office of the Company is situated.
59. All other meetings of the Company other than those referred to in the preceding clause

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shall be called Extraordinary General Meetings.

60. The Directors may, whenever they think fit and they shall, on the requisition of the holders of not less than one-tenth of the paid-up capital of the Company as at the date earns right of voting in regard to the matter in respect of which the requisition is made, forthwith proceed to convene an Extraordinary General Meeting of the Company and in the case of such requisition the provisions of Section 169 of the Act shall apply.
61. Twenty-one days' notice at least of every General Meeting, Annual or Extraordinary and by whomsoever called, specifying the day, place and hour of meeting and the general nature of the business to be transacted thereat shall be given in the manner here in after provided to such persons as are under these Articles of the Act entitled to receive notice from the Company provided that in the case of an annual general meeting with consent in writing of all the members entitled to vote thereat and in the case of any other meeting with consent of the members holding not less than 95 percent (95%) of such part of the paid-up capital of the Company as gives a right to vote at the meeting, a meeting may be convened by a shorter notice. In the case of an Annual General Meeting, if any, business other than (i) the consideration of the accounts, balance sheets and reports of the Board and Auditors, (ii) the appointment of Directors in place of those retiring (iii) the appointment of and fixing of the remuneration of the Auditors, is to be transacted and in the case of any other meeting in any event there shall be annexed to the notice of the meeting a statement setting out all the material facts concerning each item of business, including, in particular, the nature and extend of the interest, if any therein of every Director and the Manager (if any). Where any such item of business relates to or affects any other Company the extent of shareholding interest in that other company of every Director and Manager, if any, of the Company shall also be set out in the statement if the extent of such shareholding and interest is not less than twenty percent of the paid-up share capital of that other Company. Where any item of business consists of the accord of approval to any document can be inspected shall be specified in the statement aforesaid.
62. The accidental omission to give any such notice to or the non-receipt of notice by any of the members or persons entitled to receive the same shall not invalidate the proceedings at any such meeting.
63. Five members present in person shall be a' quorum for a General Meeting. A corporation being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a state shall be deemed to be personally present if it is represented in accordance with Section 187-A of the Act
64. If at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum, shall not be present, the meeting if convened by or upon the requisition of members shall stand dissolved but in any other case the meeting shall stand adjourned to the same day in the next succeeding week which is not a public holiday at the same time and place or to such other day and at such other time and place as the Board may determine and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting the members present shall

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be a quorum and may transact the business for which the meeting was called.

65. The Chairman (if any) of the Directors shall be entitled to take the chair at every General Meeting, whether annual or extraordinary. If there be no such Chairman of the Directors or if at any meeting he shall not be present within ten minutes of the time appointed for holding such meeting or shall decline to take the chair then any other Director present there at shall elect another Director as Chairman and if no Director be present or if all the Directors present decline to take the chair, then the members present shall elect one of their members to be Chairman.
66. The election of the Chairman, if necessary, shall be carried out in accordance with Section 175 of the Act.
67. No business shall be discussed at any General Meeting except election of the chairman, whilst the chair is vacant.
68. The Chairman with the consent of the meeting may and shall if so directed by the meeting adjourn any meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Subject to the provisions of the Act it shall not be necessary to give any notice of an adjournment or of the date, the time or the place of the adjourned meeting or of the business to be transacted thereat.
69. At any General Meeting a resolution put to the vote of 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) ordered to be taken by the Chairman of the meeting of his own motion, and shall be ordered to be taken by him on demand made in that behalf by any member or members present in person or by proxy and holding shares, in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or on which an aggregate sum of not less than fifty thousand rupees has been paid up, and unless a poll is so ordered, a declaration by a Chairman that a resolution has, on a show of hands been carried or carried unanimously or by a particular majority, or lost, and an entry to the effect in the minute Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes in favour of or against that resolution.
70. In the case of an equality of votes the Chairman shall both on a show of hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member.
71. If poll is demanded as aforesaid the same shall subject to Article 73 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place and either be open voting or by ballot as the Chairman shall direct and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or the persons who made the demand.

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72. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll. is declared to remove a scrutineer from the office and full vacancies in the office of scrutineer arising from such removal or from any other cause.
73. Any poll duly demanded on the election of a Chairman of a meeting or on any question or adjournment shall be taken at the meeting forthwith.
74. The demand for a poll, except on the question of the election of the Chairman and of an adjournment, shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

### **VOTES OF MEMBERS**

75. No member shall be entitled to vote either personally or by proxy for another member at any General Meeting or meeting of a class of shareholders either upon a show of hands or upon 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 regards to which the Company has any right of lien and has exercised the same.
76. (a) On a show of hands, every holder of equity shares entitled to vote and present in person or by proxy shall have one vote and on a poll the voting right of every holder of equity share whether present in person or by proxy shall be in proportion to his share of the paid-up equity capital of the Company.
- (b) The voting rights of the holders of redeemable cumulative preference shares shall be in accordance with Section 87 of the Companies Act, 1956.
77. 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 vote or cast in the same way all the votes he uses.
78. 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 show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on a poll, vote by proxy if any member be a minor the vote in respect of his share shall be by his guardian or any one of his guardians if more than one.
79. (1) Subject to the provisions of these Articles votes may be given either personally or by proxy. A corporation being a member may vote by representative, duly authorized in accordance with Section 187 of the Act, and such representative shall be entitled to speak, demand a poll, vote, appoint: a proxy and in all other respects exercise the rights of a member and shall be reckoned as a member for all purposes.

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- (2) 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 the hand of its officer or an attorney, duly authorised by it and any committee or guardian may appoint such proxy. The proxy do appointed shall not have any right to speak at the meetings.
  - (3) The instrument appointing a proxy and the power-of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposed to vote, whether given personally or by proxy, not disallowed at such meeting or poll at which such vote shall be tendered, and every such meeting or poll shall be deemed valid for all purpose of such meeting of poll whatsoever.
  - (4) Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in either of the forms set out in Schedule IX of the Act.
  - (5) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of proxy or of any power of attorney under which such proxy was signed, or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death revocation or transfer shall have been received at the office before the meeting.
80. (1) No objection shall be made to the validity of any vote, except it be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.
- (2) The chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity, of every vote tendered at such poll.
81. Subject to the provisions of Section 193 of the Act, the Company shall cause to be kept minutes of all proceedings of general meetings which shall contain a fair and correct summary of the proceedings thereat and a book containing such minutes shall be kept at the Registered Office of the Company and shall be open during business hours for such periods not being less in the aggregate than two hours in each day as the Directors may determine for the inspection of any member without charge. The minutes aforesaid shall be kept by making within thirty days of the conclusion of every such meeting concerned entries thereof in the said book which shall have its pages consecutively numbered. Each page of the book shall be initialed or signed and the last page of the record of the proceedings of each meeting in the book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of the Chairman to sign as aforesaid within that period by a Director duly authorized by the Board for that purpose. In no case shall the minutes be attached to any such book by pasting or otherwise.

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**DIRECTORS**

82. Until otherwise determined by a General Meeting and subject to Section 252 and 259 of the Act, the number of Directors shall not be less than three or more than twelve.

**POWERS OF THE BOARD**

121. Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or in other statute or by the Memorandum of the Company or by these Articles or otherwise to be exercised or done by the Company in General Meeting provided further that in exercising any such power or done any such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or in any other Act or in the Memorandum of the Company or these Articles or any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in General Meeting but no regulations made by the Company in General Meeting shall invalidate any prior Act of the Board which would have been valid if those regulation had not been made.

**MANAGING DIRECTORS**

123. Subject to the provisions 267,268,269,316, and 317 of the Act, the Board may, from time to time, appoint one or more Directors to be Managing Director or Managing Directors of the Company, either for a fixed term or without any limitation as to the period for which he or they is or are to hold such office, and may, from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.
124. Subject to the provisions of Section 309, 310 and 311 of the Act, a Managing Director shall, in addition to any remuneration that might be payable to him as a Director of the Company under there Articles, receive such additional remuneration as may from time to time be approved by the Company.
125. 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 the Managing Director or Managing Directors for the time being such of the powers exercisable under these v presents by the Directors as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think fit and they may confer such powers, either collaterally with or to the exclusion of, and in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.
126. Subject to provisions of the Act the Managing Director or Managing Directors shall not, while he or they continue to hold that office, be subject to retirement by rotation in accordance with Article 100.

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**SEAL**

127. The Board shall provide a common seal for the purpose of the Company and shall have powers 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 and in the presence of a Director of the Company or some other person appointed by the Directors for purpose. 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.
128. Every Deed or other instruments to which the Seal of the Company is required to be affixed shall unless the same is executed by a duly constituted Attorney be signed by one Director and the Secretary or some other person appointed by the Board for the purpose, provided nevertheless that certificate of shares may be sealed in accordance with the provisions of the Companies (Issue of Shares Certificate) Rule, 1960 or the statutory modification or re-enactment thereof for the time being in force.

**DIVIDENDS**

129. Subject to the rights of members entitled to shares (if any) with preferential or special rights attached thereto the profits of the Company which it shall from time to time be determined to divide in respect of any year or other period shall be applied in the payment of a dividend on the equity shares of the Company but so that a partly paid-up share shall only entitle the holder with respect thereto to such proportion of the distribution upon a fully paid-up share as the amount paid thereon bears to the nominal amount of such share and so that where capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.
130. The Company in General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may fix the time for payment.

No larger dividend shall be declared than is recommended by the Directors but the company in General Meeting may declare a smaller dividend.

No dividend shall be payable except of the profits of the Company of the year or any other undistributed profits and no dividend shall carry interests as against the Company.

131. Where any assets, business or property is bought by the Company as from a past date upon the terms that the Company shall as from that date take the profits and bear the losses thereof such profits and losses as the case may be shall at the discretion of the Directors, be so credited or debited wholly or in part to the Profit and Loss Account and in that case the amounts so credited or debited shall for the purpose of ascertaining the fund available for dividend be treated as a profit or loss arising from the business of the Company and available for dividend accordingly. If any shares or securities are purchased with dividend or interest such dividend or interest when paid may at the discretion of the

- Directors be treated as revenue and it shall not be obligatory to capitalize the same or any part thereof.
132. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.
  133. The Directors may from time to time pay to the members such interim dividends as in their judgment the position of the Company justifies.
  134. The Directors may retain dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts liabilities or engagements in respects of which the lien exists.
  135. Any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call be payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members be set off against the call.
  136. 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, whilst any money may be due or owing from him to the Company in respect of such 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,
  137. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
  138. Unless otherwise directed, any dividend may be paid by cheque or warrant or by a pay slip or receipt having the force of a cheque or warrant, sent through the post to the registered address of the member or person entitled or in case of joint holders to that one of them first named in the Register of Members in respect of the joint-holding, Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost' in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay slip or receipt or the fraudulent recovery of the dividend by any other means. If several persons are registered as joint-holders of any shares, any one of them can give effectual receipts for any dividends or other moneys payable in respect thereof, No unclaimed dividend shall to be forfeited before the claim thereto becomes barred by law. The Director may annul such forfeiture and pay any such dividend.

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**CAPITALISATION**

139. Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of any reserve or reserves or any capital redemption reserve fund or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalised distributed amongst such of the shareholders as would be entitled to receive the same 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 any un issued shares, debentures or debenture-stock of the Company which shall be distributed accordingly or in, or towards payment of the uncalled liability on or any issued shares and that such distribution or called liability on any issued shares and that such distribution accordingly or in, or towards payment of the uncalled liability on any issued shares 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 any sum standing to the credit of a share premium account or a capital redemption reserve fund may for the purpose of this Article only be applied in the paying up of un issued shares to be issued to members of the Company as fully paid bonus shares.
140. A General Meeting may resolve that any surplus moneys arising from the realization of any capital assets of the Company or any investment representing the same or any other undistributed profits of the Company not subjected to charge for income-tax be distributed among the members on the footing that they receive the same as capital.
141. For the purpose of giving effect to any resolution under the preceding two Articles the Board may settle any difficulty which may arise in -regard to the distribution as they think expedient and in particular may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payment shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon - such trusts for the persons entitled to the dividend or capitalised funds as may seem expedient to the Board. Where requisite a proper contract shall be filed in accordance with Section 75 of the Act and 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 AND DOCUMENTS**

142. The Director shall cause to be kept proper books of accounts in accordance with Section 209 of the Act with respect to:
- a. All sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure the place;
  - b. All sales and purchases of goods by the Company;

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c. The assets and liabilities of the Company;

143. The Books of Accounts shall be kept at the office or subject to the provision to Section 209 of the Act at such other place as the Directors think fit and shall be open to inspection by the Directors during business hours.
144. The Directors shall from time to time determine whether and to what extent and what time and places and under what/conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of the members not being Directors and no member (not being a Director) shall have a right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors.
145. The Directors shall from time to time in accordance with Section 210, 212, 215, 216, 217 and 221 of the Act, cause to be prepared and to be laid before the Company in General Meeting such Profit and Loss Account, Balance Sheet and reports as are referred to in those sections.
146. A copy of every such Profit and Loss Account and Balance Sheet (including the Auditor's Report and every other document required by law to be annexed or attached to the Balance Sheet) shall at least twenty one days before the meeting at which the same are to be laid before the members be sent to the members of the Company to every trustee for the holders of any debentures issued by the Company, whether such member or trustee is or is not entitled to have notices of general meeting of the Company sent to him, and to all persons other than such members or trustees being the persons so entitled. Provided that the Board may if it deems fit instead of sending the said documents as aforesaid may make copies of the said documents available for inspection at the office of the Company during working hours for a period of twenty one days before the date of the meeting and send a statement containing the salient features of such documents in the form prescribed under Section 219 of the Act to every member of the Company and to every trustee for the holders of any debentures issued by the Company not less than twenty one days before the date of the meeting. If the copies of the documents aforesaid are sent less than 21 days before the date of the meeting, they shall, notwithstanding that fact be deemed to have been duly sent if it is so agreed by all the members entitled to vote at the meeting.

## AUDIT

147. Auditors shall be appointed and their rights and duties regulated in accordance with Section 224 and 223 of the Act.
148. Every account of the Company when audited and approved by General Meeting shall be conclusive except as regards any error discovered therein within three months next after the approval thereof. When any such error is discovered within that period, the accounts shall forthwith be corrected thenceforth shall be conclusive.

## DOCUMENTS AND NOTICE

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149. (1) A document or notice may be served or given by the Company on any member or an officer there of either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the company for serving documents or notices on him.
- (2) Where a document or notice is sent by post, service of the document or notice shall be deemed to be effected by properly addressing pre-paying and posting a letter containing the document of notice provided that where a member has intimated to the company in advance that documents or notices, should be sent to him under a certificate of posting or by registered post with or without acknowledgment due and had deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the member and such service shall be deemed to have been effected in the case of a notice of a meeting at the expiration forty-eight hours after the letter containing the document or notice is posted and in any other case, at time at which the letter would be delivered in the ordinary course of post.
150. A document or notice advertised in a newspaper circulating in the neighbourhood of the office shall be deemed to be duly served or sent on the day on which the advertisement appears on or to every member who has no registered address in India and has not supplied to the Company any address within India for the services of documents on him or the sending of notice to him.
151. A document or notice may be served or given by the Company on or to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to him by name or by the title of representative of the deceased or assignee of the insolvent or by any like description, at the address (if any) in India supplied for the purpose by the person claiming to be so entitled or (until such an address has been so supplied) by serving the document or notice in any manner in which the same might have been given if the death or insolvency had not occurred.
152. Document or notices of every General Meeting shall be served or given in same manner hereinbefore authorised or to (a) every member (b) every person entitled to a share in consequence of the death or insolvency of a member and (c) the auditor or auditors for the time being of the Company.
153. Every person who, by operation of law, transfer or other means whatsoever, shall become entitled to any share, shall be bound by every document or notice in respect of each share, previously to his name and address being entered on the Register of Member shall have been duly served on the person from whom he derives his title to such share.
154. Any document or notice to be served or given by the company may be signed by a Director or some person duly authorised by the Board for such purpose and the signature may be written printed or lithographed.

155. All documents or notices to be served or given by members on or to the Company or any officer thereof shall be served or given by sending them to the Company or officer at the office by post under a certificate of posting or by registered post or by leaving it at the Office.

#### **AUTHENTICATION OF DOCUMENTS**

156. Save as otherwise expressly provided in the Act or these Article documents or proceedings requiring authentication by the Company may be signed by a Director or an authorized officer of the Company and need not be under a seal.

#### **WINDING UP**

157. The liquidator on any winding-up (whether voluntary, under supervision or compulsory) may, with the sanction of a special resolution but subject to the rights attached to any preference share capital, divide among the contributories in species any part of the assets of the company and may, with the like sanction, vest any part of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit.

#### **INDEMNITY AND RESPONSIBILITY**

158. Subject to the provisions of Section 201 of the Act every Director, manager, officer or servant of the Company or any person (whether an officer of the Company or not) employed by the Company as auditor shall be indemnified out of the funds of the Company against all claims and it shall be the duty of the Directors out of the funds of the Company to pay all costs, charges, losses and damages which any such person, may incur or become liable to, by reason of any contract entered into or act or thing done, about the execution or discharge of his duties or supposed duties (except such if any, as he shall incur or sustain through or by his own willful act, neglect or default including expenses and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, manager, officer, or auditor in defending any proceedings whether civil or criminal in which judgment is given in this favor or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by the court .
159. Subject to the provisions of the Act no Director, auditor or other officer of the Company shall be liable for the act, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the company through the insufficiency or deficiency of title to any property acquired by order of the Director for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the company shall be invested or for any loss or damages arising from the bankruptcy, insolvency or tortuous act of any person, him or company to or with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment, commission, default or over sight on his part or for any other loss, damage or misfortune whatever which shall happen in relation thereto unless the same shall happen through his own

dishonesty.

160. No member shall be entitled to visit or inspect any works of the Company without the permission of Directors or to require discovery of or any information respecting, any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trades 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.

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**SECTION X: MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at 605, Business Classic, Chincholi Bunder Road, Malad (West), Mumbai – 400 064 from 10.00 a.m. to 4.00 p.m. from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

**Material Contracts**

1. Memorandum of Understanding dated October 12, 2007 signed between our Company and Almondz Global Securities Limited, the Book Running Lead Manager to the Issue.
2. Memorandum of Understanding dated August 27, 2007 signed between the Company and Intime Spectrum Registry Limited, the Registrar to the Issue.
3. Copy of the Tri-partite Agreement dated April 24, 2008 between NSDL, the Company and Intime Spectrum Registry Limited
4. Copy of the Tri-partite Agreement dated April 10, 2008 between CDSL, the Company and Intime Spectrum Registry Limited

**Material Documents for Inspection**

1. Memorandum and Articles of Association of First Winner Industries Limited as amended till date.
2. Resolution of our Board dated August 1, 2007 and our EGM resolution dated August 29, 2007 for authorizing the Issue.
3. Certificate of Incorporation.
4. Resolutions of the general body dated January 29, 2007 and April 12, 2007 for appointment and remuneration to our Managing Director and Executive Director respectively.
5. Copy of Auditors Report issued by Statutory Auditors of our Company regarding Re-stated financials of our Company for the last 5 financial years and for the period ended January 31, 2008.
6. Copies of Annual Reports of our Company for the past five financial years.
7. Copies of Annual Reports of our Promoter Group Companies and our Subsidiaries for the past three financial years.
8. Statement of Tax Benefits from Statutory Auditors of our Company dated May 18, 2008.
9. Certificate from Statutory Auditors of our Company in respect of utilization of term loan for the intended purpose dated October 12, 2007.
10. Consent of Auditors, for the inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.

11. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Members, Underwriters to the Issue, Registrar to the Issue, Bankers to the Issue, Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities
12. Letter of Appointment dated October 12, 2007 issued to CARE from our Company appointing them as Credit Rating Agency for carrying the IPO grading of the Issue.
13. Rationale from CARE in respect of IPO Grade.
14. No objection certificate from Bankers viz. State Bank of India and State Bank of Indore in respect of proposed public issue of the Company.
15. Copies of letter addressed to BSE and NSE dated October 22, 2007 regarding in-principle approval for listing.
16. In-principle listing approval dated February 13, 2008 and February 29, 2008 from BSE and NSE respectively
17. Copy of sanction letter dated October 19, 2007 and August 7, 2006 from State Bank of India and State Bank of Indore respectively.
18. Statutory Auditors Certificate dated October 12, 2007 in respect of utilization of term loan.
19. Valuation Report from R.J. Rathi & Co., Chartered Accountants in respect of swap ratio between our Company and our Subsidiaries.
20. Due Diligence Certificate dated October 18, 2007 to SEBI from Almondz Global Securities Limited.
21. SEBI Observation Letter No. CFD/DIL/ISSUES/PB/MKS/124366/2008 dated April, 30, 2008.

## DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all statements in this Red Herring Prospectus are true and correct.

### SIGNED BY ALL THE DIRECTORS OF FIRST WINNER INDUSTRIES LIMITED

Dr. M. K. Sinha  
**Non- Executive Chairman**

Rinku Patodia  
**Managing Director**

Anita Patodia  
**Director**

Brijgopal Bajranglal Agarwal  
**Director**

Anil Gupta  
**Director**

Hukmat D. Kingar  
**Signed by Vice President (Finance)**

Date: May 29, 2008

Place: Mumbai

Annexure**RATIONALE FOR CARE IPO GRADING****IPO Grading****CARE IPO Grade 1**

CARE has assigned 'CARE IPO Grade 1' to the proposed IPO (initial public offer) of First Winner Industries Ltd (FWIL). CARE IPO Grade 1 indicates poor fundamentals. CARE assigns IPO grades on a scale of Grade 5 to Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals. CARE's IPO grading is an opinion on the relative fundamentals of that issuer.

FWIL proposes an IPO size of Rs 55 crore. The price band has not yet been decided.

*The grading is constrained by small size of operations, limited experience in manufacturing, no presence in branded apparel segment, recently introduced corporate governance practices, relatively high amount of corporate guarantees given on behalf of subsidiaries and project implementation risks associated with setting up of proposed weaving and garmenting unit.*

*The grading also considers the past track record of the promoters in trading of textile products and experienced functional management.*

**Background of the company**

FWIL was incorporated on Jan. 22, 2003 as 'First Winner Trading Private Limited' by Mr. Vijay Dargar and Mr. Sanjay Gupta. On January 24, 2003, the original promoters resigned and their shares were purchased by Mr. Rinku Patodia, Mr. Sachin Jadhav, Ms. Hetal Jadhav and friends. Later in September 2003, Mr. Sachin Jadhav also resigned. The name of company was changed to 'First Winner Industries Private Limited' and further to 'First Winner Industries Limited' in August 2006. The company started with trading of textile fabrics along with supplying fabric to wholesalers as well as apparel and garment manufacturers. In March 2007, FWIL started with a manufacturing facility and is presently executing job work for fabric and garment manufacturers.

**Management**

The senior management comprises the executive directors - Mr. Rinku Patodia and Mrs. Anita Patodia, and the day to day affairs are handled by them. FWIL appointed various functional heads at the Tarapur factory in FY07 when it started its manufacturing operations. Mr. Rinku Patodia is actively involved in the day-to-day operations of the factory along with these functional heads.

**Corporate Governance**

The company has three independent directors, out of five directors on the board. The company has complied with Sebi Guidelines in respect of Corporate Governance recently in March 2007 with respect to appointment of independent directors and constitution of audit committee, remuneration committee and share holders'/investors' grievances committee.

**Operations**

FWIL was only into trading operations till March 2007, when it commenced its weaving unit at Tarapur, with a capacity of 108 lakh meters per annum. The unit consists of 100 looms with latest Rapier machine technology that facilitates fast mode of weaving. Currently, trading of textile products constitutes a major portion of total income whereas income from operations is restricted to revenues from job work. FWIL executes job work for fabric and garment manufacturers, which

mainly involves manufacturing of grey fabric according to specific customer requirement, where raw material is supplied by customers.

**Financials***(In Rs crore)*

<b>Period ended</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
<i>Period in Months</i>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
	<b>(A)</b>	<b>(A)</b>	<b>(A)</b>	<b>(A)</b>
Total Income	18.29	27.73	38.22	55.50
PBILDT	0.09	0.31	0.61	4.82
Interest	0.08	0.28	0.52	0.85
Depreciation	0.01	0.03	0.03	0.07
PAT	0.03	0.11	0.06	2.55
Net worth	1.60	2.20	4.25	19.09
Total Capital Employed	2.99	4.97	9.26	44.97
PBILDT/Total Income (%)	0.51	1.10	1.58	8.69
PAT/Total Income (%)	0.19	0.38	0.15	4.59
ROCE (%) (Operating)	-	7.01	8.16	18.95
RONW (%)	-	5.56	1.82	21.86
Long Term Debt to Equity Ratio (times)	0.12	0.03	0.01	1.00
Overall Gearing Ratio (Times)	0.87	1.26	1.18	1.36
Interest Coverage Ratio (Times)	0.97	1.00	1.09	5.61
Current Ratio (Times)	1.27	1.28	1.40	1.20
Quick Ratio (Times)	1.14	1.00	1.17	0.99
Avg. Coll. Period (days)	-	58	68	76
Working Capital turnover Ratio	-	8.62	6.07	5.84

(A) – Audited

FWIL's total income witnessed a substantial growth over the years. It registered a CAGR of 45%, over the last three years due to continued increase in customer base and increased trading activities. PBILDT and PAT increased accordingly. FWIL started commercial production of its greenfield project on Mar.19, 2007 and interest till that period was capitalized. Consequently, interest cost and depreciation reported marginal rise. FWIL made preferential allotment of 10.35 lakh shares in October 2006 at a premium of Rs 90 per share. Net worth thus improved substantially in FY07. Term Debt : Equity was below unity as company's term borrowings were very low till FY06. It contracted term debt of Rs 18 crore in FY07 to fund its greenfield weaving plant, leading to a debt to equity ratio of one. Working capital cycle of the company is high at 60 days in FY06 and 71 days in FY07, on account of high collection period due to the inherent nature of the trading business.

FWIL has issued corporate guarantees worth Rs 32.98 crore to bankers on behalf of its subsidiaries for debts contracted by these subsidiaries. The amount of these guarantees exceeds the net worth of the company; Rs 19.09 crore as on Mar.31, 2007. Further, the amount of these corporate guarantees was not disclosed in the financial statements of the company for the year ended Mar. 31, 2006 and

2007.

### **Industry overview**

The textiles and clothing sector is the largest employer after agriculture and its importance in Indian economy is recognised for its contribution to industrial production and export earnings. The clothing sector is the final stage of the textile value chain and maximum value addition takes place at this stage. This is an export intensive sector and contributes about 49 %, to the total textile exports. Marked by low investment required and high labour intensity to start the business there exist very low entry barriers for new players.

The clothing industry is fragmented and pre-dominantly in the small-scale sector. Major manufacturers have at least 20-30 units each. The reason for this could be attributed to the SSI (small scale industry) reservation policy which was in vogue till 2001, for woven apparels and up to March 2005 for knitwear. The policy did not encourage consolidation of the units. However, subsequent to quota phase out and dereservation, the process of consolidation has started but momentum is slow, due to prevailing labour laws.

The total production of clothing sector was 7.85 billion pieces with a value of Rs 93 billion during 2005-06, comprising Rs 37.20 billion for exports and Rs 56.12 billion for the domestic market. The clothing sector has been dominated by cotton fabric based manufacture and export.

### **IPO Details**

The company is proposing to make an IPO to raise Rs 55 crore through a fresh issue of equity shares. The price band for the same has not been decided yet. The proceeds from the proposed issue of shares are intended to be deployed for:

1. Setting up a new apparel manufacturing unit: FWIL plans to deploy part of the proceeds from IPO in setting up an apparel manufacturing facility with a production capacity of 5000 pieces of men's wear shirts per day. The project cost estimated for the same is Rs 10.16 crore.
2. Setting up a new weaving unit: FWIL intends to expand its existing production capacity to 170 lakh meters per annum by acquiring additional 48 looms in the proposed weaving unit at MIDC; Tarapur. This will enable the company to meet the requirement of fabric in the proposed garmenting unit. The project cost estimated for the same is Rs 19.94 crore.
3. Prepayment of loan: The company is planning to prepay the outstanding term loan worth Rs 18 crore out of the issue proceeds.
4. Other corporate purposes: Balance part of the issue proceeds will be utilised for other corporate purposes.

An aggregate of 20.65%, of the post issue capital of the company held by promoters shall be locked in for a period of three years from date of allotment.

### **Prospects**

Future growth prospects of the company mainly depend on the success of the IPO, since the company is planning to fund the entire project from proceeds of IPO and no funding from banks or promoters is proposed for the project. In addition, the corporate guarantees given by FWIL on behalf of its subsidiaries which exceed the net worth of the company, will curtail the ability of the company to borrow further. FWIL's limited experience in manufacturing and project risk associated with commissioning of new facilities, also act as rating sensitivities. The company is present in lower end of the value chain with relatively small size of operations and without any brand of its own, which may lead to difficulties in competing with players with relatively large capacities and presence in branded segment.