



Bombay Rayon Fashions Limited

(The Company was originally incorporated as Mudra Fabrics Private Limited on May 21, 1992. Name of the Company was changed to Mudra Fabrics Limited w.e.f. October 13, 1992. Name of the Company was further changed to Bombay Rayon Fashions Limited w.e.f. September 30, 2004)

Registered Office: D-1st Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (East), Mumbai 400 072 Telephone: + 91 22 5695 5566 Fax: + 91 22 2847 6992
Email: ipo@bombayrayon.com Website: www.bombayrayon.com
Compliance Officer: Mr. A. R. Mundra

[The Registered Office of our Company was changed from 20/24, Old Hanuman Lane, 2nd Floor, Kalbadevi, Bombay to Mehra Industrial Compound, 104, VTM Building, Sakinaka, Andheri, Mumbai w.e.f. August 20, 1992 and then to 4/1148, Oberoi Garden Estates, Off Sakivihar Road, Chandivali, Andheri (East), Mumbai w.e.f. January 1, 2000. The Registered Office of our Company was further changed to D/1148, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (East), Mumbai w.e.f. December 27, 2004 and then to the present address w.e.f. May 2, 2005]

PUBLIC ISSUE OF 1,34,75,000 EQUITY SHARES OF RS. 10/- EACH FOR CASH AT AN ISSUE PRICE OF RS. 70 PER EQUITY SHARE AGGREGATING TO RS. 9432.50 LACS (HEREINAFTER REFERRED TO AS 'THE ISSUE'). THE ISSUE COMPRISES 6,12,500 EQUITY SHARES OF RS. 10/- EACH AGGREGATING TO RS. 428.75 LACS RESERVED FOR EMPLOYEES OF THE COMPANY AND NET ISSUE TO PUBLIC OF 1,28,62,500 EQUITY SHARES OF RS. 10/- EACH AGGREGATING TO RS. 9003.75 LACS. THE ISSUE WOULD CONSTITUTE 27.51 % OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY

Issue price Rs. 70 per Equity Share of Face value of Rs. 10 each.

Issue price 7 times of face value of the Equity Shares.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of the Price Band subject to the Bidding/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 BSE Limited and the National Stock Exchange by issuing a press release and also by indicating the change on the web sites of the BRLMs and at the terminals of Members of the Syndicate.

The Issue is being made through a 100% Book Building Process wherein up to 50% of the Net Issue to Public shall be allocated on a discretionary basis to Qualified Institutional Bidders. Further, not less than 15% of the Net Issue to Public shall be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to Public shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

RISKS IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 10/- and the Issue Price is 7 times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Managers (BRLMs) on the basis of assessment of market demand for the equity shares by way of book building) has been determined and justified by the BRLMs and the Company as stated under justification of premium paragraph should not be taken to be indicative of the market price of the Equity Shares after they are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or 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 the 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 the Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India (SEBI), nor does SEBI guarantee the accuracy or adequacy of the Prospectus. **Specific attention of the investors is invited to the section titled 'Risk Factors' beginning on page ii of the Prospectus.**

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer having made all reasonable inquiries, accepts responsibility for and confirms that the Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in the 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 the 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 issued through the Prospectus are proposed to be listed on the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). We have received in-principle approvals from NSE and BSE for the listing of our Equity Shares pursuant to their letters dated September 26, 2005.

BOOK RUNNING LEAD MANAGERS

 **UTI BANK**
Solutions for a lifetime
UTI Bank Limited
Central Office: 111, Maker Towers F,
Cuffe Parade, Colaba
Mumbai 400 005
Tel: + 91 22 5507 4407 (Extn. : 1725)
Fax: + 91 22 2216 2467
Email: utibmbd@utibank.co.in
Website: www.utibank.com
Contact Person: Mr. Vishal Sharan

 **AnandRathi**
PROFIT FROM RESEARCH
Anand Rathi Securities Private Limited
54-55 Mittal Court B,
Nariman Point
Mumbai 400 021
Tel: + 91 22 2287 1388
Fax: + 91 22 2283 5131
Email: brfl@rathi.com
Website: www.rathi.com
Contact Person: Mr. Sachin Mehta

REGISTRAR TO THE ISSUE

 **INTIME SPECTRUM
REGISTRY LIMITED**
Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West), Mumbai 400 078
Telephone: +91 22 5555491-94
Fax: +91 22 5555499
Email: brflipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Vishwas Attawar

ISSUE PROGRAM

BID/ISSUE OPENED ON : NOVEMBER 11, 2005

BID/ISSUE CLOSED ON : NOVEMBER 17, 2005

TABLE OF CONTENTS

Chapters	Page No.
SECTION I - GENERAL	
Conventional and General Terms	(a)
Issue Related Terms.....	(a)
Company and Industry Related Terms.....	(e)
Abbreviations.....	(f)
Certain Conventions; Use of Market Data.....	(h)
Currency of Presentation	(i)
SECTION II: RISK FACTORS	
Forward Looking Statements.....	(i)
Risk Factors	(ii)
SECTION III: INTRODUCTION	
Summary.....	1
Summary of Financial Data	4
The Issue.....	6
General Information.....	7
Capital Structure.....	14
Objects of the Issue	25
SECTION IV: BASIS FOR ISSUE PRICE AND STATEMENT OF TAX BENEFITS	
Basis for Issue Price.....	39
Statement of Tax Benefits	41
SECTION V: ABOUT US	
Industry Overview.....	47
Our Business.....	57
Our History and Corporate Structure.....	68
Our Management.....	74
Our Promoters.....	85
Our Group Companies.....	87
Related Party Transactions.....	90
Regulation and Policies.....	93
Dividend Policy	96
SECTION VI: FINANCIAL INFORMATION	
Our Audited Financial Statements.....	97
Management's Discussion and Analysis of Financial Condition and Results of Operations	112
SECTION VII: LEGAL AND OTHER INFORMATION	
Outstanding Litigation	117
Material Developments.....	118
Government Approvals/Licensing Arrangement	119
SECTION VIII: OTHER REGULATORY AND STATUTORY DISCLOSURES	124
SECTION IX: ISSUE RELATED INFORMATION	
Terms of the Issue.....	131
Issue Structure.....	134
Issue Procedure	136
SECTION X: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION	155
SECTION XI: OTHER INFORMATION	
Material Contracts and Documents for Inspections	167
Declaration	169

SECTION I

DEFINITION AND ABBREVIATIONS

Conventional/General Terms

Terms	Description
Articles/Articles of Association	Articles of Association of Bombay Rayon Fashions Limited
Beneficiary Account	The demat account of the successful allottee to whom the shares are allocated
Companies Act/Act	The Companies Act, 1956, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended from time to time
Depositories Act	Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII	Foreign Institutional Investors (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FY / Fiscal / Financial Year	Period of twelve months ending March 31 unless otherwise stated
Indian GAAP	Generally accepted accounting principles in India
Memorandum/Memorandum of Association	The Memorandum of Association of Bombay Rayon Fashions Limited
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
Non-Resident Indians	Non-Resident Indian, as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI (DIP) Guidelines	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

Issue Related Terms

Terms	Description
Allotment	Issue of Equity Shares pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are being/have been allotted
Anand Rathi	Anand Rathi Securities Private Limited

Bombay Rayon Fashions Limited

Terms	Description
Banker(s) to the Issue	UTI Bank Limited, ICICI Bank Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto
Bid 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
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 a widely circulated English national newspaper and Hindi national newspaper and a regional newspaper
Bid Opening Date/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper and a regional newspaper
Bid-cum-Application Form/ Bid Form	The form in terms of which the bidder shall make an offer to purchase the Equity Shares of the Company and which will be considered as the application for allotment of the Equity Shares in terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLMs	Book Running Lead Managers to the Issue, in this case being UTI Bank Limited and Anand Rathi Securities Private 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 high end of the Price Band, Rs. 70 per Equity Share in the Issue, above which the Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	Cut-off Price refers to any price within the Price Band. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the escrow account (s) to the public issue account after the Prospectus is filed with the ROC, following which the allotment will be made to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus	Draft Red Herring Prospectus dated August 12, 2005 issued in accordance with section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and 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 opening of the Issue. It will become a prospectus after filing with RoC after the pricing and allocation
Employee Reservation Portion	6,12,500 Equity Shares reserved for employees of the Company as on cut-off date, i.e., September 30, 2005. However, the Promoter Directors and Promoter Group (relatives of Promoters) shall be ineligible to apply in the Employee Reservation Portion

Terms	Description
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 dated October 13, 2005 entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and refunds (if any) of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks in which 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 lower end of the Price Band, Rs. 60 per Equity Share in the Issue, below which the Issue Price will not be finalized and below which no Bids will be accepted
Issue/ Issue Size	Issue of 1,34,75,000 Equity Shares of Rs 10/- each at a premium of Rs. 60 per Share offered through the Prospectus
Issue Account	Account opened with the Banker to the issue to receive monies from the Escrow Accounts on the Designated Date
Issue Management Team	The team managing the Issue as set out in the section titled "General Information" on page 9 of the Prospectus
Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Issue Price	The final price at which the Equity Shares will be allotted in terms of this Prospectus as determined by the Company in consultation with the BRLMs on the Pricing Date i.e. Rs. 70 per Equity Share.
Issuer	Bombay Rayon Fashions Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 0% to 100% of the Bid Amount
Members of the Syndicate	The BRLMs and the Syndicate Members
Net Issue to Public	The portion of the Issue being a minimum of 1,28,62,500 Equity Shares available for allocation to Retail Individual Investors, Non-Institutional Bidders and Qualified Institutional Investors
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders
Non-Institutional Portion	The portion of the Issue being a minimum of 19,29,375 Equity Shares available for allocation to Non-Institutional Bidders
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 has not been waived by the members of the Syndicate and are therefore required to pay the maximum Bid Amount into the Escrow Account, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose margin has been initially waived by the members of the Syndicate and are therefore not required to pay the maximum Bid Amount into the Escrow Account on or prior to the Bid Closing Date, the period commencing on the Bid Opening Date and extending until the closure of the Pay-in Date

Bombay Rayon Fashions Limited

Terms	Description
Price Band	Being the price band of a minimum price of Rs. 60 per Equity Share (Floor Price) and the maximum price of Rs. 70 per Equity Share (Cap Price) (both inclusive), which was advertised by the Company prior to the Bid Opening Date, including revisions thereof
Pricing Date	Means the date on which the Company in consultation with the BRLMs 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 Account	In accordance with Section 73 of the Companies Act, 1956, an account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
QIB Portion	The portion of the Issue being 64,31,250 Equity Shares available for allocation to QIBs
Red Herring Prospectus	Red Herring Prospectus dated October 14, 2005 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are issued and size of the Issue. The Red Herring Prospectus would be filed with the RoC at least three days before the opening of the Bid/ Issue and will become a Prospectus after filing with the RoC after the pricing and allocation
Registrar/Registrar to the Issue	Registrar to the Issue being Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who apply or bid for Equity Shares of or for a value of not more than Rs. 1,00,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being a minimum of 45,01,875 Equity Shares available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
Stock Exchanges	NSE and BSE
Syndicate	BRLMs and the Syndicate Members
Syndicate Agreement	Agreement dated October 13, 2005 between the Syndicate and the Company
Syndicate Member(s)	Intermediaries registered with SEBI and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs
Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	Agreement dated November 21, 2005 among the Syndicate and our Company to be entered into on the Pricing Date

Company Related Terms

Terms	Description
Auditors	The statutory auditors of the Company viz. V. K. Beswal and Associates, Chartered Accountants
Board/ Board of Director	Board of Directors of Bombay Rayon Fashions Limited
Bombay Rayon Group	Bombay Rayon Group consists of Bombay Rayon Fashions Limited, Reynold Shirting Private Limited and Bombay Rayon Clothing Limited. Bombay Rayon Fashions Limited now includes Bombay Rayon Private Limited (amalgamated with our Company), Garden City Clothing (taken over by our Company) and BR Exports (taken over by Bombay Rayon Private Limited)
“BRFL” or “the Company” or “Our Company”	Bombay Rayon Fashions Limited was incorporated as Mudra Fabrics Private Limited on May 21, 1992 as a private limited company under the Companies Act, 1956. On October 13, 1992 Mudra Fabrics Private Limited was converted into a public limited company. Subsequently, on September 30, 2004 name of Mudra Fabrics Limited was changed to Bombay Rayon Fashions Limited. A Scheme of Amalgamation was approved by the Bombay High Court vide an order dated March 11, 2005 amalgamating Bombay Rayon Private Limited with Bombay Rayon Fashions Limited w.e.f. April 1, 2004. Also, w.e.f. March 1, 2005 the Group partnership firms B R Exports and Garden City Clothing were taken over by Bombay Rayon Private Limited and Bombay Rayon Fashions Limited respectively.
“BRPL” or Bombay Rayon Private Limited	Bombay Rayon Private Limited, a private limited company incorporated on September 23, 1986 under the Companies Act, 1956. BRPL has been amalgamated with Bombay Rayon Fashions Limited under a scheme of amalgamation approved by the Bombay High Court vide an order dated March 11, 2005
B R Exports	Erstwhile partnership firm taken over by Bombay Rayon Private Limited with effect from March 1, 2005. Further, Bombay Rayon Private Limited has been amalgamated with our Company under a scheme of amalgamation approved by the Bombay High Court vide an order dated March 11, 2005
Director(s)	Director(s) of Bombay Rayon Fashions Limited unless otherwise specified
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
Expansion Project	Our upcoming integrated facility project of yarn dyeing, weaving, process house and garment manufacturing at the apparel park being developed by Karnataka Industrial Area Development Board in Doddaballapur, near Bangalore
Garden City Clothing	Erstwhile partnership firm taken over by our Company with effect from March 1, 2005
Group Companies	Reynold Shirting Private Limited and Bombay Rayon Clothing Limited
IPO Committee	Committee of the Board of Directors of Bombay Rayon Fashions Limited authorised to take decisions on matters related to or incidental to the Issue
Project Cost	The Project Cost of Rs. 16172 lacs as estimated by M/s Gherzi Eastern Limited for setting up the Expansion Project
Promoter Group	The Promoters, the immediate relatives of the Promoters and such entities/ partnership firms as prescribed under Explanation II to Clause 6.8.3.2 of the SEBI DIP Guidelines

Bombay Rayon Fashions Limited

Terms	Description
Promoters	Mr. Janardan Agrawal, Mr. Aman Agrawal and Mr. Prashant Agarwal
Registered Office of the Company	D-1 st Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (E), Mumbai 400072
Registrar of Companies or RoC	Registrar of Companies, Maharashtra, Mumbai
Scheme of Amalgamation	Scheme of amalgamation of Bombay Rayon Private Limited with Bombay Rayon Fashions Limited approved by the Bombay High Court vide an order dated March 11, 2005
“We” or “us” and “our”	Unless the context otherwise require, refers to Bombay Rayon Fashions Limited

Abbreviation of General Terms

Abbreviation	Full Form
AGM	Annual General Meeting of the shareholders
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
ATC	Agreement on Textile and Clothing
BIFR	Board for Industrial and Financial Reconstruction
BRFL	Bombay Rayon Fashions Limited
BRPL	Bombay Rayon Private Limited
BRCL	Bombay Rayon Clothing Limited
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
C & F	Clearing and Forwarding
CIF	Cost, Insurance and Freight
EGM/ EOGM	Extraordinary General Meeting
EPCG	Export Promotion Capital Goods Scheme
EPS	Earnings Per Equity Share
EU	European Union
EXIM Bank	Export-Import Bank of India
FCNR	Foreign Currency in Rupee
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment
FIPB	Foreign Investment Promotion Board
FOB	Freight on Board
FTA	Free Trade Agreement
GCC	Garden City Clothing
GEL	Gherzi Eastern Limited
GOI	Government of India
HNI	High Net-worth Individual
HUF	Hindu Undivided Family

Abbreviation	Full Form
I.T. Act	The Income Tax Act, 1961
KIADB	Karnataka Industrial Area Development Board
KVA	Kilo Volt Ampere
KW	Kilo Watt
KWh	Kilo Watt Hour
LC	Letter of Credit
LIBOR	London Inter Bank Offer Rate
MFA	Multi Fibre Agreement
NAV	Net Asset Value
NIFT	National Institute of Fashion Technology
NRE Account	Non Resident External Account
NRI	Non Resident Indians
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit after Tax
PTA	Preferential Trade Agreement
R & D	Research and Development
RBI	Reserve Bank of India
ROE	Return on Equity
RONW	Return on Net Worth
Rs.	Indian Rupees
RSPL	Reynold Shirting Private Limited
SSI	Small Scale Industries
TAN	Tax Deduction Account Number
TRS	Transaction Registration Slip
TUFS	Technology Upgradation Fund Scheme
USA	United States of America
USD / US\$	United States Dollar
UTI Bank	UTI Bank Limited
w.e.f.	With effect from
WOS	Wholly Owned Subsidiary
WTO	World Trade Organization
YOY	Year on Year

Bombay Rayon Fashions Limited

CERTAIN CONVENTIONS; USE OF MARKET DATA

In the Prospectus, unless the context otherwise requires, all references to one gender also refers to the other gender.

Unless stated otherwise, the financial data in the Prospectus is derived from our financial statements prepared and restated in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, disclosed in the section titled 'Financial Information'. We have one wholly owned subsidiary, which has been incorporated in the Netherlands in the month of September 2005. Accordingly, financial information relating to us is presented on a non-consolidated basis. Our fiscal year commences on April 1 and ends on March 31. In the Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP accordingly, the degree to which the Indian GAAP financial statements included in the Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in the Prospectus should accordingly be limited. We have not attempted to explain those differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data.

All references to "India" contained in the Prospectus are to the Republic of India, all references to the "US" or the "U.S." or the "USA", or the "United States" are to the United States of America, and all references to "UK" are to the United Kingdom.

For additional definitions, see the section titled 'Definitions and Abbreviations' on page (a) of the Prospectus. In the section titled 'Main Provisions of Articles of Association of the Company' beginning on page 155 of the Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout the 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 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 OF PRESENTATION

In the Prospectus, all references to “Rupees” and “Rs.” and “Indian Rupees” are to the legal currency of the Republic of India. Through out the sections on ‘Financial Information’, ‘Summary of Financial Information’ and ‘Management’s Discussion and Analysis of Financial Condition and Results of Operation’ in the Prospectus figures have been expressed in lacs. The term ‘lacs’ means ‘One Hundred Thousand’.

Any percentage amounts, as set forth in “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operation” in the Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Indian GAAP. In the Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off.

SECTION II

FORWARD-LOOKING STATEMENTS

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

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

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page ii of the Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor the members of Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in the Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks mentioned herein under:

Internal Risk Factors

Our Company is generating export revenues from limited number of buyers for garment business. If order flow from these buyers slow down then that would affect our revenues and profitability

We have been into the business of manufacture of garments for exports since June 2003. We currently manufacture around 6,000 pieces of garments (mainly men's shirts) per day and are working on a major expansion in the garmenting section of our Company. After implementation of the Expansion Project and completion of other intermittent expansions, which are expected to be completed by April 2006, our garment manufacturing capacity is expected to be approximately 60,000 pieces per day. For our current exports of garments we are dependent on around seventeen importers. For exporting the entire garments that we will manufacture after completion of all the expansions we will have to generate multifold orders for our products and will have to add many more importers. If we fail to generate orders commensurate to the expanded capacity it may adversely impact our business. Further, dependence on few buyers in case of our inability to add more buyers may lead to pressures from them in terms of pricing.

Our Company is operating in highly competitive environment

Removal of quota system with effect from January 1, 2005 has created tremendous competition in the textile industry and the dynamics of industry are also changing, consequent to such structural changes. This has resulted in stiff competition from domestic as well as global players. In such a competitive environment we may face pressures from overseas buyers such as delivery period, pricing, order size, product quality etc. Such pressures may put strain on our profit margins.

Risk associated with identifying changing fashion trends

We operate in highly creative business of fashion. Any inability on our part to understand the prevailing world-wide trend or to forecast changes well in time may affect our growth prospects. Further, long-term contracts are not usual in the textile industry, which is highly fashion driven. The fashion oriented nature of the industry subject us to certain uncertainties associated with the textile industry. Also, the range of the products in our garment business changes according to the season therefore the business of our Company is seasonal to that extent.

Our success depends upon our ability to manage our growth of business

Our Company has experienced rapid growth in our business in past few years. However, such growth will create pressure on our management and other resources. Any inability on our part to address the challenges associated with expansion such as ours may adversely affect prospects of our Company.

Further, any inability on our part to generate orders for the expanded capacities may adversely affect our growth prospects.

For requirement of our major raw material - yarn we are dependent on external suppliers, the cost of yarn constitutes the largest component of our costs

We are dependent on external suppliers for procurement of yarn, the main raw material for fabric weaving. If we fail to get the required type and quality of yarn at the desired time it may delay our schedule of manufacture of woven fabric and garments, which may have adverse impact on our business.

Bombay Rayon Fashions Limited

Further, prices of yarn depend upon global demand-supply scenario. If demand outstrips supply, there is significant up-move in prices of yarn, making our cost of production dearer. If we fail to pass over the increase in cost of inputs it may have adverse impact on our profit margins.

Risk associated with procurement of grey fabric

We purchase grey fabric from the local market to the extent our weaving capacities are not sufficient to meet our requirement of fabric. Though there is no scarcity of grey fabric in India, it is possible that we may not be able to source a particular type of grey fabric at the time we require it.

Outsourcing of jobs in the existing facilities

Our existing facilities for manufacture of woven fabric are not integrated and therefore require us to outsource various jobs, e.g., yarn dyeing, fabric processing, garment washing etc. To the extent works are outsourced, we are dependent on job workers and any delay/failure on their part may adversely affect our operations and turnaround time/delivery schedule. Further, any failure on our part to ensure quality from job workers may adversely affect our reputation and business.

All our garments manufacturing facilities are located in one area

All our garment manufacturing facilities are located in Bangalore and our Expansion Project is also located around Bangalore city which is a hub for information technology companies and is now also becoming major centre for garment manufacturing. Many companies have set up their manufacturing facilities and offices in Bangalore and many more companies are in process of doing the same. This is creating pressure on infrastructural facilities and business logistics in Bangalore. Such industrial growth may create pressure on manpower availability, which is crucial for garment manufacturing units. These factors may have adverse impact on our business.

On the other hand our existing facilities for manufacture of woven fabric are located in three different cities, which creates pressure on logistics and administrative work.

Our success depends upon our ability to attract and retain talented professionals

Attracting and retaining talented professionals is key to our business growth and is substantially dependent on the expertise and services of our senior management team. Any inability on our part to attract and retain talented professionals or key management personnel may adversely affect our business and results of operations.

Changes in technology may impact our business by making our plants less competitive

Advancement in technology may require us to make additional capital expenditure for upgrading our manufacturing facilities or may make our competitors plants more competitive. If we are not able to respond to such technological advancement well in time, we may lose our competitiveness.

Registration of Trade Marks

We have made applications to the Trade Mark Registry, Mumbai for registration of trademarks 'Bombay Rayon – Essence of Fashion' and our logo in April 2005. Any delay or non-registration of these trademarks in our name may subject us to commercial disadvantages.

Risk associated with negative covenants in our agreements with our Lenders

There are restrictive covenants in the loan agreements that we have entered into with banks. These agreements in many cases provide for borrowers covenants which are restrictive in nature and require us to obtain their prior approval for alteration of the capital structure, change in beneficial ownership of or control of the Company, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key managerial personnel, change in the constitutional documents etc. Further, in many cases lenders have right to appoint a nominee director on the Board of the Company upon an event of default. Also, there are restrictive covenants regarding declaration and payment of dividend out of accumulated reserves or in cases of any subsisting default.

The loan agreements that we intend to enter with the banks and financial institution for the rupee debt component of the Project Cost also provides for similar restrictive covenants. Further, there are conditions stipulated in the sanction

letters which we have received for the rupee debt component of the Project Cost providing for restrictive disbursement of sanctioned amounts before IPO and other conditions such as full tie up of the entire debt component, receipt of statutory approvals for the Expansion Project, payment of upfront fee etc. to be fulfilled prior to disbursement. For details of the pre-disbursement conditions kindly refer to the paragraph on “Approval/sanction of Debt Component of the Project Cost” on page 35 of the Prospectus. If we fail to comply with such pre disbursement conditions implementation of the Expansion Project may get delayed.

Outstanding Litigations

An application has been filed against our Company in the Motor Accident Claims Tribunal at Mumbai for claiming compensation of Rs. 3,00,000/- (Three lacs only) in a matter arising out of motor accident case. In another matter, our Managing Director is defending a civil suit filed before the Court of Civil Judge, Piliyani, Rajasthan in a matter relating to transfer of 200 equity shares of Bharat Petroleum Corporation Limited.

Risk associated with contingent liabilities

As on March 31, 2005 a contingent liability of Rs. 538 lacs in respect of a corporate guarantee given by the Company was pending. In the event such contingent liability materializes it may have an adverse affect on our financial performance.

Risk relating to our production facilities

Our production facilities at Bangalore are on leased premises. One of the terms of the lease agreements that we have entered into with Units 1 and 2 is that either party may revoke the lease after giving three months notice. Also, few of our lease agreements are not registered making them non admissible as evidence in courts of law.

Our Promoters have no experience of executing and operating integrated textile plants and limited experience of garment exports business

Our Promoters are into the business of fabric weaving for almost two decades but have limited experience of manufacture of garments for exports. Thrust of the Expansion Project is to manifold increase export of garments. Inexperience of our Promoters in execution and operation of integrated textile plants may lead to delay in implementation of the Expansion Project.

Our limited experience of managing corporate affairs of widely held companies

So far our Promoters were running their business through closely held companies and partnership firms. Therefore, they have no experience in managing compliance requirements applicable to widely held companies. Inability of our Promoters to respond appropriately to the changed regulatory environment applicable to widely held companies may adversely affect our Company.

We have acquired the business of our group companies/firms

For consolidation of business of the Bombay Rayon Group, two of our group firms became part of our Company. Further, Bombay Rayon Private Limited (BRPL), one of our group companies was amalgamated with our Company for which exchange ratios were decided as per the Scheme of Amalgamation approved by the Bombay High Court. These valuations may not necessarily reflect the intrinsic valuations of the business acquired by us.

Conflict of interest in promoter group companies

We have two group companies having main objects and business similar to our Company. Interests of these companies may conflict each other. Further, our Promoters may incorporate more companies or partnership firms to undertake similar line of business, which may compete with the Company.

The Promoters will collectively own around 56 % of Equity Shares in the Company post listing and will continue to control and exercise substantial influence over our Company. Their interests may conflict with your interests as a shareholder

Post listing our Promoters will hold around 56% in the paid up equity capital of the Company. As a result, our Promoters will have the ability to exercise significant influence over the decisions of the Company, as they will be able to

Bombay Rayon Fashions Limited

determine outcome of all actions requiring the approval of the shareholders or/and our Board. The interests of our Promoters may conflict with interests of our other investors, and you may not agree with the manner in which they exercise their powers of management or voting rights.

Delay in allotment of part of land for the Expansion Project

The Expansion Project is proposed to be set up on two plots of land admeasuring 20.16 acres, out of which the plot admeasuring 15.50 has already been allotted to us. However, the other plot of land admeasuring 4.66 acres though earmarked for us by KIADB has not been allotted so far. This plot of land shall be allotted to us after it's acquisition by KIADB. We have identified this plot of land for setting up garmenting manufacturing facilities. Failure or delay in acquisition of said plot of land by KIADB will delay allotment of land to us and may partly delay implementation of the Expansion Project

Further, the plot of land admeasuring 15.50 acres have been allotted to us by KIADB on lease cum sale basis for a period of 6 years after which KIADB shall sell the land to us subject to fulfilment of following conditions:

- a. Commencement of civil works within three months from date of approval of building plan and after obtaining license from the Chief Inspector of Factories and Boilers of State of Karnataka;
- b. Completion of civil works within 24 months from the date of taking possession of the land, i.e., June 1, 2005;
- c. Land to be used only for the purpose of manufacturing textile fabrics or establishing any other apparel related export oriented industry

If we fail to abide by the terms of lease cum sale agreement the plot of land may not be sold to us, which may adversely affect our results of operation.

Delay in establishment of common effluent treatment plant by KIADB

A common effluent treatment plant is proposed to be established by KIADB for benefit of all the companies in the apparel park. Any delay in establishment of common effluent treatment plant may delay commencement of operations in the Expansion Project.

Delay in completing our Expansion Project may have an adverse impact on our business

Our Expansion Project includes setting up of integrated textile unit consisting of yarn dyeing, weaving facility, process house and garmenting facilities. Any delay in setting up the Expansion Project due to time and cost overrun and delay in-receiving statutory approvals, procuring plant and machinery, civil construction work etc. will adversely impact our business.

Delay or Non-receipt of regulatory approvals may delay the Expansion Project

We are required to obtain licenses/permissions/consents for the Expansion Project. We have received approvals, such as, provisional factory licence, consents required under the Water and Air Act, approval of construction plan etc. However, we are yet to receive environmental/ecological approval required for running our integrated plant. Also, for our existing business operations we are yet to obtain few approvals for which required applications have already been made. Delay in receipt of such approvals may adversely affect our business.

For details of all the approvals received relating to the Expansion Project kindly refer to the section titled 'Government Approvals/Licensing Arrangements' on page 119 of the Prospectus.

We have not placed orders for the plant and machinery, equipments etc. for the planned outflow for the Expansion Project

The net proceed of the Issue is proposed to part fund the Expansion Project. So far we have completed negotiations and have placed orders for around 30% of the total outflow earmarked for plant and machinery. We are yet to close negotiations and place orders for the balance plant and machinery. Any delay in placing orders or procurement of such plant and machinery etc. may delay implementation of the Expansion Project. Such delays may also lead to increase in prices of these equipments further affecting our cost estimates of the Expansion Project.

Failure to comply with the conditions of TUFs shall make us ineligible for interest or capital subsidy

Out of total Project Cost of Rs. 16,172 lacs for the Expansion project, the rupee term loan component is Rs. 10,172 lacs being raised under Technology Upgradation Fund Scheme (TUFs). All of these loans are eligible for 5 % interest subsidy subject to conditions provided therein. We are also entitled to a 10% capital subsidy for investments in specified processing machinery. Such interest and capital subsidy are allowed subject to fulfilment of conditions such as investments in only eligible machinery as notified under the Scheme, 20% equity contribution in the Project Cost, maximum loan period of 8 to 10 years including an initial moratorium of 1 to 2 years, security by way of first charge on all present and future assets, debt-equity ratio of 1.5:1 etc. for availing the interest subsidy and investment in specified machineries before April 19, 2006 etc. for availing the 10% capital subsidy. If we fail to comply with such conditions stipulated under TUFs, the interest or capital subsidy may be denied to us making our operations less cost effective.

We have not identified alternate sources of financing for the Equity component of the Expansion Project

The Project Cost is estimated at Rs. 16,172 lacs to be funded by a mix of term loan to be raised from banks/ financial institutions and net proceeds from the Issue. The rupee term loan component of the Project Cost has already been tied up and as against the debt component of Rs. 10,172 lacs, we have received final sanction letters from six banks totalling to Rs. 13,572 lacs.

However, we have not identified alternate sources of financing for the equity component of the Project Cost amounting to Rs. 6,000 lacs. Any delay on our part to raise money through the Issue will delay the implementation of the Expansion Project. Further, the Issue proceeds are to be deployed at the sole discretion of the Company and is not subject to monitoring by any independent agency.

Export obligation under the import and export policy

We will be importing machineries under Export Promotion Capital Goods Scheme (EPCG Scheme). One of the conditions subject to which licence under EPCG Scheme is granted is to achieve export obligations based on concession in import duty availed. Any failure on our part to achieve required export obligation will subject us to obligation to pay the customs duty saved due to EPCG Scheme together with interest.

Further, for our existing business operations we had imported machineries under EPCG Scheme in respect of which we have subsisting export obligation of around Rs. 900 lacs to be achieved by the year 2013. If we fail to achieve this export obligation we will be subjected to similar disadvantage as aforesaid.

Allotment of Equity Shares to Promoters and other persons at a price substantially lower than the Issue Price to be discovered through book building in the Issue

In 2005 we have made allotments of Equity Shares to our Promoters/members of the Promoter Group at par and to others at a premium of Rs. 10. The Issue Price to be determined through the book-building process in the Issue will be substantially more than the prices at which the above-mentioned allotments were made.

Any future issuance of Equity Shares by our Company may dilute your holding in the Company

To fund future growth plans of our Company we may further raise capital by way of issuance of Equity Shares or convertibles in domestic or overseas market. Such further issuance of Equity Shares or convertibles could dilute your shareholding in our Company. Further, perception of such further Issues may also affect the trading price of our Equity Shares.

Also, sale of their shareholding by the Promoters may affect the trading price of the Equity Shares of our Company.

External Risk Factors

There may be changes in the regulatory framework relating to the textile sector that could adversely affect us

Withdrawal or modification of policies initiated by Government of India to promote growth of the textile sector including policies such as interest rate subsidies, duty / tax reimbursement schemes like duty drawback / DEPB etc. could

Bombay Rayon Fashions Limited

adversely impact our profitability and profitability of the textile companies. We presently do not know the nature or extent of the changes, which could be made and therefore cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations.

Probable opposition of Indian products and companies by developed nations

In past there have been instances of opposition of products of India and other Asian countries such as

- The European Commission had in early 2001 levied anti dumping duties on Indian bed linen products, which was subsequently suspended in August 2001;
- The US Department of Commerce had imposed preliminary anti dumping duty on shrimp exports from India in August 2004;
- The European Commission in March 2005 has slapped following anti dumping charges on Chinese polyester filament apparel fabric manufacturers to pay anti dumping duties of upto 85.3 % in its preliminary ruling;
- The European Commission around same period also slapped five-year tariffs upto 49.7% on polyester staple fibre.

Such oppositions may recur in future also. Further, Oppositions in developed countries against developing countries such as against business process outsourcing may also extend to the textile industry, which is labour intensive in nature. If such movement gets intensified in future, it may have adverse impact on export opportunities of developing countries. Export of inferior quality goods from India may further add to the possible adverse sentiments about Indian goods thereby adversely impacting export potential of Indian companies. Additionally, countries such as the USA may impose anti surge restrictions if growth of exports from any country exceeds beyond acceptable limits. Such restrictions may adversely impact our growth.

Emergence of competition from other manufacturing countries having Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) with the major importing countries

While quantitative restrictions stand eliminated with the removal of quotas, certain countries which enjoy FTAs/PTAs with major importing countries may have an advantage (by way of lower or zero import tariffs) over exporters from countries that do not have such agreements. India currently is not party to such FTAs/PTAs.

Non-availability of skilled personnel and risk associated with increasing wage cost

Post removal of quotas in the textile industry effective January 1, 2005, many companies are expanding their capacities to meet the global demand for textile related goods. Such huge capacity additions are expected to lead to shortage of skilled labours in the industry. Such shortage may further lead to substantial rise in the wage bills of companies thus seriously affecting their cost structure.

Further, wage costs of unskilled labour in India have historically been significantly lower than the wage costs in the developed countries, which has been one of our competitive strengths. Any significant wage increases in India may seriously impact this competitive advantage thus negatively affecting our profit margins.

Global economic, political and social conditions may harm our ability to do business

Factors such as any negative change in policies of the government of foreign countries, acts of war or geopolitical and social turmoil in many parts of world may adversely impact the growth potential of Indian exporters and could prevent or hinder our ability to do business, increase our costs and negatively affect our business operations.

Political instability or changes in the Government in India could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally and our business in particular

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions in the private sector. Any significant change in India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

After the Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop

The prices of our Equity Shares on the Stock Exchanges may fluctuate after the Issue as a result of several factors including among others:

- volatility in the Indian and global securities markets;
- our results of operations and performance;
- performance of our competitors, the Indian garments manufacturing industry and the perception in the market about investments in the garments manufacturing sector;
- adverse media reports on the Company or the Indian garments manufacturing industry; and
- changes in the estimates of our performance or recommendations by financial analysts;

Further, valuations in the textile sector have appreciated over the last several months and current valuations may not be sustainable in the future and may also not be reflective of future valuations for the industry.

There has been no public market for our Equity Shares and the prices of our Equity Shares may fluctuate after the Issue. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after the Issue or that the prices at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to the Issue.

Risk associated with slowdown of economy in a country to whom we undertake export

Any slow down of economy of the countries where we export our garments may have a negative impact on the spending power of the consumers, thereby reducing their spend on fashion and lifestyle products. Such slowdown may have an adverse impact on the export earnings.

We are subject to risks arising from exchange rate fluctuation

Uncertainties in the global financial markets may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between Rupee and other currencies is variable and may continue to remain volatile in future depending upon the foreign exchange reserve position of India. Fluctuations in the exchange rates may have a serious impact on the revenues from our export business. Any depreciation of Rupee against other currencies may have an adverse impact on the Project Cost, as we will be placing orders with overseas suppliers for buying equipments for the Expansion Project. Accordingly, any adverse fluctuation in the exchange rate between Rupee and other currencies may adversely affect our financial position and results of operation.

Terrorist attacks and other acts of violence or war involving India and other countries could adversely affect the financial markets and our business

There have been instances of terrorist attacks in many parts of the world and also in India in the recent past. Any recurrence of such events or other acts of violence/war may negatively affect the Indian capital market and may also adversely affect performance of our scrip in the stock exchanges. These acts may also result in a loss of business confidence.

Any recurrence of events of terrorist attacks or other acts of violence may adversely impact the desire of corporate executives to travel to India for business purposes and thereby adversely impacting business prospects. These uncertainties make it difficult for us and our customers to accurately plan future business activities.

Natural disasters could disrupt our operations and result in loss of revenues and increased costs

Our plants are vulnerable to man-made and natural disasters such as, explosions, earthquakes, storms and floods as well as to terrorist attacks or other enemy actions. The occurrence of a man-made or natural disaster, terrorist attack, enemy action or other accidents could disrupt the operations of our plant and result in loss of revenues and increased costs.

Bombay Rayon Fashions Limited

Notes to Risk Factors

- Public Issue of 1,34,75,000 Equity Shares of Rs. 10/- each for cash at an Issue Price of Rs. 70 per Equity Share aggregating to Rs. 9432.50 lacs (hereinafter referred to as 'the Issue'). The Issue comprises 6,12,500 Equity Shares of Rs. 10/- each aggregating to Rs. 428.75 lacs reserved for Employees of the Company and Net Issue to Public of 1,28,62,500 Equity Shares of Rs. 10/- each aggregating to Rs. 9003.75 lacs.
- With effect from September 30, 2004 name of our Company was changed from Mudra Fabrics Limited to Bombay Rayon Fashions Limited. Change of name of our Company was aimed to consolidate and continue to grow in future with the name of 'Bombay Rayon', which has been the name of our Group since 1986. On an EGM held on June 27, 2005 main objects of our Company was changed to include activities relating to wearing apparel and ready made garments.
- The net worth of our Company before the Issue (as on June 30, 2005) was Rs. 5,323.95 lacs.
- The average cost of acquisition of one Equity Share for the Promoters is as follows:

Name of the Promoter	Average cost of Acquisition
Mr. Janardan Agrawal	Rs. 4.25 per Equity Share
Mr. Aman Agrawal	Rs. 4.66 per Equity Share
Mr. Prashant Agarwal	Rs. 5.30 per Equity Share

- The book value as on June 30, 2005 is Rs. 15.43 per Equity Share.
- For related party transactions, kindly refer to the section titled 'Related Party Transactions' on page 90 of the Prospectus.
- The Investors are advised to refer to the section titled 'Basis for Issue Price' on page 39 of the Prospectus before making an investment in the Issue.
- Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
- Investors may note that in case of over-subscription in the Issue, allotment to Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, see the section titled 'Basis of Allotment' on page 152 of the Prospectus.

Investors are free to contact the BRLMs or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue. For contact details of the BRLMs and the Compliance Officer, please refer to page 8 of the Prospectus.

SECTION III

SUMMARY

Overview

We are a multi divisional textile company engaged in the manufacture of a variety of fabrics and garments with modern production facilities. Our Group was promoted by Mr. Janardan Agrawal in 1986. With a modest beginning of manufacturing fabrics, we expanded our capacities for manufacture of woven fabric and started catering to Shirting segment. Realising the potential our Group has intently moved towards the garment manufacturing mainly to conserve the fabrics margins and take advantage of the higher margins offered by the designer / fancy shirt segment.

Presently we are exporting 100% of our garments. However, we supply fabrics to the domestic garment exporters also. We have positioned ourselves as a multi product, multi fibre and multi market player ensuring that our target market is a diverse mix of the domestic fabrics market, garment export trade and international market (fabrics exports). Our manufacturing facilities are spread across four locations at Navi Mumbai, Silvassa, Sonale in Thane district and Bangalore, fully backed by the facilities for product development, design studio and efficient sampling infrastructure to provide quality services to its customers in India and abroad. We currently employ over 1300 people.

Presently our weaving facilities are producing approximately 10.9 million meters of fabric per annum and our garment manufacturing facilities are producing 6,000 garments per day.

Our Competitive Strengths

Experience of our Promoters

Our Promoters have adequate experience in the textile industry and we have successfully implemented expansion projects earlier. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

Flexibility in manufacture of garments

We are in the business of manufacture of woven fabric for the last fifteen years. Over the period we have developed expertise in the manufacture of any customer desired variety involving complex design of woven fabrics of superior quality. Woven fabric is the main input of our garment business and our expertise in woven fabrics gives us a definite competitive advantage over other garment manufacturers.

Designing Capabilities

Designing is a critical element of fabrics and garments both. Development of innovative designs is one of our main strength and unique selling proposition. We are into the high end products. We have in-house teams of experienced designers in weaving, garmenting and home textiles. We have installed software packages CAD / CAM systems for generating designs on computers. On an average, at least 4/5 new designs are developed on a daily basis in each of the divisions. We also have a library of over 1000 designs in garments alone and more than 10000 in woven fabrics, especially in yarn dyed variety.

Lower turnaround time

Garment manufacturing is highly fashion oriented. Fashion is time bound and any delay in meeting deadlines results in loss of businesses. Meeting customer deadlines on a consistent basis is important for our business. Our in-house facilities of design studio, sampling of fabrics and garments, weaving, and garmenting allows us to plan and deliver the orders in one of the shortest turnaround time. We have been successful in reducing the cycle time from date of order placement to date of garment delivery, from 90 days to 65 days. Our endeavour is to further reduce the turnaround time.

Low labour cost

Skilled labour is available in abundance in India. Thus, our labour costs are maintained at realistic levels. Added to that we have kept ourselves updated on the latest available technologies and continuously look for new attachments and value adding equipment to enhance the performance of our machines such that the labour input required is maintained while the production / productivity is improved. All our units enjoy very cordial industrial relations, which is a testimony of labour friendly policies followed by us.

Bombay Rayon Fashions Limited

Economies of scale

Our production capacity in each of our units / divisions can be considered as mid to large in size. It allows us the advantages of economies of scale. Although the units are spread over different locations, the raw material procurement and purchase functions are centralised. We can therefore take advantages of bulk discounts and negotiate favourable terms of purchase resulting in substantial savings in input costs.

High productivity

High level of modernization, trained work force and managerial expertise results in consistent high level of productivity. We have established modern production facilities at each of our plant and we are continuously on the look out for new / updated technologies. Our investments in value adding equipments / attachments to our machines has resulted in twin benefits of consistent high quality and improved productivity. We also have loyal trained work force, sound communication facilities and high level of computerization to ensure enhanced operational efficiency.

Low interest cost

Recent capacity additions in our manufacturing facilities have been carried out under TUFS. The weighted average interest rate of our existing term loans after considering the benefits available to us on loans covered under TUFS is around 7.63%. This has helped us in lowering the overall average cost of funds and has increased our competitiveness. For the Expansion Project, the interest cost will further reduce to 3.5% per annum taking into account the benefit under TUFS.

Quality Assurance

Each of the Company's products passes through stringent quality checks. The quality assurance measures taken by the Company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc. Each of the divisions is well equipped with most modern quality checking and testing equipment in place for quality assurance and functions on our philosophy of providing quality products to customer.

Sampling capabilities

We have all the facilities like desklooms, sample dyeing, sample printing, washing and processing facilities to produce fabric samples per designs developed by our design studio. In the initial stages of the order, the design and sampling department continuously interacts with the buyers till the fabric sample is approved. Sample yardages are made for making garments and in our dedicated fabric sampling unit, garment samples are made, remade, design changes are incorporated till the customer finally approves the garment sample. The entire process is very time consuming and can take two months. Our dedicated in-house facilities enable us to compress this time substantially. The fabrics manufacturing and garment making process starts only after the garment sample is fully approved. Different processes of sampling are involved for products going to different market segments. Our above-mentioned capabilities give us a decided advantage over other fabric and garment manufacturers.

Our Strategy

Our Corporate Vision is to be a '**Complete Apparel Company**'. We have three-pronged strategy to realize our vision.

1. To strengthen our fabric business in order to have full control of entire fabric supply chain- from yarn dyeing, weaving to processing of fabrics. We intend to achieve this through implementation of New Project facilities. This would not only help us achieve total quality control at each stage, it would enable us to cut out delays in delivery of fabrics to our garment units. This apart our stress on building and enhancing our design capabilities enables us to present our own collections and offer a total package solution to the customer.
2. To rapidly expand garment capacity to meet the growing opportunity in the market place and in the process captively consume 30-50% of our own production of fabrics.
3. Position ourselves in the mid to high end garment segment such that we enhance our acceptance and improve our capabilities to meet the stringent compliances stipulated by such customers Once this is achieved, entering the commodity market would pose little difficulty.

Continued focus on Innovative Designs

We are into high end products in our garmenting business, which requires creation of designs contemporary in terms of prevailing fashion. We have fully equipped design studio and all other facilities to come out with innovative designs, which make our fabrics and garments more of a fashion product than a commodity products and thus proving better in terms of price realization. Our strategy is to further improvize on designs development.

Backward Integration of our manufacturing process

We are into the manufacture of woven fabric and garments. Presently we do not have facilities for activities such as yarn dyeing, processing of grey fabric, garment washing etc. Absence of these facilities requires us to outsource these jobs making us dependent on many external factors. Our strategy is to have in-house facilities for these activities so that we become self dependent and competitive in terms of turnaround time and quality.

Continued focus on fabric weaving

Fabric weaving has been our core strength. Although over the years we have diversified in to garment manufacturing business, our strength of producing different variety of woven fabrics gives us an advantage over of all other garment manufacturers. We are constantly on the look out for new developments in weaving technology and seek to continuously improve our strength in fabric weaving.

Further widening of our customer base

With proposed expansion of fabrics and garment capacities, and growing opportunities available in the post quota regime we intend to continue to grow our business by adding new customers in existing and new geographies, new market segments. We are looking towards expanding customer base in Africa as also in the South East Asian countries. We intend to diversify in bottom wear gents and ladies, denims and wish to tap enormous market in the EU countries. We are in dialogue with established brands in Germany and Italy for collaboration in terms of providing a manufacturing base in India for these brands We aim to do this by effectively leveraging our marketing skills and relationships and focusing on total customer orientation.

Adding to our manufacturing facilities

Expanding capacities in fabrics and garments will be a continuous process. We will look for more geographic locations suitable for catering to different markets and product ranges. We will constantly endeavour to acquire new technologies, latest developments and value adding processes to make our products techno savvy, contemporary in outlook, trendy in fashion and top class in quality. Our target segment of mid to high end customers would give us sufficient room for expansion of capacities for years to come.

Going further, we are adding three more units to our garmenting division, which will together have a capacity to manufacture approximately 32,000 shirts per day by the end of this fiscal. After implementation of the Expansion Project we will have capacities to manufacture total of around 60,000 shirts per day.

Opening of overseas offices

We have already incorporated our first wholly owned subsidiary with the trade name of BRFL Europe B.V. (September 7, 2005 being the date of incorporation) in Almere, the Netherlands. BRFL Europe B. V. has a showroom in Almere, which will mainly cater to the needs of countries in the EU. Over a period of time we intend to open more such overseas offices to provide product and services on the customer' door step. Our strategy is to give our overseas buyers a comfort of dealing with a company having reach in their respective territory.

Reduction of operational costs

Apart from expanding business and revenues we have to look for areas to cut costs in order to remain a cost competitive company. Measuring costs of each operation and process, evaluating costs at each cost centre and bench marking the same to industry / scientific standards is our core strategy to control direct costs and overheads. In our industry apart from Raw material costs other inputs and overheads account for 30-35% of our total costs. Raw material costs are controlled through centralise purchase. Consumption and wastages are controlled on the shop floor through effective supervision and systems. Other costs are reduced through proper training, new technologies and periodic reviews. Every single employee is given cost orientation and is instructed to look for areas of cost savings. Our focus has been to reduce the operational costs to gain competitive edge. We are quite successful in our efforts and hope to continue more vigorously to bench mark ourselves with the best in the industry.

Adding of new products in our garmenting division

Presently, we are mainly into the development and manufacture of men's shirts. While we intend to continue to be focused into men's shirts, our strategy is to add ladies tops, kids wear and men and women bottoms so as to have adequate diversification in our garmenting business. We also intend to enter linen fabrics and garments as the current trend show great potential for such products. Diversification of portfolio of products is essential to every business from the point of view of guarding its operations from sudden fall in demand for a particular product.

Bombay Rayon Fashions Limited

SUMMARY OF FINANCIAL DATA

The following summary operating and financial data have been prepared in accordance with Indian GAAP, in conjunction with our restated audited financial statements for each of financial year 2001, 2002, 2003, 2004 and 2005 and for Quarter ended June 30, 2005 including the notes thereto and the reports thereon, which appear in section title "Management's Discussion And Analysis of Financial Condition and Results of Operations" on page 112 of the Prospectus.

Summary of Restated Assets and Liabilities

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Fixed Assets (A)						
Gross Block	3441.14	3210.72	713.97	618.10	565.78	439.77
Less: Accumulated Depreciation	753.18	687.33	188.96	130.80	81.08	36.40
Net Block	2687.96	2523.39	525.01	487.30	484.70	403.37
Capital Work in Progress	476.90	420.20	0.00	0.00	0.00	0.00
Total (A)	3164.86	2943.59	525.01	487.30	484.70	403.37
Investments (B)	11.51	11.51	11.51	11.51	5.00	2.00
Current Assets, Loans and Advances (C)						
Inventories	4180.46	3840.04	435.38	616.61	410.92	221.97
Sundry Debtors	2561.96	2081.41	1599.88	971.06	528.21	255.89
Cash and Bank Balances	40.68	86.63	50.11	18.30	10.33	3.34
Loans and Advances	1060.01	844.27	205.30	121.22	46.77	67.96
Total (C)	7843.11	6852.35	2290.67	1727.19	996.23	549.16
Liabilities and Provisions (D)						
Secured Loans	2954.21	2725.42	402.65	752.35	406.52	305.01
Unsecured Loans	0.00	0.00	1.00	1.00	1.00	13.00
Deferred Tax Liability (Net)	28.91	32.36	83.20	54.30	0.00	0.00
Current Liabilities and Provisions	2712.41	2496.55	1609.64	1055.72	828.00	469.35
Total (D)	5695.53	5254.33	2096.49	1863.37	1235.52	787.36
Net Worth (A+B+C-D) = (E)	5323.95	4553.12	730.70	362.63	250.41	167.17
Represented by						
1. Share Capital	3450.00	3296.36	499.50	100.00	55.49	55.49
2. Reserves	1924.71	1293.55	233.84	263.23	194.92	111.71
Total	5374.71	4589.91	733.34	363.23	250.41	167.20
Less: Miscellaneous Expenditure not written off	50.76	36.79	2.64	0.60	0.00	0.03
Net Worth	5323.95	4553.12	730.70	362.63	250.41	167.17

Note:

- The fixed assets have not been revalued during any of the period under reporting.
- With effect from April 1, 2004 Bombay Rayon Private Ltd. was amalgamated with the company and businesses of partnership firms B R Exports and Garden City Clothings were taken over by the company w.e.f. March 1, 2005. Accordingly the figures for March 31, 2005 are inclusive of assets and liabilities of these entities.

Summary of Restated Profits and Losses

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Income						
Operational Income	4409.63	10729.05	5523.74	4791.35	2953.38	1595.37
Other Income	18.65	236.55	4.87	3.59	0.30	3.59
Increase / (Decrease) in Stocks	312.95	1785.43	(154.03)	(10.71)	105.11	140.89
Total (A)	4741.23	12751.03	5374.58	4784.23	3058.79	1739.85
Expenditure						
Cost of Raw Material / Goods Sold	3095.96	8163.08	2618.50	2766.43	1691.15	883.44
Manufacturing Expenses	424.39	1845.93	1380.91	1380.98	950.38	586.39
Excise Duty & Sales Tax	73.89	341.40	462.75	0.00	0.00	0.00
Employees' Remuneration & Benefits	152.01	190.35	67.17	45.09	25.80	18.29
Administrative and Other Expenses	117.29	323.23	142.75	135.45	99.80	61.37
Interest and Financial Charges	85.01	264.43	119.23	98.38	56.06	43.88
Selling & Distribution Expenses	205.24	485.83	223.95	142.32	96.80	61.95
Loss on sale of Assets	0.00	26.94	4.84	6.34	0.00	1.23
Miscellaneous Expenditure not Written Off	0.48	1.73	0.70	0.02	0.03	0.03
Total (B)	4154.27	11642.92	5020.80	4575.01	2920.02	1656.58
Profit before Depreciation, Tax and Extraordinary items	586.96	1108.11	353.78	209.22	138.77	83.27
Depreciation	65.84	188.39	59.38	51.63	44.67	26.16
Profit before Tax	521.12	919.72	294.40	157.59	94.10	57.11
Provision for Taxation						
- Current Tax	43.85*	244.52	85.00	35.00	11.00	6.00
- Less/(Add) Deferred Tax	(3.45)	(50.82)	28.91	12.89	0.00	0.00
Fringe Benefit Tax	3.20	0.00	0.00	0.00	0.00	0.00
Profit after Tax as per Audited Financial Statements	477.52	726.02	180.49	109.70	83.10	51.11
- Less/(Add) Previous Year Taxes	0.00	(0.19)	9.86	0.00	(0.10)	1.04
Profit available for appropriations	477.52	726.21	170.63	109.70	83.20	50.07
Add: Balance brought from previous year	760.25	233.85	263.22	194.92	111.72	61.65
Less: Capitalised for issue of bonus Shares	0.00	199.80	200.00	0.00	0.00	0.00
Less: Deferred Tax Liability as on April 1, 2002	0.00	0.00	0.00	41.40	0.00	0.00
Balance carried forward to Balance Sheet	1237.77	760.26	233.85	263.22	194.92	111.72

* Provision for current tax has been made as per section 115 JB of the Income Tax Act, 1961

Note:

1. The fixed asset has not been revalued during any of the reported year-end.
2. With effect from 01.04.2004, Bombay Rayon Private Ltd. was amalgamated with the company and business of partnership firms B R Exports and Garden City Clothings were taken over by the company w.e.f. March 1, 2005. Accordingly the figures for March 31, 2005 are inclusive of income and expenditure of these entities.

Bombay Rayon Fashions Limited

THE ISSUE

<p>Equity Shares offered: Fresh Issue by the Company</p> <p>Of Which Reserved for Employees</p> <p>Therefore, Net Issue to Public</p> <p>Of which A) Qualified Institutional Buyers portion</p> <p>B) Non-Institutional Portion</p> <p>C) Retail Individual Investors Portion</p> <p>Equity Shares outstanding prior to the Issue</p> <p>Equity Shares outstanding after the Issue</p> <p>Use of Issue proceeds</p>	<p>1,34,75,000 Equity Shares, constituting 27.51 % of the Post-Issue Paid up capital of the Company, constituting Rs. 9432.50 lacs</p> <p>6,12,500 Equity Shares aggregating to Rs. 428.75 lacs (Allocation on a proportionate basis)</p> <p>1,28,62,500 Equity Shares aggregating to Rs. 9003.75 lacs</p> <p>At most 64,31,250 Equity Shares, i.e., up to 50% of the Net Issue to Public aggregating to Rs. 4501.87 lacs (Allocation on a discretionary basis)</p> <p>At least 19,29,375 Equity Shares, i.e., minimum 15% of the Net Issue to Public aggregating to Rs. 1350.56 lacs (Allocation on a proportionate basis)</p> <p>At least 45,01,875 Equity Shares, i.e., minimum 35% of the Net Issue to Public aggregating to Rs. 3151.31lacs (Allocation on a proportionate basis)</p> <p>3,55,00,000 Equity Shares of face value of Rs.10/- each</p> <p>4,89,75,000 Equity Shares of face value of Rs.10/- each</p> <p>We intend to use the net proceeds of the Issue for part funding our Expansion Project. Kindly refer to the section titled "Objects of the Issue" on page 25 of the Prospectus for a detailed discussion on the objects of the Issue.</p>
---	--

Notes:

1. Employees of the Company as on the cut off date, i.e., September 30, 2005 shall be entitled to apply in the Employee Reservation Portion. However, the Promoter Directors and Promoter Group (relatives of Promoters) shall be ineligible to apply in the Employee Reservation Portion.
2. The unsubscribed portion, if any, in the Employee Reservation Portion shall be added back to the Net Issue to Public and will be considered for allotment only on a proportionate basis.
3. Under subscription, if any, in the Retail Individual Investors, Non-institutional Investors or QIBs portion would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.



BOMBAY RAYON FASHIONS LIMITED

(We were originally incorporated as Mudra Fabrics Private Limited on May 21, 1992. Name of our Company was changed to Mudra Fabrics Limited w.e.f. October 13, 1992. Name of our Company was further changed to Bombay Rayon Fashions Limited w.e.f. September 30, 2004)

Registered Office: D-1st Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (East), Mumbai 400 072 Telephone: + 91 22 56955566 Fax: + 91 22 28476992

Email: ipo@bombayrayon.com Website: www.bombayrayon.com

Registered with Registrar of Companies, Maharashtra, 100, Everest, Marine Lines, Mumbai 400 002

Registration No. 11-66880

GENERAL INFORMATION

Board of Directors

Our Company is currently managed by Board of Directors comprising of nine directors. Mr. Janardan Agrawal is the Non - Executive Chairman. The day-to-day affairs of the Company are being managed by Mr. Aman Agrawal, Executive Vice Chairman and Mr. Prashant Agarwal, Managing Director, assisted by other Executive Directors. Our Board of Directors comprises of the following:

Name	Designation
Mr. Janardan Agrawal	Non Executive Chairman
Mr. Aman Agrawal	Executive Vice Chairman
Mr. Naseer Ahmed	Joint Vice-Chairman
Mr. Prashant Agarwal	Managing Director
Mr. Uday Mogre	Executive Director (Corporate)
Mr. A R Mundra	Executive Director (Finance)
Dr. Pravin P. Shah	Director (Independent)
Mr. B. S. Bhesania	Director (Independent)
Mr. S. B. Agarwal	Director (Independent)

Brief details of our Chairman, Executive Vice-Chairman, Managing Director and Executive Directors:

Janardan Agrawal, aged 56 years is the Chairman of our Company. He is the main person behind the establishment and growth of the Bombay Rayon Group and has been involved in the business of BRFL since its inception. He has over 28 years of experience in textile industry more particularly in weaving segment of the industry. As chairman he provides strategic direction to our Company. He is accredited with establishment of the Bombay Rayon brand of fabrics in the local retail market. He has also set up a unique bi-annual presentation of company's collections to the trade, a very novel way of marketing the products and has exhibited foresight and vision in continuously growing the business and bringing the same to its present status. He has been the driving force behind the Group's growth. Mr. Agrawal started his career in pharmaceutical business in New Delhi in 1975. However, he shifted to Mumbai in 1979 and joined as a partner in a firm in the business of manufacture and trading in fabric. In 1986 he decided to start his own business resulting in establishment of Bombay Rayon Private Limited, the first company of the Group. Since 1997 Mr. Agrawal is assisted by his sons Aman Agrawal and Prashant Agarwal. In spite of adverse business cycles during the 1990's the Group has consistently made profits in all its companies under his dynamic and compassionate leadership.

Aman Agrawal, aged 33 years is the Executive Vice-Chairman of our Company. He is the elder son of Mr. Janardan Agrawal and has over 11 years of experience in the textile industry. Over the years he has developed expertise in weaving technology. The Group's reputation of being capable of delivering of any sort of complicated yarn dyed fabric is mainly due to his efforts of building in-house expertise of transforming complex designs from drawing board to shop floor. He is currently in charge of fabrics manufacturing and controls all the fabrics manufacturing activities including procurement of yarn, other raw materials, production planning & control and packing and logistics. He is presently involved in setting up home furnishing business for the Group, which has huge potential for made-ups in the export market. He provides strategic direction in selection of technology and machineries in setting up new manufacturing facilities, improvement of production processes and new ventures.

Bombay Rayon Fashions Limited

Prashant Agarwal, aged 31 years is the Managing Director of our Company. He is the younger son of Mr. Janardan Agrawal and has over 9 years of experience in the textile industry. Besides, being responsible for the overall management of the Company presently he is in charge of fabrics design, oversees marketing of fabrics and holds complete responsibility from initiation to delivery for the garment business. Mr. Prashant is accredited with development and growth of the Group's export business. Under his leadership exports of fabrics grew multifold. Sensing the enormous potential in garment exports post quota removal he decided to enter garment exports in a big way. The establishment of Bombay Rayon as a fashion brand in the international market and a reliable supplier of quality garments to top labels has been his achievement. The shift of strategic focus from a fabrics company to a fully integrated complete apparel company is due to his vision. He holds a bachelor degree in Chemical Engineering from University Institute of Chemical Technology, Bombay.

A.R. Mundra, aged 49 years is the Executive Director (Finance). He has experience of over twenty-four years in finance, commercial and managerial related matters. His core strength lies in fund procurement, internal controls, organizational systems and strategic planning. He has worked with organisations like Bhansali Engineering Polymers Limited as President, Welspun group of companies as Senior Vice-President (Finance) & Company secretary and Chief Executive (Commercial). In the initial stage of his career he has also worked with Indian Rayon and Industries Limited, other Birla group of companies and Gujarat Ambuja Cement Limited in various capacities. He holds a bachelor degree in commerce and law (gold medallist). He is an associate member of the Institute of Chartered Accountants of India and also of the Institute of Company Secretaries of India. He is also a member of the International Institute of Business Management, London. He was awarded 'Samaj Shri' for excellence in management by Indian Institute of Management Executives, Mumbai in 1994.

Uday C. Mogre, aged 53 years is our Executive Director (Corporate). He has over twenty-five years of experience and has initially worked with organizations like Advani Oerlikon Limited for eight years and then with Universal Luggage as General Manager (Finance). Later on he also worked with Reliance Industries Limited for fourteen years and his last assignment was with Texmaco group of companies (Jakarta, Indonesia) as Senior Vice President and Chief Financial Officer. During his long tenure with Reliance Industries Limited he worked as Executive Assistant to the Vice-Chairman for first four years and later on he handled senior level positions in the textured yarn and fibre intermediate marketing and was finally as Vice President (Finance) he was involved in project financing and implementation of SAP. In the initial stage of his career he worked as Scientific Officer with Heavy Water Project-Tuticorin, Department of Atomic Energy, Gol. He holds a bachelor degree in technology (Chemical Engineering) from Laxminarayan Institute of Technology, Nagpur and has completed Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad.

For brief profile of our other Directors kindly refer to the section titled 'Our Management' on page 74 of the Prospectus.

COMPLIANCE OFFICER

Mr. A. R. Mundra

Executive Director (Finance)
Bombay Rayon Fashions Limited
D-1st Floor, Oberoi Garden Estates,
Chandivali Farms Road,
Chandivali, Andheri (East),
Mumbai 400 072
Telephone: + 91 22 5695 5566
Fax: + 91 22 28476992
Email: ipo@bombayrayon.com

ASSISTANT COMPANY SECRETARY

Ms. Prachi Deshpande

Assistant Company Secretary
Bombay Rayon Fashions Limited
D-1st Floor, Oberoi Garden Estates,
Chandivali Farms Road,
Chandivali, Andheri (East),
Mumbai 400 072
Telephone: + 91 22 5695 5566
Fax: + 91 22 28476992
Email: prachi.deshpande@bombayrayon.com

Investors can contact the abovementioned compliance officer or the Registrar to the Issue in case of any Issue related queries such as non-receipt of letters of allotment/ share certificates / refund orders, etc.

BANKERS TO THE COMPANY

State Bank of India

Midcorporate Group-Mumbai Region,
Industrial Finance Branch
Snehal Chambers, Teli Galli,
Andheri (East)
Mumbai 400 061
Telephone: + 91 22 2683 0361
Fax: + 91 22 2683 1648
Email: ifbansys@vsnl.net

UTI Bank Limited

Royal Accord IV
Main Road, Lokhandwala Complex,
Andheri (West), 400053
Telephone: + 91 222 26352646
Fax: + 91 22 2632 8008
Email: utilok@bom8.vsnl.net.in

AUDITORS TO THE COMPANY

V. K. Beswal and Associates

Chartered Accountants
408/410, Rewa Chambers,
31, New Marine Lines,
Mumbai 400 020
Telephone: + 91 22 22005656
Fax: + 91 22 220 95656
Email: vkbeswal@hotmail.com

ISSUE MANAGEMENT TEAM

BOOK RUNNING LEAD MANAGERS

UTI Bank Limited

Capital Markets Department
Central Office: 111, Maker Towers 'F',
Cuffe Parade, Colaba,
Mumbai 400 005
Telephone: + 91 22 5507 4407 (Extn 1725)
Fax.: + 91 22 22162467
Email: utibmbd@utibank.co.in
Website: www.utibank.com
Contact Person: Mr. Vishal Sharan

Anand Rathi Securities Private Limited

54-55, Mittal Court B,
Nariman Point
Mumbai 400 021
Tel: + 91 22 2287 1388
Fax: + 91 22 2283 5131
Email: brfl@rathi.com
Website: www.rathi.com
Contact Person: Mr. Sachin Mehta

REGISTRAR TO THE ISSUE

INTIME SPECTRUM REGISTRY LIMITED

C-13, Pannalal Silk Mills Compound, LBS Marg
Bhandup (West),
Mumbai 400 078
Telephone: +91 22 5555 5491-94
Fax: +91 22 5555 5499
Email: brflipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Vishwas Attawar

LEGAL ADVISOR TO THE ISSUE

Mulla & Mulla & Craigie Blunt & Caroe

Advocates, Solicitors and Notaries
Mulla House, 51, M. G. Road,
Mumbai 400 001
Telephone: + 91 22 22044960
Fax.: + 91 22 22040246
Email: mullas@vsnl.com

Bombay Rayon Fashions Limited

SYNDICATE MEMBERS

UTI Bank Limited

Capital Markets Department
Central Office: 111, Maker Towers 'F',
Cuffe Parade, Colaba, Mumbai 400 005
Telephone: + 91 22 5507 4407 (Extn 1725)
Fax.: + 91 22 22162467
E-mail: utimbd@utibank.co.in
Website: www.utibank.com
Contact Person: Mr. Rohit Shrivastava

Anand Rathi Securities Private Limited

54-55, Mittal Court B,
Nariman Point
Mumbai 400 021
Tel: + 91 22 2287 1388
Fax: + 91 22 2283 513
E-mail: akshatatambe@rathi.com
Website: www.rathi.com
Contact Person: Ms. Akshata Tambe

BROKERS TO THE ISSUE

All members of the recognized stock exchanges would be eligible to act as Brokers to the Issue.

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKERS

UTI Bank Limited

Universal Insurance Building,
Sir P. M. Road, Fort,
Mumbai 400 001
Phone: +91 22 2284 6902
Fax: +91 22 2204 2640
E-mail: roshan.mathias@utibank.co.in
Website: www.utibank.com
Contact Person: Mr. Roshan Mathias

ICICI Bank Limited

Capital Market Group,
30, Mumbai Samachar Marg,
Fort, Mumbai 400 001
Phone: +91 22 2265 5207
Fax: +91 22 2262 1138
E-mail: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

The Hongkong and Shanghai Banking Corporation Limited

52/60, Mahatma Gandhi Road,
Mumbai 400 001
Phone: +91 22 2268 1673
Fax: +91 22 2262 3890
E-mail: dhirajbajaj@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Mr. Dhiraj Bajaj

Standard Chartered Bank

90, Mahatma Gandhi Road,
Fort, Mumbai 400 001
Phone: +91 22 2268 3534
Fax: +91 22 2269 0232
E-mail: Elesh.Ramaiya@in.standardchartered.com
Website: www.standardchartered.com
Contact Person: Mr. Elesh Ramaiya

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES AMONGST BRLMS TO THE ISSUE

The Responsibilities and coordination for various activities in the Issue have been distributed amongst the BRLMs as under:

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	UTI Bank, Anand Rathi	UTI Bank
Due diligence of the Company's operations / management / business plans/legal etc.	UTI Bank, Anand Rathi	UTI Bank
Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. Ensure compliance with stipulated requirements and completion of prescribed formalities with SEBI, Stock Exchanges, RoC	UTI Bank, Anand Rathi	UTI Bank
Primary coordination with SEBI, Stock Exchanges and RoC upto bidding and coordinating interface with lawyers for agreement	UTI Bank, Anand Rathi	UTI Bank
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	UTI Bank, Anand Rathi	UTI Bank
Appointment of Registrar, Escrow Collection Bankers and Bankers to the Issue, Printers and Advertising Agency	UTI Bank, Anand Rathi	Anand Rathi
Company Positioning and pre-marketing exercise, finalize media and PR strategy	UTI Bank, Anand Rathi	Anand Rathi
Qualified Institutional Buyers (QIB): Finalising the list and division of investors for one to one meeting and co-ordinating institutional investors meetings.	UTI Bank, Anand Rathi	UTI Bank
Non Institutional and Retail Marketing of the Issue, which will cover inter alia, <ul style="list-style-type: none"> ● Formulating marketing strategies ● preparation of publicity budget ● Finalizing centres for holding conferences for brokers, etc. ● Finalize collection centres ● Follow-up on distribution of publicity and Issue material including form, prospectus and deciding on the quantum of the Issue material 	UTI Bank, Anand Rathi	Anand Rathi
<ul style="list-style-type: none"> ● Appointment of Syndicate Members/Brokers to the Issue ● Finalise Underwriters and the Underwriting Arrangement 	UTI Bank, Anand Rathi	Anand Rathi
Managing the Book, Interaction/Co-ordination with Stock Exchange for book building software, bidding terminals and mock trading	UTI Bank, Anand Rathi	Anand Rathi
Finalising pricing, QIB allocation and intimation by BRLMs in consultation with the Company	UTI Bank, Anand Rathi	Anand Rathi
Finalization of Prospectus and RoC filing etc.	UTI Bank, Anand Rathi	UTI Bank
Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, invoking the Underwriting obligations and ensuring the underwriters pay the amount of devolvement etc.	UTI Bank, Anand Rathi	Anand Rathi
The post Issue activities of the Issue will involve essential follow up steps, which include finalisation of basis of allotment/weeding out of multiple applications, listing of instruments and despatch of non institutional allotments advice and related orders, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business.	UTI Bank, Anand Rathi	Anand Rathi

Bombay Rayon Fashions Limited

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.

Monitoring Agency

As the Issue size shall be less than Rs. 500 crores monitoring agency is not required to be appointed to monitor the utilization of funds.

Appraisal of the Expansion Project

M/s Gherzi Eastern Limited has done the techno-economic feasibility study and UTI Bank Limited has done the financial appraisal for the Expansion Project. Written consents have been obtained from M/s Gherzi Eastern Limited and UTI Bank Limited for using their reports in the Prospectus.

Techno-Economic Feasibility Study By	Financial Appraisal By
M/s Gherzi Eastern Limited Raheja Point, Pandit Jawahar Lal Nehru Marg, Vakola, Santacruz (East), Mumbai 400 055 Telephone: + 91 22 55021380 Fax: + 91 22 22673193 Email: gel@gherzieastern.com	UTI Bank Limited Capital Markets Department Central Office: 111, Maker Towers 'F', Cuffe Parade, Colaba, Mumbai 400 005 Telephone: + 91 22 5507 4407 Fax.: + 91 22 22162467 Email: utibmbd@utibank.co.in

Book Building Process

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

1. The Company;
2. Book Running Lead Managers, in this case being UTI Bank Limited and Anand Rathi Securities Private Limited;
3. Syndicate Members, who are intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs; and
4. Registrar to the Issue

The SEBI Guidelines has permitted an issue of securities to the public through the 100% Book Building Process, wherein maximum 50% of the Issue shall be allocated on a discretionary basis to QIBs. Further, at least 15% of the Issue shall be available for allotment on a proportionate basis to Non Institutional Bidders and at least 35% of the Issue shall be available for allotment on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

The Company shall comply with guidelines issued by SEBI for the Issue. In this regard, the Company has appointed UTI Bank Limited and Anand Rathi Securities Private Limited as the Book Running Lead Managers (collectively being referred to as BRLMs) to the Issue to procure subscription to the Issue.

The investors are advised to make their own judgment about investment through the process of book building prior to making a Bid in the Issue. Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. For further information kindly refer to the section titled "Terms of the Issue" on page 131 of the Prospectus.

Steps to be taken by the Bidders for bidding

1. Check whether he/ she is eligible for bidding (kindly refer to the paragraph "Issue Procedure - who can Bid" on page 137 of the Prospectus);
2. Ensure that the Bidder has a demat account; and
3. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Prospectus and in the Bid cum Application Form.

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, the Company shall enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfil their underwriting obligations.

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in lacs)
UTI Bank Limited	67,37,500	4716.25
Anand Rathi Securities Private Limited	67,37,500	4716.25

The above-mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation. The above underwriting agreement is dated November 21, 2005.

In the opinion of the BRLMs and our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at their meeting held on November 21, 2005 have accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company and have issued letters of acceptance to the Underwriters.

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

Bombay Rayon Fashions Limited

CAPITAL STRUCTURE

Share capital of our Company as at the date of filing of the Prospectus with SEBI is set forth below:

(Rs. in lacs, except share data)

Share Capital	Face Value	Aggregate Value
(A) Authorized Share Capital 5,00,00,000 Equity Shares of Rs.10 each	5,000.00	
(B) Issued, Subscribed and Paid-Up Capital before the Issue 3,55,00,000 Equity Shares of Rs.10 each	3,550.00	
(C) Present Issue in terms of the Red Herring Prospectus 1,34,75,000 Equity Shares of Rs.10 each	1,347.50	9,432.50
Out of which 6,12,500 Equity Shares are reserved for the Employees of the Company	61.25	428.75
1,28,62,500 Equity Shares is the Net Issue to Public	1,286.25	9,003.75
(D) Paid up Equity Capital after the Issue 4,89,75,000 Equity shares of Rs. 10 each	4,897.50	-
(E) Securities Premium Account Before the Issue		1,086.94
After the Issue		9,171.94

- a. The details of increase and change in authorized share capital of our Company after the date of incorporation till filing of the Prospectus with SEBI is as follows:

(Rs. in lacs, except face value)

Date of change	Nature of increase/change	Number of Equity Shares	Face Value	Number of Preference Shares	Face Value	Authorized Share Capital
September 16, 1992	Increase	99500	100	500	100	100.00
November 28, 2002	Increase	199500	100	500	100	200.00
October 14, 2003	Increase	499500	100	500	100	500.00
March 30, 2004	Subdivision	4995000	10	500	100	500.00
April 7, 2004	Increase	9995000	10	500	100	1000.00
January 22, 2005	Increase	29995000	10	500	100	3000.00
March 30, 2005	Increase	50000000	10	Nil*	Nil*	5000.00

* Preference Shares have been cancelled at the EGM held on March 30, 2005.

- b. At an EGM held on March 30, 2004 sub division of Equity Shares was approved resulting in each Equity Share of Rs.100/- each being subdivided into 10 Equity Share of Rs.10/- each and consequently the authorized share capital of our Company was altered from Rs. 500 lacs consisting of 499500 Equity Shares of Rs. 100/- each and 500 preference shares of Rs. 100/- each to Rs. 500 lacs consisting of 4995000 Equity Shares of Rs. 10/- each and 500 preference shares of Rs. 100/- each.
- c. At the EGM held on March 30, 2005 authorized share capital was increased to Rs. 5000 lacs consisting of 50000000 Equity Shares of Rs. 10/- each.

Notes to Capital Structure:
1. Share Capital History of our Company

Date of Allotment	Number of shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of Issue & reason for allotment	Cumulative paid up share capital (Rs.)	Cumulative share premium (Rs.)
May 21, 1992	20	100	100	Cash at par	Subscription to MoA	2,000	Nil
Aug. 24, 1992	6180	100	100	Cash at par	Preferential Allotment to Promoters and Promoter Group	6,20,000	Nil
March 24, 1994	8103	100	100	Cash at par	Preferential Allotment to Promoters and Promoter Group	14,30,300	Nil
Feb. 28, 1997	6100	100	100	Cash at par	Preferential Allotment to Promoters and Promoter Group	20,40,300	Nil
Feb. 15, 2000	30100	100	100	Cash at par	Preferential Allotment to Promoters and Promoter Group	50,50,300	Nil
May 12, 2000	4990	100	100	Cash at par	Preferential Allotment to Promoters and Promoter Group	55,49,300	Nil
Dec. 15, 2002	44507	100	100	Cash at par	Preferential Allotment to Promoters and Promoter Group	1,00,00,000	Nil
October 16, 2003	200000	100	100	Bonus in the ratio of 2:1	Bonus Issue	3,00,00,000	Nil
October 25, 2003	199500	100	100	Cash at par	Preferential Allotment to Promoters and Promoter Group	4,99,50,000	Nil
May 3, 2004	1998000	10	10	Bonus in the ratio of 2:5	Bonus Issue	6,99,30,000	Nil

Bombay Rayon Fashions Limited

Date of Allotment	Number of shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Nature of Issue & reason for allotment	Cumulative paid up share capital (Rs.)	Cumulative share premium (Rs.)
May 14, 2004	3000000	10	10	Cash at par	Preferential Allotment to Group Companies	9,99,30,000	Nil
March 29, 2005	11587600	10	10	As per Scheme of Amalgamation	As per Scheme of Amalgamation	21,58,06,000	Nil
March 31, 2005	6050000	10	10	Cash at par	Preferential Allotment to Promoters, Promoter Group & Group Companies	27,63,06,000	Nil
March 31, 2005	5333040	10	20	Cash at a premium of Rs. 10 per Equity Share	Preferential Allotment to Others	32,96,36,400	5,33,30,400
May 16, 2005	702000	10	20	Cash at a premium of Rs. 10 per Equity Share Preferential	Allotment to Others	33,66,56,400	6,03,50,400
June 11, 2005	834360	10	20	Cash at a premium of Rs. 10 per Equity Share	Preferential Allotment to Group Companies and Others	34,50,00,000	6,86,94,000
July 25, 2005	1000000	10	50	Cash at a premium of Rs. 40 per Equity Share	Allotment to EXIM Bank on preferential basis	35,50,00,000	10,86,94,000

2. Details of Allotment to Promoters, Promoters Holding and Lock-in:
Allotment of Equity Shares to Promoters

Name of the Promoter	Date of Allotment	No of Equity Shares	Face Value & Issue Price (Rs.)	Consideration
Mr. Janardan Agrawal	August 24, 1992	10	100	Cash
	March 24, 1994	1,001	100	Cash
	February 28, 1997	4,000	100	Cash
	February 15, 2000	13,500	100	Cash
	May 12, 2000	2,990	100	Cash
	December 15, 2002	11,120	100	Cash
	October 16, 2003	65,242	100	Bonus
	October 25, 2003	11,250	100	Cash
	Sub-Division	10,91,130	10	—
	May 3, 2004	4,36,452	10	Bonus
	March 29, 2005	43,71,840	10	As per Scheme of Amalgamation
	March 31, 2005	17,00,000	10	Cash
	Total	75,99,422 Equity Shares of Rs. 10 each		
Mr. Aman Agrawal	May 21, 1992	10	100	Cash
	March 24, 1994	1,001	100	Cash
	February 15, 2000	5,000	100	Cash
	October 16, 2003	26,384	100	Bonus
	October 25, 2003	77,250	100	Cash
	Sub-Division	10,96,450	10	—
	May 3, 2004	4,67,304	10	Bonus
	March 29, 2005	14,02,840	10	As per Scheme of Amalgamation
	March 31, 2005	3,00,000	10	Cash
Total	32,66,594 Equity Shares of Rs. 10 each			
Mr. Prashant Agarwal	August 24, 1992	3,400	100	Cash
	March 24, 1994	2,000	100	Cash
	February 15, 2000	8,000	100	Cash
	December 15, 2002	22,267	100	Cash
	October 16, 2003	71,334	100	Bonus
	October 25, 2003	99,750	100	Cash
	Sub-Division	20,67,510	10	—
	May 3, 2004	8,46,204	10	Bonus
	March 29, 2005	18,51,280	10	As per Scheme of Amalgamation
	March 31, 2005	13,00,000	10	Cash
Total	60,64,994 Equity Shares of Rs. 10 each			

Bombay Rayon Fashions Limited

Pre Issue Shareholding of the Promoters

Name of the Promoter	Equity Shares Allotted	Equity Shares Transferred	Total Number of Equity Shares	Pre Issue Shareholding
Janardan Agrawal	75,99,422	Nil	75,99,422	21.41 %
Aman Agrawal	32,66,594	7,181*	33,38,404	9.40 %
Prashant Agarwal	60,64,994	98,000	61,62,994	17.36 %
Total			1,71,00,820	48.17%

* Equity Shares of Rs. 100 each transferred before sub division

Notes:

- On October 6, 2003 seven different shareholders of the Company had transferred 7181 Equity Shares of Rs. 100 each to Mr. Aman Agrawal at par (including the entire 1011 Equity Shares held by Mr. Narendra Agarwal, a first director of the Company).
- Transfer of 48000 (at par) and 50000 Equity Shares (at a premium of Rs. 10) to Mr. Prashant Agarwal on April 12, 2004 and July 4, 2005 respectively.

Lock in of Minimum Promoters Contribution

Name of Promoter	Date of Allotment	Number of Equity Shares	Nature of Allotment	Face Value (Rs.)	Issue Price	% of Post-Issue Paid-up capital	Lock-in Period
Mr. Janardan Agrawal	March 29, 2005	43,71,840	As per Scheme of Amalgamation	10	—	8.93%	3 year
	May 3, 2004	4,36,452	Bonus**	10	—	0.89%	3 year
	October 25, 2003	1,12,500*	Preferential	10	10	0.23%	3 year
	TOTAL	49,20,792	Equity Shares of Rs. 10 each				
Mr. Aman Agrawal	March 29, 2005	14,02,840	As per Scheme of Amalgamation	10	—	2.86%	3 year
	May 3, 2004	4,67,304	Bonus**	10	—	0.95%	3 year
	October 25, 2003	1,53,290*	Preferential	10	10	0.32%	3 year
	TOTAL	20,23,434	Equity Shares of Rs. 10 each				
Mr. Prashant Agarwal	March 29, 2005	18,51,280	As per Scheme of Amalgamation	10	—	3.78%	3 year
	May 3, 2004	8,46,204	Bonus**	10	—	1.73%	3 year
	October 25, 2003	1,53,290*	Preferential	10	10	0.31%	3 year
	TOTAL	28,50,774	Equity Shares of Rs. 10 each				
			Total 97,95,000 Equity Shares			20.00%	3 year

* Equity Shares of Rs. 100 each post subdivision into Equity Shares of Rs. 10 each

** The Bonus Issue of Equity Shares considered for lock-in above were issued out of capitalization of free reserves

- a) Equity Shares held by a person other than the Promoters, prior to the Issue, which are locked in as per SEBI (DIP) Guidelines, may be transferred to any other person holding Equity Shares which are locked in as per SEBI (DIP) Guidelines subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.

- b) The Equity Shares to be held by the Promoters under lock-in period shall not be sold/hypothecated/transferred during the lock-in period. However, the Equity Shares may be transferred amongst Promoter/Promoter group or to a new Promoter or persons in control of the Company, subject to continuation of lock-in in the hands of the transferees for the remaining period and compliance of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable.
- c) The Promoters have vide their letter dated August 12, 2005 given their consent for lock in as stated above. Equity Shares issued last shall be locked in first. The entire pre-issue capital, other than the minimum Promoters contribution, which is locked in for three years shall be locked in for a period of one year. The lock-in shall start from the date of allotment in the Issue and the last date of the lock- in shall be reckoned as three years from the date of allotment in the Issue.
- d) Locked in Equity Shares held by a Promoter can be pledged with banks or financial institutions as collateral for loans granted by such banks or financial institutions, provided pledge of shares is one of the terms of sanction of loan.
3. The Promoter, Promoter Group or the Directors have not purchased or sold any Equity Shares from the market during a period of six months preceding the date on which the Prospectus is filed with SEBI. However, there have been fresh allotments and transfers made to the Promoters and the Promoter Group. For details, kindly refer to note number 2.

4. Shareholding of Promoter Group (Other than Core Promoters)

Name	Date of Acquisition	No. of Equity Shares	Nature of Issue	Issue Price (Rs.)
Individuals and HUF				
Bimladevi Agrawal	March 29, 2005	4,13,200	As per Scheme of Amalgamation	—
Radhadevi Agarwal	August 24, 1992	500*	Preferential allotment at par	100
	October 16, 2003	1,000*	Bonus in the ratio of 2:1	—
	May 3, 2004	6,000	Bonus in the ratio of 2:5	—
	March 29, 2005	1,36,000	As per Scheme of Amalgamation	—
	Total	1,57,000		
Sushila Agarwal	March 31, 2005	7,50,000	Preferential allotment at par	10
Payal Agarwal	March 24, 1994	1,600*	Preferential allotment at par	100
	October 16, 2003	3,200*	Bonus in the ratio of 2:1	—
	May 3, 2004	19,200	Bonus in the ratio of 2:5	—
	March 29, 2005	1,12,000	As per Scheme of Amalgamation	—
	Total	1,79,200		
Vinita Agarwal	February 15, 2000	3,500*	Preferential allotment at par	100
	December 15, 2002	11,120*	Preferential allotment at par	100
	October 16, 2003	29,240*	Bonus in the ratio of 2:1	—
	October 25, 2003	11,250*	Preferential allotment at par (Note a)	100
	May 3, 2004	2,20,440	Bonus in the ratio of 2:5	—
	March 29, 2005	25,44,440	As per Scheme of Amalgamation	—
	March 31, 2005	5,00,000	Preferential allotment at par	10
	Total	38,15,980		
Vedant Agarwal	March 29, 2005	3,20,000	As per Scheme of Amalgamation	—

Bombay Rayon Fashions Limited

Name	Date of Acquisition	No. of Equity Shares	Nature of Issue	Issue Price (Rs.)
Priyanka Agarwal	February 15, 2000	100*	Preferential allotment at par	100
	October 16, 2003	200*	Bonus in the ratio of 2:1	—
	May 3, 2004	1,200	Bonus in the ratio of 2:5	—
	March 29, 2005	40,000	As per Scheme of Amalgamation	—
	Total	44,200		
Aayush Agarwal	March 29, 2005	1,20,000	As per Scheme of Amalgamation	—
Janardan Agrawal (HUF)	March 29, 2005	1,56,000	As per Scheme of Amalgamation	—
Sub Total [A]		59,55,580		
Group Companies				
Reynold Shirting Private Limited	May 14, 2004	30,00,000	Preferential allotment at par	10
Bombay Rayon Clothing Limited	March 31, 2005	15,00,000	Preferential allotment at par	10
	June 11, 2005	1,78,360	Preferential allotment at a premium of Rs. 10	20
	April 27, 2005	(53,900)	Transfer including transfer to Employees of the Company (Note b)	10
	June 11, 2005	(3,21,700)	Transfer including transfer to Employees of the Company (Note b)	10
	Total	13,02,760		
Sub Total [B]		43,02,760		
Total [A + B]		1,02,58,340		

Note: 1,13,900 Equity Shares held by Employees of the Company (including their relatives), which were transferred to them at par by Bombay Rayon Clothing Limited, one of our Group Companies in two tranches, first being 50,200 Equity Shares on April 27, 2005 and 63,700 Equity Shares on June 11, 2005.

5) Pre and Post-Issue Shareholding Pattern of our Company:

Category	Pre Issue		Post Issue	
	Shares	%	Shares	%
Promoters				
Janardan Agrawal	75,99,422	21.41 %	75,99,422	15.52 %
Aman Agrawal	33,38,404	9.40 %	33,38,404	6.82 %
Prashant Agarwal	61,62,994	17.36 %	61,62,994	12.58 %
Sub-total (A)	1,71,00,820	48.17 %	1,71,00,820	34.92 %
Promoters Group				
Bimladevi Agarwal	4,13,200	1.16 %	4,13,200	0.84 %
Radhadevi Agarwal	1,57,000	0.44%	1,57,000	0.32 %
Sushila Agarwal	7,50,000	2.11 %	7,50,000	1.53 %
Payal Agarwal	1,79,200	0.50 %	1,79,200	0.37 %
Vinita Agarwal	38,15,980	10.75 %	38,15,980	7.79 %
Vedant Agarwal	3,20,000	0.90 %	3,20,000	0.65 %
Priyanka Agarwal	44,200	0.12 %	44,200	0.09 %
Aayush Agarwal	1,20,000	0.34 %	1,20,000	0.25 %
Sub-total (B)	57,99,580	16.34 %	57,99,580	11.84 %
Group Companies/Firms/HUFs				
Janardan Agrawal (HUF)	1,56,000	0.44 %	1,56,000	0.32 %
Reynold Shirting Private Limited	30,00,000	8.45 %	30,00,000	6.13 %
Bombay Rayon Clothing Limited	13,02,760	3.67 %	13,02,760	2.65 %
Sub-total (C)	44,58,760	12.56 %	44,58,760	9.10 %
Promoters Group Total Shareholding	2,73,59,160	77.07 %	2,73,59,160	55.86 %
[A+B+C] = [X]				
Others (Note 1)	81,40,840	22.93 %	81,40,840	16.63 %
Public	—	—	1,28,26,500	27.51 %
Sub-total [Y]	81,40,840	22.93 %	2,09,67,340	44.14%
Grand Total [X+Y]	3,55,00,000	100.00%	4,83,26,500	100.00%

Note 1: Others include 10,00,000 Equity Shares of our Company (Constituting 2.82 % of the pre-Issue Capital) allotted to Export- Import Bank of India (EXIM Bank) on preferential basis at a premium of Rs. 40 each aggregating to Rs. 5 crores.

Bombay Rayon Fashions Limited

6) Equity Shares held by the top ten shareholders

a) Top ten shareholders as on the date of filing of the Prospectus with SEBI

Name of Shareholders	Number of shares	% of Total
Janardan Agrawal	75,99,422	21.41 %
Prashant Agarwal	61,62,994	17.36 %
Scott Garment Private Limited	40,00,000	11.27 %
Vinita Agarwal	38,15,980	10.75 %
Aman Agarwal	33,38,404	9.40 %
Reynold Shirting Private Limited	30,00,000	8.45 %
Bombay Rayon Clothing Limited	13,02,760	3.67 %
EXIM Bank	10,00,000	2.82 %
Sushila Agarwal	7,50,000	2.11 %
Bimladevi Agarwal	4,13,200	1.16 %
Total Equity Shares	3,13,82,760	88.4%

b) Top ten shareholders 10 days prior to the date of filing of the Prospectus with SEBI

Name of Shareholders	Number of shares	% of Total
Janardan Agrawal	75,99,422	21.41 %
Prashant Agarwal	61,62,994	17.36 %
Scott Garment Private Limited	40,00,000	11.27 %
Vinita Agarwal	38,15,980	10.75 %
Aman Agrawal	33,38,404	9.40 %
Reynold Shirting Private Limited	30,00,000	8.45 %
Bombay Rayon Clothing Limited	13,02,760	3.67 %
EXIM Bank	10,00,000	2.82 %
Sushila Agarwal	7,50,000	2.11 %
Bimladevi Agrawal	4,13,200	1.16 %
Total Equity Shares	31382760	88.4%

c) Top ten shareholders as on two years prior to the date of filing of the Prospectus with SEBI

Name of Shareholders	Number of shares	% of Total
Prashant Agarwal	35,667	35.66 %
Janardan Agrawal	32,621	32.62 %
Vinita Agarwal	14,620	14.62 %
Aman Agrawal	6,001	6.00 %
Sandeep Didwania	2,000	2.00 %
Sapna Agarwal	1,600	1.6 %
Payal Agarwal	1,600	1.6 %
Kunal Agarwal	1,500	1.5 %
Narendra Agarwal	1,011	1.01 %
Ravindra Agarwal	1,000	1.00 %
Total Equity Shares	97,620	97.61 %

7) Equity Investment by EXIM Bank

Export- Import Bank of India has been allotted 1000000 Equity Shares of our Company (Constituting 2.82 % of the pre-Issue Capital) at a premium of Rs. 40 each aggregating to Rs. 5 crores. For further details of this equity investment by EXIM Bank, kindly refer to the paragraph on 'Our Strategic and Financial Partners' on page 73 of the Prospectus.

8) Buy-back and Standby arrangements

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

9) Promoters' contribution has been brought in to the extent of not less than the specified minimum lot (being minimum contribution of Rs. 25,000/- per application from each Promoters) and from the persons who have been defined as Promoters in the Prospectus.

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

11) The Equity Shares offered through the Issue will be fully paid up.

12) Employees of our Company as on the cut-off date, i.e., September 30, 2005 would be eligible to apply in the Issue under the Employees Reservation Portion on competitive basis. The number of eligible Employees of our Company as on the cut-off date is 1354. Employees of the Company can also apply in the 'Net Issue to Public' and such applications shall not be treated as multiple applications.

The unsubscribed portion, if any, in the Employee Reservation Portion shall be added back to the Net Issue to Public.

13) In the Public Issue, in case of over subscription in all categories, up to 50% of the Net Issue to Public shall be allocated to QIBs on a discretionary basis. Further, at least 15% of the Net Issue to Public shall be available for allocation to non-institutional bidders and at least 35% of the Net Issue to Public shall be available for allocation to retail bidders, on proportionate basis and subject to valid bids being received at or above the Issue Price. Under subscription, if any, in the Non-institutional, Retail or QIBs categories shall be allowed to be met with spillover from any other category at the sole discretion of the Company and the BRLMs.

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

15) At present we do not have any intention or proposal to alter our capital structure for a period of six months from date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or to make a further issue of Equity Shares (including issue of securities convertible into Equity Shares) whether preferential or otherwise except ESOPs if any or if we enter into acquisition or joint ventures or make investments, in which case we may consider raising additional capital to fund such activity or use equity shares as a currency for acquisition or participation in such joint ventures or investments.

16) As on the date of filing the Prospectus with SEBI, there are no outstanding financial instruments or any other right, which would entitle the Promoters or shareholders or any other person any option to receive equity shares after the Issue. The Company does not have any outstanding ESOP.

17) We have not issued any Equity Shares out of revaluation reserve or for consideration other than cash except for bonus issues out of free reserves.

18) We have made following allotments of Equity Shares for consideration other than cash:

Date of Allotment	Number of Equity Shares	Face Value	Nature of Allotment
October 16, 2003	2,00,000	100	Bonus in the ratio of 2:1
May 3, 2004	19,98,000	10	Bonus in the ratio of 2:5
March 29,2005	1,15,87,600	10	As per Scheme of Amalgamation

19) At any given point of time there shall be only one denomination of Equity Shares of our Company, unless otherwise permitted by law. The Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.

Bombay Rayon Fashions Limited

- 20) No single applicant can make an application for number of shares, which exceeds the number of shares offered.
- 21) Our Company has 273 shareholders as on the date of filing the Prospectus with SEBI.
- 22) There are restrictive covenants in the agreements that we have entered into with certain banks for short-term loans and long-term borrowings. These restrictive covenants in many cases provides for borrowers covenants which are restrictive in nature and require us to obtain their prior permission for alteration of the capital structure, change in beneficial ownership of or control of the Company, entering into any merger/amalgamation, expenditure in new projects, transfer/change in the key personnel, change in the constitutional documents etc. Further, in many cases lenders have right to appoint a nominee director on the Board of Directors of the Company upon an event of default. Also, there are restrictive covenants regarding declaration and payment of dividend in cases of any subsisting default or out of accumulated reserves.
- 23) As required under the letter of sanction of Citi Bank issued for sanction of mortgage loans, we have obtained a No Objection Certificate dated August 9, 2005 from Citi Bank for making this initial public offering.
- 24) An over-subscription to the extent of 10% of the Net Issue to Public can be retained for the purposes of rounding off to the nearest multiple of one Equity Share while finalising the basis of allotment.

OBJECTS OF THE ISSUE

We are a multi divisional textile company engaged in the manufacture of a variety of fabrics and garments with modern production facilities. With a modest beginning of manufacturing fabrics, we expanded our capacities for manufacture of woven fabric and started catering to shirting segment. Realising the potential our Group has intently moved towards the garment manufacturing mainly to conserve the fabrics margins and take advantage of the higher margins offered by the designer / fancy shirt segment. Our manufacturing facilities are spread across four locations at Navi Mumbai, Silvassa, Sonale in Thane district and Bangalore.

Now, we are setting up an integrated facility of yarn dyeing, weaving, process house and garment manufacturing (the Expansion Project) at the apparel park being developed by Karnataka Industrial Area Development Board (KIADB) in Doddaballapura near Bangalore in two plots of land admeasuring approximately 20.16 acres. M/s Gherzi Eastern Limited has done the techno-economic feasibility study and UTI Bank Limited has done financial appraisal for the Expansion Project.

The proceeds from the Issue after deducting the Issue expenses are estimated at Rs 8,865.20 lacs and are intended to be deployed as under:

1. To part fund the Expansion Project;
2. To meet the working capital requirements for the Expansion Project; and
3. To meet the expenses of the Issue.

The other object of the Issue is to get the Equity Shares listed on the Stock Exchanges, as we believe that listing will enhance our visibility and brand image.

The main objects clause and objects incidental or ancillary to the main objects of the Memorandum of Association of our Company enables us to undertake existing activities as well as the activities for which the funds are being raised through the Issue.

Requirement of Funds

We estimate the total requirement of funds for the Expansion Project as follows:

(Rs. in lacs)

Sr. No.	Particulars	Amount
1.	Capital expenditure for setting up the Expansion Project	14,430
2.	Margin money for working capital requirement for the Expansion Project in the first year of operation	1,742
3.	Issue Related Expenses	567.30
	TOTAL	16,739.30

Means of Finance

The entire requirement of the funds for the Expansion Project is proposed to be funded through rupee term loans to be raised through banks/financial institutions and the proceeds of the Issue. In case of any shortfall in the means of finance or cost escalation in the Expansion Project, the same shall be met by our Promoters from their own resources. Excess money, if any, will be utilized for general corporate purpose including but not restricted to repayment of loans or towards working capital requirement. We undertake that firm arrangements of finance have already been made for the whole of the debt component of the Project Cost.

(Rs. in lacs)

S. No.	Sources of Finance	Amount
1.	Public Issue of Equity Shares	9,432.50
2.	Rupee Term loan from FI/Banks	10,172
	TOTAL	19,604.50

Note:

1. The entire rupee term loan of the Expansion Project amounting to Rs. 10,172 lacs has already been tied up and we had received final sanction letters from six banks for a total amount of Rs.13,572 lacs. We are in the process of

Bombay Rayon Fashions Limited

finalising the allocation of loans to these banks. The entire rupee term loan of the Expansion Project amounting to Rs. 10,172 lacs is eligible for a 5 % interest subsidy under the Technology Upgradation Fund Scheme (TUFS). The interest subsidy is allowed subject to fulfilment of conditions such as investments in only eligible machinery as notified under the Scheme, 20% equity contribution in the Project Cost, maximum loan period of 8 to 10 years including an initial moratorium of 1 to 2 years, security by way of first charge on all present and future assets, debt-equity ratio of 1.5:1 etc.

- Further, under the amended provisions of TUFS we will also be eligible for an additional incentive of 10% capital subsidy for the specified textile processing machinery if we make investments in such specified processing machinery before April 19, 2006. This capital subsidy will be over and above the 5% interest subsidy to which we are entitled. Our proposed investment in machinery of textile processing is eligible for additional 10% capital subsidy, though the same was not considered in computation of the Project Cost by M/s Gherzi Eastern Limited as this additional incentive was announced by Gol after completion of the techno economic feasibility study for our Expansion Project. For details of TUFS kindly refer to the section titled 'Regulation and Policies' on 84 of the Prospectus.

Techno Economic Feasibility Study for the Expansion Project

We have appointed M/s Gherzi Eastern Limited (GEL), Project Consultants, Consulting Engineers and Architects for conducting the techno-economic feasibility study and for implementation of the Expansion Project. GEL ranks amongst the experienced and renowned textile consultants who have successfully completed a number of textile projects in India and abroad. GEL is a professional organisation equipped with a competent team of qualified engineers from different disciplines viz. textiles, civil, architecture, structural, utility, environment, air conditioning, electrical, mechanical and has the complete infrastructure to cater to the needs of similar projects.

The scope of their services ranges from concept planning to commercial production and *inter-alia* covers the following:

- Technology planning:** Technology planning covers selection of technology and production machines, preparation of machinery layout, site investigation, master planning for the Expansion Project and basic data fixation for utility services.
- Building:** Building covers preparing building designs, architectural drawings, structural designs and detailed drawings, submission and approval of drawings, preparing tender documents, calling bids and techno-commercial analysis of bids.
- Utility services:** Utility services covers utility services planning, designing, preparation of technical specifications, tender documents, basis layouts, and drawings for utilities and providing assistance in procurement of utility equipments.
- Construction management:** GEL will provide construction management and supervision services from the start of construction till commissioning and handing over of the Expansion Project for commercial operation.
- Technical support for commissioning and trial runs:** This aspect will cover erection co-ordination of the main plant and machinery, setting up of production standards to meet international requirements, commissioning of plant production including quality control, testing, labelling, and packing, assisting in setting up adequate information and management systems and monitoring of manufacturing performance.

Financial Appraisal of the Expansion Project

The Financial Appraisal of the Expansion Project has been done by UTI Bank Limited. The scope of services for financial services was as under:

- Firming up of financials projections for the Expansion Project through review of the expected revenue streams, cost components, market conditions, cost components of the project etc;
- Identifying and evaluating various options for raising term debt. Evaluation criteria would include the cost of funds, the expected time-frame for sourcing of funds, security requirements, ability of the source of funds to blend with other elements of the financing plan and flexibility of the plan;
- Preparation and submission of an Information Memorandum to prospective lenders. This will outline the salient technical and commercial features of the Company, evaluate the financing plan in terms of the risk profile of the Company, objectives and present detailed financial statements for varying operational and financial parameters;
- Assisting in firming up of capital expenditure / cost of the project and means of financing;
- Assisting in firming up of future financials projections through review of critical assumptions viz. traffic projections, revenue streams, cost components etc; and
- Assisting in undertaking a review of profitability projections, financial indicators viz. IRR, Cost of Capital, DSCR etc. for the purpose of approaching lenders for financing of the Expansion Project.

The Expansion Project

Presently we are into the business of manufacture of woven fabrics and readymade garments (mainly men's shirts). Our weaving facilities are spread at three locations, viz, Sonale village in Thane district, Navi Mumbai and Silvassa producing approximately 10.9 million meters of fabric per annum. Our garmenting facilities are in two locations in Bangalore producing 6,000 garments per day.

Now, we plan to set up an integrated textile plant of yarn dyeing, weaving, fabric processing and garmenting at one place at the apparel park in Doddaballapura near Bangalore. We intend to sell the fabric manufactured in the Expansion Project in both domestic and overseas market besides using the fabric for consumption in the garmenting division. The entire manufacture of garments from the Expansion Project is proposed to be exported. The detailed techno-economic feasibility report for the Expansion Project has been prepared by M/s Gherzi Eastern Limited (GEL). GEL has estimated the total Project Cost at Rs. 16172 lacs. The Expansion Project is expected to start commercial production by March 2006.

The Expansion Project as an integrated textile plant will have the following installed capacity:

Activity	Installed Capacity
Yarn Dyeing	2000 kg. per day
Weaving	48 weaving machines
Processing	93,999 meters per day
Garments	22,000 pieces per day

Details of Capital Expenditure

Break up of capital expenditure for the Expansion Project under major heads is as follows:

(Rs. in lacs)

Sr. No.	Description	Cost
1	Land and site development	335
2	Buildings and civil works	2,805
3	Yarn dyeing machinery	583
4	Weaving machinery	731
5	Fabric processing machinery	4,803
6	Garment machinery	1,494
7	Miscellaneous fixed assets	1947
8	Preliminary and preoperative expenses	1,045
9	Provision for contingencies	687
	Total	14,430

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Description of Capital Expenditure

Land and Site Development

We will be setting up an integrated facility of yarn dyeing, weaving, process house and garment manufacturing at the apparel park being developed by KIADB in Doddaballapura near Bangalore on two plots of land admeasuring approximately 20.16 acres. A plot of land admeasuring 15.50 acres has already been allotted to us by KIADB on which we will be setting up yarn dyeing, weaving and processing facilities. The land has been allotted to us on lease cum sale basis for a period of 6 years after which KIADB shall sell the land to us subject to fulfilment of certain conditions such as commencement of civil works within three months from date of approval of building plan and after obtaining license from the Chief Inspector of Factories and Boilers of State of Karnataka, completion of civil works within 24 months from the date of taking possession of the land, i.e. June 1, 2005, allotted land to be used only for the purpose of manufacturing textile fabrics or establishing any other apparel related export oriented industry. We have paid to KIADB approximately Rs. 15.95 lacs per acre totalling to Rs. 242.26 lacs. A further plot of land admeasuring 4.66 acres has been earmarked for us by KIADB for setting up of our garmenting facilities. This plot shall be allotted to us after its acquisition by KIADB.

The site development cost for setting up new integrated facilities is estimated at Rs. 41 lacs. Site development cost includes cost for levelling and filling, laying approach roads and internal roads, fencing and construction of compound wall and iron gates etc.

Bombay Rayon Fashions Limited

Building and civil works

We will be setting up the various facilities, viz, yarn dyeing, weaving, processing, garment manufacturing, utilities, administrative block, etc. in a total built up area of approximately 58918 square meter at a total cost of Rs. 2,805 lacs as per details given below:

Description-Facility Wise	Area (In Sq meter)	Amount (Rs. in lacs)
Yarn Dyeing	2950	129
Weaving	8200	363
Processing	21600	946
Garmenting	16848	758
Utility and Services	8970	501
Miscellaneous	350	108
Total	58918	2,805

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

We have awarded contract to Gannon Dunkerley and Company Limited for civil construction work. The contract has been awarded to Gannon Dunkerley pursuant to a tender floated and our letter of intent dated June 28, 2005. The contract is for a consideration of Rs. 17,64,00,000/-. The time for completion of the contract is 10 months from the date of the letter of intent.

Plant and Machinery

The details of plant and machinery required for setting up the integrated facility of yarn dyeing, fabric weaving, processing of grey fabric and garment manufacturing is given hereunder. The estimates of cost of plant and machinery are based on the Techno-Economic Feasibility Study done by M/s Gherzi Eastern Limited. For the purpose of estimation of cost Gherzi Eastern Limited had invited quotations from various suppliers during March to August 2005. Based on the quotations received during the above period and further negotiations with the suppliers, M/s. Gherzi Eastern Limited have estimated the cost of plant and machinery. In the following summary of different types of machineries given hereunder, we have not included the dates of quotations as further to our negotiations with various suppliers we have either received fresh quotations for plant and machinery or are in the process of receiving the same. The details of quotations mentioned hereunder are of the suppliers short-listed in the particular segment of machinery.

Yarn Dyeing Machinery

We will be installing seven yarn dyeing facilities machines, one hydro extractor and three soft winding machines and other preparatory machineries having a total capacity of 2,000 kgs per day at a total cost of Rs. 583 lacs as per details given below:

(Rs. in lacs)

Particulars	No. of Units	Amount	Quotations Received From
Imported Machineries			
Yarn Dyeing Machine			
COS 53:8A (50 Kg)	2	53	FONGS
COS 70:9A (100 Kg)	3	107	
COS 85:9A (200 Kg)	2	86	
Radio frequency dryer	1	58	FONGS
Soft winding machine	3	284	SSM
Others	—	72	—
Total Imported Machineries		431*	
Indigenous Machineries			
Auto cone winder	3	120	Rewinding machine V J Lakshmi
Total indigenous machineries	-	152**	
Grand Total		583	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

** Including transportation cost, cost of erection and other expenses

Weaving Machinery

We will be installing forty eight imported second hand weaving machines with new warp tying and leasing machines at a total cost of Rs. 731 lacs. Proposed machineries would be purchased in accordance with the TUFS eligibility norms. TUFS regulation provides for second hand machinery to be purchased should be less than 10 years old with a residual life of at least 10 years. The following are the break up of weaving machineries to be purchased:

(Rs. in lacs)

Particulars	No. of Units	Amount	Quotations Received From
Imported Machineries			
Rapier weaving machine (second hand)	48	616	Sulzer
Warp tying machine with frame	1	26	Toda
Warp leasing machine	1	24	Toda
Total Imported Machineries	-	638*	
Indigenous Machineries			
Sectional warping machines	2	60	
Other machineries	-	13	
Total indigenous machineries	-	93**	
Grand Total		731	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

** Including transportation cost, cost of erection and other expenses

Fabric Processing Machinery

We will be installing a process house with a capacity of 93,999 meters per day at a total cost of Rs. 4,803 lacs. The following are the break up of fabric processing machineries to be purchased:

(Rs. in lacs)

Particulars	No. of Units	Amount	Quotations Received From
Imported Machineries			
Continuous pre treatment range	1	1,356	Benninger
Chainless mercerisei	1	1205	Benninger
Pad dry machine	1	1,281	Benninger
Pad steam machine	1	1,356	Benninger
Desize/print washing	1	1,055	Benninger
Others	-	720	-
Total Imported Machineries		4,079*	
Indigenous Machineries			
Rotary printing machine	1	112	Stormeck
Stenter	2	250	Motex
Sanforising	2	130	Ronson/Dhall
Others	-	139	-
Total indigenous machineries		724**	
Grand Total		4,803	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Bombay Rayon Fashions Limited

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

** Including transportation cost, cost of erection and other expenses

Garmenting

We will be setting up the entire layout for the garment section at a total cost of Rs. 1494 lacs. The following are the break up of garment manufacturing machineries to be purchased:

(Rs. in lacs)

Particulars	No. of Units	Amount	Quotations Received From
Imported Machineries			
Cutting			
Automatic cutting machine	2	105	Richpeace and Takatori
Automatic spreading machine	2	28	Eastman
Others	—	24	—
Total machines in the cutting section		157	
Shirt manufacture			
Single needle lockstich machine	291	46	Juki
Double needle lockstich machinery with split bar comp set	88	67	Juki
Computerized button holing machine	42	52	Juki
Lockstich button stich machine	34	58	Juki
Others		245	
Total machines in shirt manufacturing section		468	
Trouser manufacture			
Single needle lockstich machine	425	67	Juki
Automatic pocket welting machine	12	95	Juki
Automatic serging machine	18	146	Juki
Electronic eyelet button hole machine	16	74	Juki
Others	—	416	—
Total machines in trouser manufacturing section		798	
Finishing section			
Vacuum table	159	42	Naomoto
Steam iron	63	8	Naomoto
Total machines in finishing section		50	
Garment washing section			
Garment washer	6	289	Tonello, Italy
Garment dyeing machine	1	48	—
Others	—	106	—
Total machines in garment washing section		443	
Total Imported Machineries		1494*	
Indigenous Machineries			
		Nil	
Grand Total		1,494	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

Miscellaneous Fixed Assets

Other common machines to be installed in the plant includes humidification plant, material handling equipments, lab equipments, air duct, chilling plant, electrical installation, diesel generator, boiler, caustic recovery plant, piping and insulation etc. at a total cost of Rs. 1,947 lacs. The following are the break up of miscellaneous fixed assets to be purchased:

(Rs. in lacs)

Particulars	No. of Units	Amount	Quotations Received From
Imported Machineries			
Humidification plant	338955	83	Luwa
Material Handling			
Overhead travelling cleaner	3	59	—
Others	—	21	—
Total machines		163	
Laboratory equipments			
Apollo light and weather fastness	1	38	James Heal
Autolab	1	30	Datacolor
Universal strength tester	1	27	James Heal
Others	—	85	—
Total machines in laboratory equipment		180	
Total Imported Machineries		303*	
Indigenous Machineries			
Electrical installation	—	403	—
Diesel generator (1500 KV _a)	2	180	—
Boiler, chimney and accessories	2	100	—
Steam and condensate piping insulation	—	100	—
Effluent treatment plant	—	100	—
Caustic recovery plant	—	150	—
Others	—	611	—
Total indigenous machineries		1,644**	
Grand Total		1,947	

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

* After considering discount on imported machinery and including import duty, transportation cost, cost of erection and other expenses

** Including transportation cost, cost of erection and other expenses

Pre-operative and Preliminary Expenses

Pre-operative and preliminary expenses mainly consist of start up and trial run expenses, establishment and project management expenses, engineering and consultancy fees, upfront fees / placement expenses, interest during construction period, etc. The total amount of pre operative and preliminary expenses has been estimated at Rs.1045 lacs. The following are the break up of pre-operative and preliminary expenses:

Bombay Rayon Fashions Limited

(Rs. in lacs)

Description	Amount
Establishment and project management expenses etc.	100
Financial expenses	374
Project related consultation fee etc.	150
Start up expenses	97
Others	324
Total	1,045

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Contingencies

Contingencies have been provided at 5% of the capital expenditure, which include land and buildings, plant and machinery, miscellaneous fixed assets and pre-operative and preliminary expenses. The total amount of Rs.687 lacs has been provided for contingencies. The following are the break up of pre-operative and preliminary expenses:

(Rs. in lacs)

Description	Amount
Contingency on pre-operative expenses	52
Contingency on other items	288
Contingency on currency fluctuation	347
Total	687

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Details of Margin Money on Working Capital Requirement for the Expansion Project

Working capital margin of Rs. 1,742 lacs has been provided for the Expansion Project based on requirement of working capital for the FY 2006-07. The working capital requirement has been worked out on the basis of assumptions given in the following table:

(Rs. in lacs)

Particulars	1st YEAR				
	Period	Amount	%	Bank Finance	Margin Money
Raw materials - Yarn	1 Month	83	75.00	62	21
Raw materials - Fabric	1 Month	939	75.00	704	235
Trims for garments	1 Month	135	75.00	101	34
Dyes and chemicals	1 Month	222	75.00	166	55
Consumable stores and spares	2 Months	26	75.00	20	7
Packing material and transport	30 Days	74	75.00	55	18
Finished goods	15 Days	894	75.00	671	224
Work in progress	20 Days	1,144	75.00	858	286
Debtors	45 Days	3,450	75.00	2,587	862
Total		6,967		5,226	1,742

Our Existing Working Capital Limits

As on July 31, 2005 we were having working capital limits of Rs.5,390 lacs collectively from State Bank of India and UTI Bank Limited. The detailed break up of working capital facilities availed is as follows:

State Bank of India
(Rs. in lacs)

S. No.	Nature of Limit	Sanctioned Amount	Outstanding (Fund Based)	Outstanding (Non Fund Based)
1.	Cash credit and FCNR loan including the adhoc limit for the FCNR loan of USD 8 lacs	1,000.00	685.60 352.00	- -
2.	Export packing credit	1,000.00	974.79	-
3.	Letter of credit/Bank Guarantee	700.00	-	20.00
4.	Standby Line of Credit	340.00	60.42	-
	TOTAL	3,040.00	2,072.81	20.00

UTI Bank Limited
(Rs. in lacs)

S. No.	Nature of Limit	Sanctioned Amount	Outstanding (Fund Based)	Outstanding (Non Fund Based)
1.	Cash credit and FCNR loan including the adhoc limit for the FCNR loan of USD 10 lacs	1,200.00	162.25 524.22	- -
2.	Letter of credit/Bank Guarantee (including the Bank Guarantee of 200 lacs)	550.00	-	497.39
3.	Export packing credit	300.00	294.89	-
4.	Working Capital on demand	300.00	174.01	-
	TOTAL	2,350.00	1,155.37	497.39

Issue Related Expenses

Issue related expenses includes underwriting and Issue management fees, selling commission, distribution expenses, legal fees, fees to advisors, printing and stationery costs, advertising expenses and listing fees payable to the Stock Exchanges etc. The total expenses for the Issue are estimated at Rs. 567.30 lacs, which is 6.01% of the Issue size. All the Issue related expenses shall be met out of the proceeds of the Issue and the break-up of the same is as follows:

Particulars	Expenses (Rs. in Lacs)	As a % of the Issue size
Management fees, underwriting commission and brokerage	235.81	2.50
Marketing and advertisement expenses	71.32	0.75
Stationary, printing and registrar expenses	130.00	1.37
Legal fees, listing fees, book building charges, auditors fees	50.00	0.53
Miscellaneous	80.17	0.85
Total	567.30	6.01

Bombay Rayon Fashions Limited

Schedule of Implementation

We expect the Expansion Project to start commercial production by March 2006. Details of schedule of implementation are as follows:

Activity	Start Date	Completion Date	Status
Appointment of consultant	December 2004	January 2005	Completed
Techno-economic feasibility report	January 2005	April 2005	Completed
Preparation of final plan	February 2005	March 2005	Completed
Allotment of land by KIADB	August 2004	October 2004	Completed
Possession of land	May 2005	May 2005	Completed
Tender for civil work	March 2005	May 2005	Completed
Civil works	July 2005	January 2006	Ongoing
Placement of orders for imported machineries	June 2005	August 2005	Ongoing
Placement of orders for indigenous machineries	August 2005	October 2005	Pending
Utilities and electrical related works	August 2005	January 2006	Pending
Erection of machineries	December 2005	February 2006	Pending
Trial run	February 2006	March 2006	Pending
Commercial production	March 2006		

(Source: Estimates by Company Management)

Raw Material and Utilities Requirements for the Expansion Project

The raw material requirements of the Expansion Project for the optimum year are as follows:

Activity	Raw Material	Estimated Requirement	Manufacturers/ suppliers
Yarn dyeing	Grey yarn	1,571 Kgs per day	Outside purchase
Weaving	Dyed yarn	1,571 Kgs per day	In house from yarn dyeing section
Fabric processing	Grey fabric	91,237 meters per day	Outside purchase
Fabric processing	Yarn dyed fabrics	8,762 meters per day	In house from the weaving section
Garmenting	Finished fabric	33,300 meters per day	In house from processing section

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

The utility requirement like power, water and manpower for the Expansion Project is as follows:

Division	Power	Water	Manpower (In numbers)
Yarn Dyeing	392 kw	140 cubic meters per day	143
Weaving	1,029 kw	116 cubic meters per day	178
Fabric Processing	2,139 kw	1,977 cubic meters per day	281
Garmenting	915 kw	495 cubic meters per day	4,011

(Source: Techno-Economic Feasibility Report of Gherzi Eastern Limited)

Availability of Utilities for the Expansion Project

Power

Power requirement for the operations of the Expansion Project is estimated at 4475 KW. We shall source the power requirement from Bangalore Electricity Supply Company Limited at the rate of Rs. 4.37 per KWh. For taking care of any power failure and uninterrupted supply of power in the process house we propose to install two diesel generators of 1500 KVA each.

Water

Water requirement for the Expansion Project shall be met by KIADB for which it shall charge a rate of Rs 19/- per cubic meter of water.

Manpower

Bangalore being the hub of garment manufacturing, technical, skilled and unskilled manpower is available in abundance. We propose to meet our entire manpower requirement locally and will make necessary in-house arrangement for training.

Effluent treatment

Effluents generated during in the Expansion Project shall be discharged into the common effluent treatment plant to be set up by the KIADB in the apparel park. For using the facility of the common effluent treatment plant we will pay charge as agreed upon with KIADB.

Government Approvals/Licensing Arrangements for the Expansion Project

We need to obtain several licenses/approvals/permissions under various statutes from several authorities prior to setting of the Expansion Project. For details of licenses/approvals/permissions obtained/applied for the Expansion Project kindly refer to the section titled 'Government Approvals/Licensing Arrangements' on page 119 of the Prospectus.

Approval/Sanction of Debt Component of the Project Cost

The rupee term loan component of the Project Cost has already been tied up and as against the debt component of Rs. 10,172 lacs, we have received final sanction letters from six banks totalling to Rs. 13,572 lacs details of which are as under:

(Rs. in lacs)

S. No.	Name of Bank/ Financial Institution	Sanction letter number and date	Amount	Important Conditions of Sanction
1.	Export- Import Bank of India	OIF:EOU:557:169 dated June 30, 2005	4,000.00	<p>Interest: 8.50 % p.a. (Fixed) payable monthly. First reset at the end of three years from first disbursement. Subsequent resets at the end of every three years from previous reset date.</p> <p>Repayment: In 32 equal quarterly instalments commencing 24 months from the date of first disbursement.</p> <p>Primary Security: First <i>pari passu</i> charge on the Company's present and future, moveable and immovable assets excluding assets charged on exclusive charge basis. Personal guarantees of Promoters</p> <p>Pre-Disbursement Conditions: Financial closure, Security creation and brining in equity component of the Project Cost.</p>
2.	State Bank of India	AGM/RM/066 dated August 5, 2005	4,000.00	<p>Tenor: 7 Years and 9 months</p> <p>Interest: 1.75 % below SBAR, with a minimum of 8.50 % p.a. with monthly resets as against applicable pricing for CRA of SBTL 2, i.e., 12.25%</p> <p>Repayment: In 72 monthly instalments commencing from April 2007 with moratorium period of 21 months</p> <p>Primary Security: First <i>pari passu</i> charge over the Company's proposed fixed assets to be purchased out of bank finance</p> <p>Collateral: Extension of charge over entire current assets of the Company</p> <p>Pre-Disbursement Conditions: Obtaining of audited financials for FY 2005, variation between provisional and audited should not be more than 5%, full financial closure of the debt component, Obtaining of satisfactory opinion reports on associates.</p>

Bombay Rayon Fashions Limited

S. No.	Name of Bank/ Financial Institution	Sanction letter number and date	Amount	Important Conditions of Sanction
3.	State Bank of Hyderabad	ADV/BEFL/130 dated July 6, 2005	2,500.00	<p>Interest: 8.50 % p.a. (Fixed) payable monthly (with a reset clause after every three years)</p> <p>Repayment: In 24 equal quarterly instalments commencing from April 1, 2007</p> <p>Primary Security: First <i>pari passu</i> charge on the Company's present and future moveable and immovable assets excluding assets charged on exclusive charge basis</p> <p>Collateral: Nil</p> <p>Pre-Disbursement Conditions: Loan to be released only after successful raising of the proposed contribution of Rs.60 crores through the public issue, full tie up of the term loan required and obtaining various statutory approvals.</p>
4.	UTI Bank Limited	UT/YD/RMD/1476/ 2005-05 dated July 4, 2005 and RMD/YD/01645 dated September 1, 2005	772.00	<p>Tenure: 10 years (including moratorium period of 2 years)</p> <p>Interest: PLR – 3.50 % (Presently 8.50 % p.a. payable monthly)</p> <p>Interest Reset: At the end of three years from the date of first disbursement and thereafter every three years</p> <p>Primary Security: First <i>pari passu</i> charge on the Company's entire fixed assets of the Company</p> <p>Collateral: Second <i>pari passu</i> charge on current assets of the Company</p> <p>Pre-Disbursement Conditions: Disbursement upto 75% of the amount on the completion of joint application.</p>
5.	State Bank of Patiala	CBM.NSS.AMT 4240 dated July 22, 2005 and cbm.nss.amt4 dated September 2, 2005	800.00	<p>Tenure: 8 years (including moratorium period of 2 years)</p> <p>Interest: 8.50 % p.a. payable monthly (with a reset clause after every three years)</p> <p>Repayment: In 24 equal quarterly instalments of 0.625 crores commencing from 27th month from the date of first disbursement</p> <p>Primary Security: First <i>pari passu</i> charge on the Company's entire fixed assets and second <i>pari passu</i> charge on entire assets</p> <p>Collateral: Nil</p> <p>Pre-Disbursement Conditions: Disbursement upto 75% of the term loan amount after necessary documentation and subject to bringing of equity component and opening of LC's at 10% margin.</p>

S. No.	Name of Bank/ Financial Institution	Sanction letter number and date	Amount	Important Conditions of Sanction
6.	Punjab National Bank	Dated July 16, 2005 and August 18, 2005	1,500.00	<p>Tenure: 8 years</p> <p>Interest: 8.50 % p.a. (Fixed) with a reset clause initial three years and thereafter linking the same to then BPLR + 0.50 % - 2.75 % or rate of interest stipulated by UTI Bank, whichever is higher</p> <p>Repayment: In 24 equal quarterly instalments after moratorium of 2 years from the date of first disbursement</p> <p>Primary Security: First charge on all fixed assets of the Company both existing and future, created out of banks loan, pari passu with other term lenders</p> <p>Collateral: Second charge on current assets of the Company</p> <p>Pre-Disbursement Conditions: Visit of the unit, collection of confidential report from existing bankers must be satisfactory and the asset is standard asset as on March 31, 2005 and after obtaining all government approvals.</p>
	Total		13572.00*	

All these loans are eligible for an interest subsidy of 5 % under Technology Upgradation Funds Scheme

* Out of these sanctions we shall avail rupee term loans of Rs. 10,172 lacs, i.e., to the extent of debt component of the Project Cost.

Status of Clearances for the Expansion Project

We have already received following clearances for the Expansion Project. We are yet to receive environmental/ecological approval for the Expansion Project for which application has already been made.

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
1.	Karnataka Industrial Areas Development Board	IADB/15113/9789/64-05	Allotment Letter of 15.50 acres of land bearing Plot Nos.S.21 to S.31 and S.32 on lease cum sale basis in Apparel Part, Industrial Area, Doddaballapur	30 days on the expiry of which Possession Certificate be issued
2.	Karnataka Industrial Areas Development Board	IADB/PC-6/05/05-06	Possession Certificate for the above-mentioned land bearing Plot Nos.S.21 to S.31 and S.32	-
3	Karnataka Industrial Areas Development Board	IADB/15113/3188/ 2005-2006	Allotment letter of balance 4.66 acres of land bearing Plot Nos. S-16,17,35 and 36 in Apparel Park Industrial Area, Doddaballapur	-
4	Karnataka Industrial Areas Development Board	IADB/DO-III/BP/Apparel/OA/2005-06	Approval of the Development officer accorded to the plans submitted for approval of the proposed factory building on plot bearing No.S.21 to S.32.	May 31, 2007

Bombay Rayon Fashions Limited

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
5.	Karnataka Industrial Area Development Board	IADB/CDO/4285/05-06	Intimation of KIADB Establishing of 5 MLD capacity CETP and 0.5 MLD capacity STP at Apparel Park, Doddaballapur	-
6.	Karnataka State Pollution Control Board.	CFE-CELL/BRFL/NE-1071/2005-06/68	Consent for establishment under the Water and Air Act for establishment of Industry to manufacture the items mentioned therein at Plot No. S.21 to 31 and S.32 (P) KIADB, Industrial Areas Apparel Park, Doddaballapura, Bangalore	-
7.	Karnataka Government Factory and Boiler Department	AFIS:CR:93:2005-2006/588	Provisional Factory License	-

Funds already Deployed in the Expansion Project

Until September 30, 2005 we have incurred Rs. 976.57 lacs in the Expansion Project out of our internal accruals. Details of the amount incurred and as certified by the Statutory Auditor are as follows:

(Rs. in lacs)

S. No.	Purpose	Amount
1	Land and site development	272.37
2	Building	210.21
3	Plant and Machinery	335.00
4	Miscellaneous Fixed Assets	21.37
5	Pre-Operative Expenses	137.62
Total		976.57

Interim Use of Proceeds

Pending use of funds as described above, we intend to invest the proceeds of the Issue in high quality, interest / dividend bearing short term / long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by our Board or a duly authorised committee thereof. We may also use the same to fund our existing working capital requirement on a temporary basis.

Monitoring of Utilisation of Funds

Our Board will monitor the utilization of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our Balance Sheet for FY 2006 clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet for FY 2006, 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.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or companies promoted by our Promoters except in the course of normal business.

SECTION IV

BASIC TERMS OF ISSUE

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

BASIS FOR ISSUE PRICE AND JUSTIFICATION OF PREMIUM

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

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

Qualitative Factors

Flexibility in manufacture of garments

Over the period we have developed expertise in the manufacture of any customer desired variety involving complex design of woven fabrics of superior quality. Woven fabric is the main input of our garment business and our expertise in woven fabrics gives us a definite competitive advantage over other garment manufacturers.

Designing Capabilities

Designing is a critical element of both fabrics and garments. Development of innovative designs is one of our main strengths. We have in-house teams of experienced designers in weaving, garmenting and home textiles. We have installed software packages CAD / CAM systems for generating designs on computers. On an average, at least 4/5 new designs are developed on a daily basis in each of the divisions. We also have a library of over 1000 designs in garments alone and more than 10000 in woven fabrics, especially in yarn dyed variety.

Lower turnaround time

Meeting customer deadlines on a consistent basis is important for our business. Our in-house facilities of design studio, sampling of fabrics and garments, weaving, and garmenting allows us to plan and deliver the orders in one of the shortest turnaround time. We have been successful in reducing the cycle time from date of order placement to date of garment delivery, from 90 days to 65 days. Our endeavour is to further reduce the turnaround time.

Opening of overseas offices

We have already incorporated our first wholly owned subsidiary with the trade name of BRFL Europe B.V. in Almere, the Netherlands. BRFL Europe B. V. (September 7, 2005 being the date of incorporation) has a showroom in Almere, which will mainly cater to the needs of countries in the EU. Over a period of time we intend to open more such overseas offices to provide product and services on the customer' door step. Our strategy is to give our overseas buyers a comfort of dealing with a company having reach in their respective territory.

Experience of our Promoters

Our Promoters have adequate experience in the textile industry and we have successfully implemented expansion projects earlier. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

Sampling capabilities

We have all the facilities like desklooms, sample dyeing, sample printing, washing and processing facilities to produce fabric samples per designs developed by our design studio. Our dedicated in-house facilities enable us to compress the required time substantially. Our above-mentioned capabilities give us a distinctive advantage over other fabric and garment manufacturers.

Bombay Rayon Fashions Limited

Quantitative Factors

1. Weighted Average Earning per Equity Share (EPS) of face value of Rs.10

Year	EPS (Rs.)	Weight
For FY 2002-03	16.01	1
For FY 2003-04	6.12	2
For FY 2004-05	7.57	3
Weighted Average	8.49	

The weighted average EPS for Equity Share considered with face value of Rs.10 is Rs. 8.49

EPS for the Quarter ended June 30, 2005 is Rs. 1.43.

For detailed calculation of Weighted Average EPS, kindly refer to paragraph on Earning Per Share appearing on page 110 of the Prospectus in the Section titled "Financial Information".

2. Price/Earning Ratio (P/E) in relation to Issue Price of Rs. 70

- Based on FY 2004-05 EPS of Rs.7.57 - 9.25
- Based on weighted average EPS of Rs.8.49 - 8.24

3. Return on Net Worth (RONW)

Year	RONW (%)	Weight
FY 2003	30.25	1
FY 2004	23.35	2
FY 2005	15.95	3
Weighted Average	20.80	

Return on networth for the Quarter ended June 30, 2005 is 8.97%

4. The average return on net worth has been computed on the basis of the restated profits and losses of the respective years.
5. Minimum return on total networth after the Issue required to maintain pre-Issue EPS of Rs. 7.57 is 24.86%
6. Net Asset Value (NAV) per share, post-Issue and comparison with the Issue Price
- As at June 30, 2005 : Rs. 15.43
 - Issue Price : Rs. 70
 - NAV after the Issue : Rs. 11.01

The Issue Price of Rs. 70 has been determined on the basis of the demand from investors through the book building process and is justified based on the above accounting ratios.

7. Comparison with Industry Peers / Industry Average

Bombay Rayon Fashions Limited is in the business of manufacturing of woven fabrics and fashion garments. The Company exports 100% of the garments it manufactures. However, the fabrics it manufactures are sold both in domestic as well as in the overseas markets. There are no comparable listed companies and hence comparison of the Company with peer group is not given. Since the Company is not comparable with any listed Company, comparison of industry average or comparisons of profitability and return ratios with other listed companies have not been made.

8. The face value of Equity Shares of Bombay Rayon Fashions Limited is Rs. 10 and the Issue Price is 70, i.e., 7 times of the face value.

The face value of Equity Shares of our Company is Rs. 10 and the Issue Price is 7 time of the face value. The Issue Price of Rs. 70 has been determined by the Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors. Kindly refer to the sections titled "Risk Factors" beginning on page ii and "Financial Information" (including important profitability and return ratios) beginning on page 110 of the Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

To,

The Board of Directors,
Bombay Rayon Fashions Limited
D-1st Floor, Oberoi Garden Estates,
Chandivali Farm Road, Andheri (East),
Mumbai 400 072

Statement of possible tax benefits available to the Company and to its Shareholders

Benefits under the Income Tax Act, 1961

As per the existing provisions of the Income Tax Act, 1961 (the IT Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to M/s Bombay Rayon Fashions Ltd. and its shareholders.

A. TO THE COMPANY

1. Dividend income (whether interim or final), in the hands of the company as distributed or paid by any other Company on or after April 1, 2003 is completely exempt from tax in the hands of the Company, under section 10(34) of the IT Act.
2. Long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) as per the provisions of section 112(1)(b) of the IT Act. However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units, (not covered by section 10(36) and 10(38)), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
3. Long term capital gain arising from transfer of an 'eligible equity share' in a Company Purchased on or after the 1st day of March, 2003 and before the 1st day of March, 2004 (both days inclusive) and held for a period of 12 months or more is exempt from tax under section 10(36) of the IT Act.
4. Long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax, as per the provisions of section 10(38) of the IT Act.
5. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the IT Act.
6. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the Company would be entitled to exemption from tax on gains arising from transfer of the long term capital asset (not covered by section 10(36) and section 10 (38)) if such capital gain is invested in any of the long-term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
7. As per the provisions of Section 54ED of the IT Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units (not covered by section 10(36) and section 10(38)) shall not be chargeable to tax to the extent such gains are invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

B. TO RESIDENT SHAREHOLDERS

1. Dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the IT Act.

Bombay Rayon Fashions Limited

2. Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act.
3. As per the provisions of Section 112(1)(b) of the IT Act, long-term capital gains would be subject to tax at the rate of 20% (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1)(b), the long term capital gains resulting on transfer of listed securities or units (not covered by sections 10(36) and 10(38)), would be subject to tax at the rate of @ 20% with indexation benefits or 10% without indexation benefits (plus applicable surcharge and education cess) as per the option of the assessee.
4. Long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and the sale is subject to Securities Transaction tax, as per the provisions of section 10(38) of the IT Act.
5. Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax, as per the provisions of section 111A of the IT Act.
6. As per the provisions of section 88E, where the business income of a resident includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the IT Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)), if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.
9. In accordance with and subject to the conditions and to the extent specified the Section 54ED of the IT Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their assets being listed securities or units (not covered by sections 10(36) and 10(38)), to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
10. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains on the sale of shares in the Company (not covered by sections 10 (36) and 10 (38)), upon investment of net consideration in purchase /construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains shall be charged to tax as long-term capital gains in the year in which such residential house is transferred.

C. TO NON-RESIDENT INDIAN SHAREHOLDERS

1. Dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company as per the provisions of section 10(34) of the IT Act.
2. Any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child per year in accordance with the provisions of section 10(32) of the IT Act.

3. In the case of shareholder being a non-resident Indian and subscribing to shares in convertible foreign exchange, in accordance with and subject to the conditions and to the extent specified in Section 115D read with Section 115E of the IT Act, long term capital gains arising from the transfer of an Indian company's shares (not covered by sections 10(36) and 10(38)), will be subject to tax at the rate of 10% as increased by a surcharge and education cess at an appropriate rate on the tax so computed, without any indexation benefit but with protection against foreign exchange fluctuation.
4. In case of a shareholder being a non-resident India, and subscribing to the share in convertible foreign exchange in accordance with and subject to the conditions and to the extent specified in Section 115F of the IT Act, the nonresident Indian shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the transfer of shares in the Company upon investment of net consideration in modes as specified in sub-section (1) of Section 115F.
5. In accordance with the provisions of Section 115G of the IT Act, Non Resident Indians are not obliged to file a return of income under Section 139(1) of the IT Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.
6. In accordance with the provisions of Section 115H of the IT Act, when a Non Resident Indian become assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer along with his return of income for that year under Section 139 of the IT Act to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
7. As per the provisions of 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 year under Section 139 of the IT 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 IT Act.
8. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (b) of the IT Act, tax on long term capital gains arising on sale on listed securities or units not covered by sections 10(36) and 10(38) will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and Education cess at an appropriate rate on the tax so computed in either case.
9. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
10. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
11. As per the provisions of section 88E, where the business income of a assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
12. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the IT Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Shares' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
13. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their shares in the Company if such capital gain is invested in any of the long term specified assets in the manner prescribed in the said section. Where the long-term specified asset is

Bombay Rayon Fashions Limited

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

14. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the IT Act, the shareholder would be entitled to exemption from tax on long term capital gains (not covered by sections 10(36) and 10(38)) arising on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
15. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase / construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
16. As per the provisions of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non-Resident.

D. TO OTHER NON-RESIDENTS

1. Dividend (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 is completely exempt from tax in the hands of the shareholders of the Company, under section 10(34) of the IT Act.
2. Any income of minor children clubbed with the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs.1500 per minor child per year, in accordance with the provisions of section 10(32) of the IT Act.
3. In accordance with and subject to the conditions and to the extent specified in Section 112(1) (b) of the IT Act, tax on long term capital gains arising on sale on listed securities or units before 1st October 2004 will be, at the option of the concerned shareholder, 10% of capital gains (computed without indexation benefits) or 20% of capital gains (computed with indexation benefits) as increased by a surcharge and education cess at an appropriate rate on the tax so computed in either case.
4. As per the provisions of section 10(38), long term capital gain arising from the sale of Equity Shares in any company through a recognised stock exchange or from the sale of units of an equity oriented mutual fund shall be exempt from Income Tax if such sale takes place after 1st of October 2004 and such sale is subject to Securities Transaction tax.
5. As per the provisions of section 111 A, Short Term capital gains arising from the transfer of Equity Shares in any company through a recognised stock exchange or from the sale of units of equity-oriented mutual fund shall be subject to tax @ 10% provided such a transaction is entered into after the 1st day of October, 2004 and the transaction is subject to Securities Transaction Tax.
6. As per the provisions of section 88E, where the business income of an assessee includes profits and gains from sale of taxable securities, a rebate shall be allowed from the amount of income tax equal to the Securities transaction tax paid on such transactions. However the amount of rebate shall be limited to the amount arrived at by applying the average rate of income tax on such business income.
7. In accordance with and subject to the conditions and to the extent specified in Section 10(36) of the IT Act, the shareholders would be entitled to exemption from long term capital gain tax on transfer of their 'eligible Equity Share' in the Company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more.
8. In accordance with and subject to the conditions and to the extent specified in Section 54EC of the IT Act, the shareholders would be entitled to exemption from tax on gains arising on transfer of their shares in the Company (not covered by sections 10(36) and 10(38)) if such capital gain is invested in any of the long term specified asset is transferred or converted into money at any time within a period of three years from the date of its

acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the long-term specified asset is transferred or converted into money.

9. In accordance with and subject to the conditions and to the extent specified in Section 54ED of the IT Act, the shareholders would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.
10. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent specified in Section 54F of the IT Act, the shareholder would be entitled to exemption from long term capital gains (not covered by sections 10(36) and 10(38)) on the sale of shares in the Company upon investment of net consideration in purchase/construction of a residential house. If part of net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.
11. As per the provisions of Section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the Non Resident.

E. TO FOREIGN INSTITUTIONAL INVESTORS (FIIs)

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

Bombay Rayon Fashions Limited

and 10(38)) on transfer of their assets being listed securities or units to the extent such capital gain is invested in acquiring Equity Shares forming part of an 'eligible issue of share capital' in the manner prescribed in the said section.

F. TO MUTUAL FUNDS

In case of a shareholder being a Mutual fund, as per the provisions of Section 10 (23D) of the IT 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 and Mutual Funds authorised by the Reserve Bank of India would be exempt from Income Tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

G. TO VENTURE CAPITAL COMPANIES/ FUNDS

In case of a shareholder being a Venture Capital Company / Fund, as per the provisions of Section 10(23FB) of the IT Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would exempt from Income Tax, subject to the conditions specified.

Benefits under the Wealth Tax Act, 1957

As per the prevailing provisions of the above Act, no Wealth Tax shall be levied on value of shares of the Company.

Benefits under the Gift Tax Act

As no Gift tax is leviable in respect of gifts made on or after October 1, 1998, any gift of shares will not attract gift tax.

Notes:

1. All the above benefits are as per the current tax laws as amended by the Finance Act, 2005 and will be available only to the sole / first named holder in case the shares are held by joint holders.
2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double taxation avoidance agreements, if any, between India and the country in which the non-resident has fiscal domicile.
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 scheme. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal precedent or may have a different interpretation on the benefits which an investor can avail.

For **V. K. Beswal and Associates**

Chartered Accountants

R. P. LADDHA

Partner

Membership No.48195

Place: Mumbai

Date: August 1, 2005

SECTION V

INDIAN TEXTILE INDUSTRY

Unless otherwise indicated, all industrial and statistical data relating to the textile industry in India in the following discussion have been extracted from the Ministry of Textile's Annual Report (2004-2005) and other publicly available documents from various sources. The data may have been re-classified by us for the purpose of presentation. While the data is believed to be true, it has not been independently verified by our Company or the BRLMs.

Overview of Global Textile Industry

The global textile trade in 2003 was USD 395 billion consisting of global exports of textile and garments at USD 169 billion and USD 226 billion respectively. At USD 395 billion, global textile trade contributes 5.4% of the total international trade. The industry is highly fragmented in terms of geography and size. There has also been a traditional divide between the various segments of the Industry. [Source: WTO International Trade Statistics Book-2004]

Because of labour intensive nature of the textile industry, in last fifty years the industry has shifted its base several times and concentrated to those countries, which offered most competitive labour cost structure. Developed countries such as USA and the EU have started downsizing capacities in view of their higher cost of manufacturing compared to countries such as India, Pakistan, China and Indonesia. The relocation is also on account of environmental concerns. This is expected to provide developing countries with an opportunity to penetrate US and EU markets and enhance their export share in these markets. However, the migration of textile capacity will be influenced by objective competitive factors and will be hampered by presence of distorting domestic measures and weak infrastructure of the developing countries.

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 textiles. Developing countries having both downstream and upstream facilities in textiles may be able to prosper in the new competitive environment.

Overview of Indian Textile Industry

The textile industry occupies a unique position in the Indian economy. It provides one of the most basic needs of people. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value-additions at each stage. It contributes significantly to the country's economy. Currently, it adds about 14 % to the industrial production and about 4 % to the GDP. The textile industry is the second largest provider of employment in India after agriculture providing direct employment to about 35 million people. Due to its close linkage with agriculture it also has immense potential for employment generation, particularly in the rural and remote areas of the country and currently provides indirect employment to around 50 million people. With total exports of textile and garments of around USD13 billion for FY 2003-04, India accounts for around 3.30% of the world trade in textile and garments and contributes to about 21% of the gross export earnings of the country. Therefore, growth and development of this industry has a significant bearing on the overall development of the Indian economy. [Source: Annual Report 2004-05 of Ministry of Textiles, GoI]

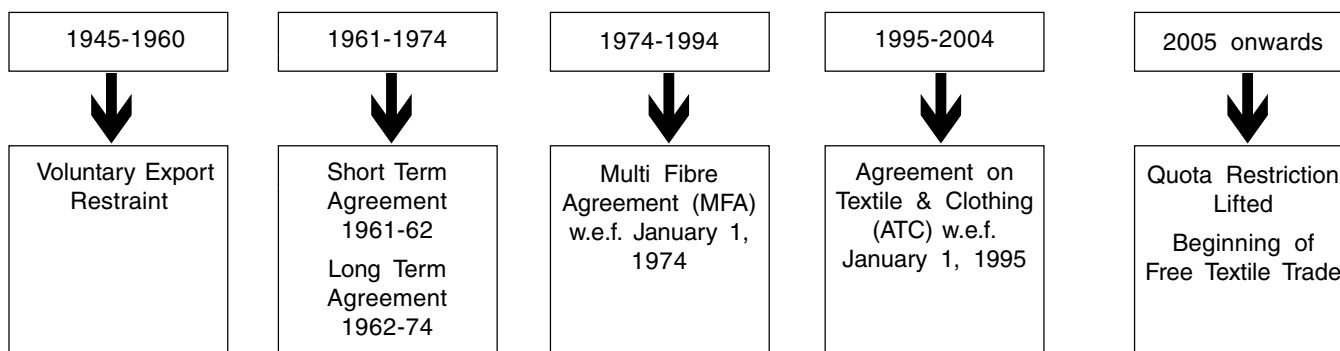
Textile industry in India had historically been fragmented. Although the development of textile sector was earlier taking place in terms of general policies, in recognition of the importance of this sector, for the first time a separate policy statement was made in 1985 for development of Indian textile industry. Further, in 2000 a comprehensive textile policy was formulated for developing a globally competitive textile industry in India through modernisation and consolidation for taking up the challenges arising of end of quota regime in the industry.

Vision 2010 for textiles formulated by GoI aims to increase India's share in world's textile trade from around 3.30% (around USD13 billion) in 2003 to 8% by achieving export turnover of USD 50 billion by 2010. It also envisages growth in domestic textile trade from the current USD 25 billion to USD 55 billion by that period. [Source: Textile Policy, 2000 of Ministry of Textiles, GoI]

Quota Regimes in the Textile Industry and Removal of Quotas

Textiles constitute an important segment of the global trade. However, till very recently global trade in textiles was subject to many trade barriers, both tax and non-tax based barriers because of the protectionist policies of developed nations. Various transitional phases through which the global textile trade has passed through can be broadly categorized into the following periods:

Bombay Rayon Fashions Limited



In 1995, the Uruguay Round of discussion brought the Multi-Fibre Agreement (MFA) to an end giving way for free trade regime in the global textiles trade. The Agreement on Textile and Clothing (ATC) came into existence w.e.f. January 1, 1995 providing for removal of all the quota restrictions by WTO members in a phased manner over a period of 10 years starting January 1995 in four steps as given below:

Date	Minimum Volume Integrated	Accumulated Volume Integrated	Remaining Quota Growth Rate
January 1, 1995	16 %	16 %	16
January 1, 1998	17 %	33 %	25
January 1, 2002	18 %	51 %	27
January 1, 2005	49 %	100 %	Full Integration

[Source: Global Textile and Clothing Industry post the Agreement on Textiles and Clothing by Hildegunn Kyvik Nordas (WTO)]

With effect from January 1, 2005 the global textile trade is fully integrated marking it a beginning of a quota free era. In the absence of quotas, trade in textile and clothing will now be carried out on the basis of market forces. It is expected that after quota abolition, manufacturing base of the textile industry will see a paradigm shift to Asia. China and India are expected to be the biggest beneficiaries of the quota free regime.

Expected Trade Flows in the Quota Free Regime

With the removal of quota restrictions the market share of various countries in international trade is likely to change substantially. A comparative analysis of expected market share of various countries in the USA and the EU textile trade is given below:

Expected Market Shares Before and After Quota Elimination, USA

In clothing, China and India combined are expected to take 65 per cent of the export market to the USA in the post quota era, with China expected to triple its market share and India's market share likely to quadruple. The following table gives expected percentage market share of countries in US textile trade in the pre and post quota era:

(All figures in percentage)

Countries	Market Share-Textiles			Market Share -Clothing		
	Before Quota	After Quota	Increase/Decrease	Before Quota	After Quota	Increase/Decrease
China	11	18	7	16	50	34
India	5	5	Nil	4	15	11
European Union	16	14	-2	5	Nil	-5
Mexico	13	11	-2	10	3	-7
Rest of America	10	8	-2	16	5	-11
Chinese Taipei	7	6	-1	4	Nil	-4
Hong Kong, China	6	5	-1	9	6	-3
Indonesia	3	3	Nil	4	2	-2
Philippines	—	—	—	4	2	-2
Bangladesh	—	—	—	4	2	-2
Rest of the world	29	30	1	24	15	-9
Total	100	100	—	100	100	—

[Source: Global Textile and Clothing Industry post the Agreement on Textiles and Clothing by Hildegunn Kyvik Nordas (WTO)]

Expected Market Shares Before and After Quota Elimination, EU

Both India and China are likely to increase their market share substantially with China expected to emerge as the single largest exporter to the EU. The following table gives expected percentage market share of countries in EU textile trade in pre and post quota era:

(All figures in percentage)

Countries	Market Share-Textiles			Market Share -Clothing		
	Before Quota	After Quota	Increase/Decrease	Before Quota	After Quota	Increase/Decrease
China	10	12	2	18	29	11
India	9	11	2	6	9	3
Bangladesh	Nil	3	3	3	4	1
Indonesia	4	5	1	3	3	Nil
Other Central & Eastern Europe	6	6	Nil	9	6	-3
USA and Canada	8	7	-1	—	—	—
Other North Africa	3	3	Nil	6	5	-1
Africa	3	Nil	-3	—	—	—
Poland	—	—	—	5	4	-1
Morocco	—	—	—	5	4	-1
Korea Republic	5	4	-1	—	—	—
Hong Kong, China	—	—	—	6	6	Nil
Turkey	13	12	-1	9	6	-3
Chinese Taipei	3	3	Nil	—	—	—
Rest of the world	36	34	-2	30	24	-6
Total	100	100	—	100	100	—

[Source: Global Textile and Clothing Industry post the Agreement on Textiles and Clothing by Hildegunn Kyvik Nordas (WTO)]

Bombay Rayon Fashions Limited

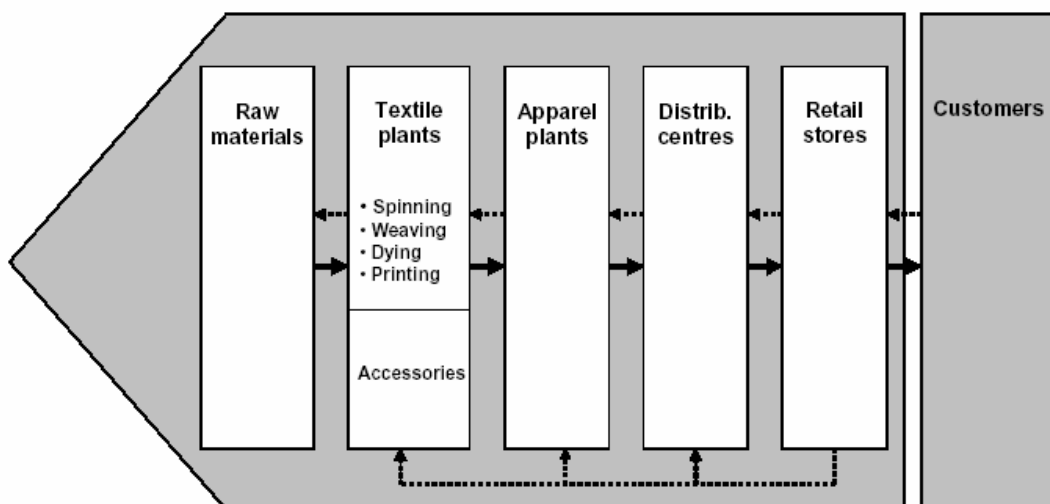
Absence of quotas provides both opportunities as well as threat to India. It is a threat as minimum assured quantities under quotas are no longer available and intense competition is foreseen from other Asian countries mainly China, Bangladesh, Sri Lanka etc. At the same time it is an opportunity as quantitative restrictions / ceilings are no longer in existence. Comparative position of Indian textile industry across various segments in the industry is as follows:

Process	Determinants of Competitive Advantage	India's Competitive Position	Emerging Competition
Weaving	Technology, automation, power and finance	Low	Vietnam, Philippines
Processing	Scale economy, Technology, environment issues and finance	Low	China, Vietnam, Philippines
Garmenting	Labour cost, productivity and brand fashion design	Medium	Bangladesh, Sri Lanka, Morocco, East Europe and Mexico

THE INDIAN TEXTILE INDUSTRY

The textile industry is one of the oldest and largest industry in India and is highly fragmented. It is divided in four segments spinning, weaving, processing and garmenting. Indian textile industry comprises of two sectors, the organised sector consisting of modern and highly mechanised mills and the unorganized sector consisting of the small scale powerloom sector and the highly fragmented handloom (hand spinning and hand weaving) sector.

The following diagram shows different segments of the textile industry.



Growth and development of textile industry has a significant bearing on the overall development of the Indian economy. Govt has taken steps for a rapid growth in the industry to reap the benefits of free quota regime. A comprehensive textile policy was formulated in 2000 for developing a globally competitive textile industry in India. Vision 2010 of Govt sets a target of achieving export turnover of USD 50 billion by 2010 from around USD 13 billion in 2003.

Fabric Weaving Industry

India is second largest textile producer in the world, after China, capable of producing a large variety of textiles. In 2003, the Indian textile industry (excluding garments) was of around USD 22 billion, consisting of domestic market of USD 15 billion and exports market of around 6.5 billion. Vision 2010 of GoI envisages this industry to be around USD 58 billion, consisting of domestic market of USD 22 billion and exports market of 25 billion by 2010.

The unorganized sector has dominated this industry in India for long and contributes around 93% of the total fabric production. However, the preference and protection accorded to this sector are being removed now to give way to integrated players in the organized sector, which will be able to modernize and improve the quality of the weaving sector and give this industry a major boost. The sector wise fabric production in India in 2003-04 was as shown in the chart.

The following are the important factors, which gives India an edge over other countries in weaving of fabric:

Cotton rich country

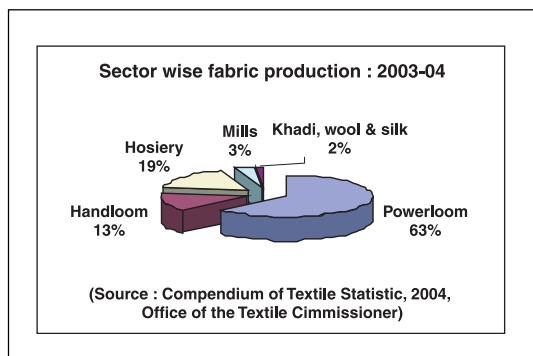
India is the third largest producer of cotton with largest area under cotton cultivation in the world. With cotton being a key raw material for the cotton textile industry, India enjoys an advantage as a producer of low cost raw material compared to other countries.

Low-cost skilled labour

In developed countries average cost of labour in weaving segment is around 39%, which is substantially higher than the labour cost in India. Labour cost in India is one of the least in the world that gives an edge to Indian textile industry from global outsourcing trend in labour intensive businesses like garments and home textiles. [Source: CII-Accenture report 'Textile Industry: Road to Growth', November, 2001]

Designing skills and Fashion capabilities

India's strength lies in creation of innovative designs and its ability to handle customized small orders. India's ability to effectively translate latest trends into final products gives Indian textile industry an edge over other countries including China.



Bombay Rayon Fashions Limited

Fabric Production

The proportion of man-made fibres in total fabric production has increased over the period. Total production of different types of fabric along with their growth have been shown in the following table:

(Quantity in million square meters)

FY	Cotton Fabric			Blended Fabric			100% Non Cotton Fabric			Total Quantity	Growth Rate
	Quantity	Growth Rate	% Share	Quantity	Growth Rate	% Share	Quantity	Growth Rate	% Share		
2001	19627	3 %	49 %	6348	7 %	16 %	14358	5 %	36 %	40333	4 %
2002	19769	1 %	48 %	6288	(1 %)	15 %	15334	7 %	37 %	41390	3 %
2003	19296	(2 %)	47 %	5877	(7 %)	14 %	16289	6 %	39 %	41462	0 %
2004	18062	(6 %)	43 %	6078	3 %	14 %	17970	10 %	43 %	42109	2 %
2005	20578	14 %	46 %	6025	(1 %)	13 %	18388	2 %	41 %	44991	7 %

[Source: Website of Ministry of Textiles, GoI]

THE GARMENT INDUSTRY

The garment industry is one of the fastest growing industries in India. This industry is structurally a labour-intensive, low wage industry with some variations across its market segments. Pricing in the industry depends upon the extent of value addition in the end product, the more the value addition the higher per unit price realization. The competitive advantage of companies in this market segment is related to their ability to create designs that capture tastes and preferences, and even better – influence such tastes and preferences – in addition to cost effectiveness. This industry has also seen a significant amount of relocation of production and outsourcing to lower-cost producers. In 2003, the Indian garment industry was of around USD 16 billion, consisting of domestic market of USD 10 billion and exports market of around USD 6.5 billion. Vision 2010 envisages this industry to be around USD 47 billion, consisting of domestic market of USD 22 billion and exports market of USD 25 billion by 2010.

The following are the important factors, which gives India an edge over other countries in the garment industry:

Designing Skills

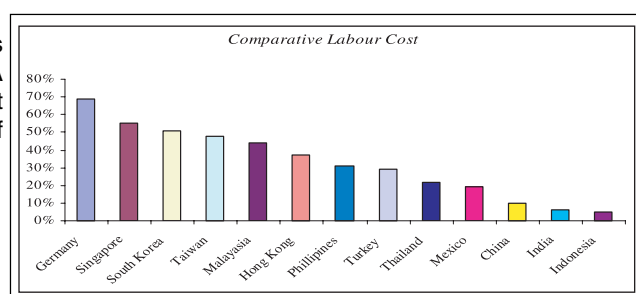
Globally it is difficult to forecast the demand and therefore buyers prefer to place small orders on the basis of seasonal trends. Order flow in the industry depends upon ability of manufacturer to recommend design changes in tandem with the on going trend. Skilled designers play an important role by analysing the existing trend and innovating new designs suited to preferences of end users. The ability of Indian designers to give innovative designs helps the garment manufactures to realize better prices for their products.

Raw Material Advantage

India is the third largest producer of cotton with the largest area under cotton cultivation in the world. Also, India is one of the largest producers of man-made fabric. Abundant availability of raw materials for the garment manufacturing at competitive costs gives India an edge and is in a position to meet global demand of garment products on large scales.

Low Labour Cost

Indian garment industry is internationally cost competitive, as cost of labour in India is cheap compared to other countries. A comparative analysis of India and other countries with respect to labour cost as a percentage of total manufacturing cost of apparel/garment making is given in the chart.

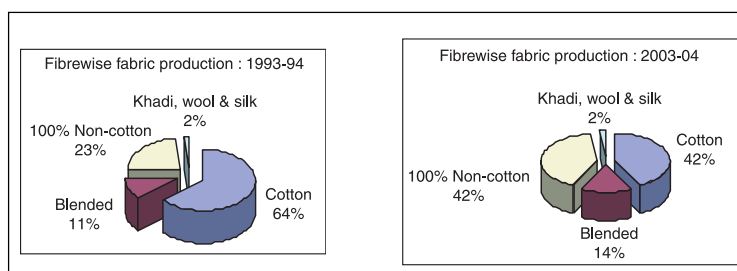


[Source: CII-Accenture report 'Textile Industry: Road to Growth', November, 2001]

Market structure

Domestic market

The total size of domestic textile market is estimated at USD 25 billion of which the garment market is estimated to be about USD 10 billion. With the expected growth in population and increase in per capita income, the future growth in the domestic textile market is likely to be at a faster pace and the market is expected to be about USD 55 billion by 2010 with a garment market of about USD 22 billion.



Indian consumption patterns have changed and today the consumer preference is increasingly for polyester and blended products with a declining preference for cotton products. Therefore, the demand of cotton fabric for domestic consumption is expected to be limited and could alternatively support the increased demand for cotton garments in overseas market.

The consumption of cotton fabric, which constituted about 64% of total fabric consumption in 1993-94, has gradually decreased to 42% in 2002-03 while the consumption of 100% non-cotton and blended fabrics has increased to 42% in 2002-03. The share of cotton fabric in domestic fabric consumption is expected to decline to 38% by 2006-07. The fibre wise production statistics in 1993-94 and 2003-04 was as shown in the chart

Export market

Traditionally, India's share of global garment exports had been small until around 1980, after which it began to grow significantly. Indian apparel is exported to over 120 countries, the most significant among which are nations that are parties to the Multi Fibre Arrangement (MFA). The MFA-importing countries together accounted for a total share of over 60% of India's garment exports.

Textile sector's export performance in the recent years has been remarkable. Textile exports have emerged as the largest gross and net foreign exchange earner for the country, contributing about 21% of India's total earnings. Textile exports have been increasing steadily over the years from approximately Rs. 155 billion in 1992-93 to approximately Rs. 603 billion in 2002-03. Ready made garments (46%) and cotton textiles (27%) contribute to over 70% of total textile exports. The textile exports in rupee terms have grown at an annualised growth rate of 8.52 percent over the last five years.

Share of India in Export of Textile and Clothing

(USD billion)

FY	Textiles			Clothing		
	World Exports	India's Exports	India's Shares	World Exports	India's Exports	India's Shares
1990	104.35	2.18	2.09 %	108.13	2.53	2.34 %
1995	152.32	4.36	2.86 %	158.35	4.11	2.60 %
2001	146.87	5.38	3.66 %	194.49	5.48	2.82 %
2002	152.76	6.03	3.95 %	202.31	6.04	2.99 %
2003	169.42	6.51	3.84 %	225.94	6.46	2.86 %

[Source: WTO International Trade Statistics Book-2004]

The trade in garments has grown in value terms and there has also been a remarkable diversification in the range of products and the direction of exports to different countries. The exports have moved from yarn and grey fabrics to value added finished fabrics, apparels and made-up textile articles. Presently, major overseas markets for India are the EU (around 38 %) and USA (around 30 %). India's textile exports accounted for 20% of its exports at around USD 13 billion in 2003 including share of garment exports at around USD 6.5 billion. [Source: WTO International Trade Statistics Book-2004]

Bombay Rayon Fashions Limited

Trend in textile exports have been as under:

(Rs. in crores)

Particulars	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Total Exports	1,59,095	2,01,356	2,09,018	2,55,137	2,91,582
Total Textile Exports	42,562	51,555	48,677	56,221	57,626
Textile Exports as % of total exports	27 %	26 %	23 %	22 %	20 %
Textiles Exports (excluding readymade garments)	21,914	26,114	24,799	28,684	29,649
Textiles Exports (excluding readymade garments) as a % of total Textile Exports	51 %	51 %	51 %	51 %	51 %
Readymade Garments Export	20,648	25,441	23,878	27,537	27,977
Readymade Garments Export as a % of total Textile Exports	49 %	49 %	49 %	49 %	49 %

[Source: Centre for Monitoring Indian Economy]

As per the provisional figures available for FY 2005 total exports was Rs. 3,56,068.87 crores out of which total textile exports was 16.45 % amounting to of total exports at Rs. 58,584.54 crores. [Source: Foreign Trade Statistics of India (Principal Commodities and Countries) DGCIIS, Kolkata]

SWOT Analysis of Indian Textile Industry

India has certain advantages in textiles over other countries such as a strong indigenous raw material base, skilled technical manpower and low labour costs. However, the Indian textile industry presently suffers from severe technological obsolescence and lack of economies of scale. The key reasons that the Indian textile industry is unable to exploit its distinctive advantages are the lack of technological upgrading, fragmented growth of the industry and non-rational duty structures. A SWOT Analysis of the Indian textile industry is given hereunder:

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Self reliant industry producing the entire chain from fibre/cotton to garments/home textiles ● Large and growing domestic market ● Second-largest textile producer in the world ● Adequate raw material supplies ● Low labour cost and availability of skilled and technical labour force ● Excellence in fabric and garment designing 	<ul style="list-style-type: none"> ● Small size and technologically outdated plants result in lack of economies of scale, low productivity and weak quality control. ● Cotton availability is vulnerable to erratic monsoons and low per hectare yield. ● With the exception of spinning, other sectors are fragmented. ● Labour laws and policies lack reforms. ● Infrastructure bottlenecks for handling huge volumes
Opportunities	Threats
<ul style="list-style-type: none"> ● Replacement of the MFA and full integration of textile industry resulted in huge opportunities for export ● Shift in domestic market towards readymade garments. Per capita domestic textile consumption offers room for growth, with increasing disposable incomes 	<ul style="list-style-type: none"> ● Survival of the fittest-in terms of quality, size, delivery and cost ● Pricing pressure ● Stiff competition from other Asian countries ● Increase in regional trade could reduce share of markets opened for India, China etc.

Recent Policy and Administrative Initiatives

In order to boost reforms in the textile sector and enable it to meet the challenges in the quota free regime, Gol has taken several steps in last five years. A summary of these policy and administrative initiatives are as under:

Union Budget 2005-06

As per the National Common Minimum Programme of the United Progressive Alliance Government, the textile industry will be enabled to meet new challenges imposed by the abolition of quotas under the ATC. In pursuance, Gol has initiated a number of measures for strengthening the domestic textile industry for meeting the global competition including the following announced in the union budget 2005-06:

- Allocation to TUFSS has been enhanced to Rs. 435 crores, along with an additional capital subsidy of 10% for the processing sector;
- Thirty textiles products and hosiery items have been identified for de-reservation from the ambit of SSI;
- Excise duty on polyester filament yarn and polyester texturised yarn reduced from 24% to 16%;
- Optional CENVAT Scheme has been extended to stand alone texturing units at 8% excise duty with CENVAT credit or at nil duty without CENVAT credit;
- Duties on specified textile machinery items, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is also being continued.

Initiatives under Export and Import Policy

- Export Promotion Capital Goods Scheme: Facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods is also allowed under this scheme;
- Advance Licensing Scheme: With a view to facilitating exports and to access duty-free inputs under the scheme, standard input-output norms for about 300 textiles and clothing export products have been prescribed;
- Duty Exemption Pass Book Scheme (DEPB): Gol had in September 2004 reduced the DEPB rates across the board by 45% on all textile items. The DEPB rates are intended to neutralise the incidence of basic customs duty on exports and thus provide incentives for textile exports;
- Duty Drawback Scheme: Exporters are allowed refund of the excise and import duty paid on raw materials under the scheme so as to make the products more competitive in the international market.

The Textile Policy, 2000

With an objective of providing conducive environment to enable the Indian textile industry to realise its full potential and to achieve global excellence the Gol had in November 2000 announced the new textile policy with an objective to equip the industry to withstand pressures of import penetration and maintain a dominant presence in the domestic market, liberalise controls and regulations to perform in a greater competitive environment, enable the industry to build world class state-of-the-art manufacturing capabilities in conformity with environmental standards, develop a strong multi-fibre base with thrust of product up-gradation and diversification, sustain and strengthen the traditional knowledge, skills and capabilities of our weavers and craftspeople etc. The policy laid a vision of achieving the target of textile and apparel exports to USD 50 billion by the year 2010 including an export turnover of USD 25 billion for garments.

Technology Upgradation Fund Scheme (TUFSS)

Technology Upgradation Fund Scheme aims to act as a focal point for modernization of textile units by extending five percent reimbursement on interest charged by identified financial institutions on the projects meant for upgradations of technology in the industry. TUFSS came into force on April 1, 1999 for a period of five years, which was further extended up to March 31, 2007.

Liberalization of FDI Policy

Government has allowed foreign equity participation upto 100%, through automatic route, in the textile sector with the only exception in knitwear/knitting sector, which continues to be reserved for SSI.

Human Resource Development

Gol supports programs of organizations and institutions engaged in human resource development that addresses the professional manpower needs of the industry. To cater the demand for fashion designers and fashion technologists in the

Bombay Rayon Fashions Limited

garment sector National Institute of Fashion Technology (NIFT) was set up. Gol has also decided to develop Nodal Centre for Upgradation of Textile Education as an autonomous national level Textile Education Resource Centre.

Construction of Apparel International Mart

For providing world-class facility to the apparel exporters to showcase their products and serve as a one-stop shop for the reputed international buyers the Apparel Export Promotion Council is coming up with an Apparel International Mart at Gurgaon. The mart is expected to become fully operational by September 2005.

Apparel Park for Exports Scheme

With an objective of setting up apparel manufacturing units of international standards at potential growth centres for enhancing exports Gol has initiated this scheme. Since the inception of scheme in March 2002, eleven proposals have been sanctioned for setting up apparel parks in various states.

Textile Centres Infrastructure Development Scheme (TCIDS)

For upgrading infrastructure facilities to enhance operational efficiency of textile units located at important textile centres, in March 2002 Gol has launched TCIDS.

High-Tech Weaving and Processing Parks

To give boost to the weaving and processing sector, Gol has launched High-Tech Weaving & Processing Parks for modernization of the powerloom sector in places having high concentration of powerloom units.

Technology Mission on Cotton

With an objective to improve production, quality and stabilize prices of cotton in February 2000 Technology Mission on Cotton was launched. The scheme will continue till the end of 10th five-year plan, i.e., March 31, 2007.

OUR BUSINESS

Overview

We are a multi divisional textile company engaged in the manufacture of a variety of fabrics and garments with modern production facilities. Our Group was promoted by Mr. Janardan Agrawal in 1986. With a modest beginning of manufacturing fabrics, we expanded our capacities for manufacture of woven fabric and started catering to Shirting segment. Realising the potential our Group has intently moved towards the garment manufacturing mainly to conserve the fabrics margins and take advantage of the higher margins offered by the designer / fancy shirt segment.

Presently we are exporting 100% of our garments. However, we supply fabrics to the domestic garment exporters also. We have positioned ourselves as a multi product, multi fibre and multi market player ensuring that our target market is a diverse mix of the domestic fabrics market, garment export trade and international market (fabrics exports). Our manufacturing facilities are spread across four locations at Navi Mumbai, Silvassa, Sonale in Thane district and Bangalore, fully backed by the facilities for product development, design studio and efficient sampling infrastructure to provide quality services to our customers in India and abroad. We currently employ over 900 people. Presently our weaving facilities are producing approximately 10.9 million meters of fabric per annum and our garment manufacturing facilities are producing 6,000 garments per day.

Our Competitive Strengths

Experience of our Promoters

Our Promoters have adequate experience in the textile industry and we have successfully implemented expansion projects earlier. We also have adequate technical and commercial managerial personnel to handle implementation of the proposed Expansion Project.

Flexibility in manufacture of garments

We are in the business of manufacture of woven fabric for the last fifteen years. Over the period we have developed expertise in the manufacture of any customer desired variety involving complex design of woven fabrics of superior quality. Woven fabric is the main input of our garment business and our expertise in woven fabrics gives us a definite competitive advantage over other garment manufacturers.

Designing Capabilities

Designing is a critical element of fabrics and garments both. Development of innovative designs is one of our main strength and unique selling proposition. We are into the high end products. We have in-house teams of experienced designers in weaving, garmenting and home textiles. We have installed software packages CAD / CAM systems for generating designs on computers. On an average, at least 4/5 new designs are developed on a daily basis in each of the divisions. We also have a library of over 1000 designs in garments alone and more than 10000 in woven fabrics, especially in yarn dyed variety.

Lower turnaround time

Garment manufacturing is highly fashion oriented. Fashion is time bound and any delay in meeting deadlines results in loss of businesses. Meeting customer deadlines on a consistent basis is important for our business. Our in-house facilities of design studio, sampling of fabrics and garments, weaving, and garmenting allows us to plan and deliver the orders in one of the shortest turnaround time. We have been successful in reducing the cycle time from date of order placement to date of garment delivery, from 90 days to 65 days. Our endeavour is to further reduce the turnaround time.

Low labour cost

Skilled labour is available in abundance in India. Thus, our labour costs are maintained at realistic levels. Added to that we have kept ourselves updated on the latest available technologies and continuously look for new attachments and value adding equipment to enhance the performance of our machines such that the labour input required is maintained while the production / productivity is improved. All our units enjoy very cordial industrial relations, which is a testimony of labour friendly policies followed by us.

Economies of scale

Our production capacity in each of our units / divisions can be considered as mid to large in size. It allows us the advantages of economies of scale. Although the units are spread over different locations, the raw material procurement

Bombay Rayon Fashions Limited

and purchase functions are centralised. We can therefore take advantages of bulk discounts and negotiate favourable terms of purchase resulting in substantial savings in input costs.

High productivity

High level of modernization, trained work force and managerial expertise results in consistent high level of productivity. We have established modern production facilities at each of our plant and we are continuously on the look out for new / updated technologies. Our investments in value adding equipments / attachments to our machines has resulted in twin benefits of consistent high quality and improved productivity. We also have loyal trained work force, sound communication facilities and high level of computerization to ensure enhanced operational efficiency.

Low interest cost

Recent capacity additions in our manufacturing facilities have been carried out under TUFS. The weighted average interest rate of our existing term loans after considering the benefits available to us on loans covered under TUFS is around 7.63%. This has helped us in lowering the overall average cost of funds and has increased our competitiveness. For the Expansion Project, the interest cost will further reduce to 3.5% per annum taking into account the benefit under TUFS.

Quality Assurance

Each of the Company's products passes through stringent quality checks. The quality assurance measures taken by the Company include thorough checking of all raw material and other inputs right down to finished goods to ensure quality, statistical methods to identify and analyse areas of improvement, experienced manpower for quality assurance activities, creation of data base for future reference and analysis etc. Each of the divisions is well equipped with most modern quality checking and testing equipment in place for quality assurance and functions on our philosophy of providing quality products to customer.

Sampling capabilities

We have all the facilities like desklooms, sample dyeing, sample printing, washing and processing facilities to produce fabric samples per designs developed by our design studio. In the initial stages of the order, the design and sampling department continuously interacts with the buyers till the fabric sample is approved. Sample yardages are made for making garments and in our dedicated fabric sampling unit, garment samples are made, remade, design changes are incorporated till the customer finally approves the garment sample. The entire process is very time consuming and can take two months. Our dedicated in-house facilities enable us to compress this time substantially. The fabrics manufacturing and garment making process starts only after the garment sample is fully approved. Different processes of sampling are involved for products going to different market segments. Our above-mentioned capabilities give us a decided advantage over other fabric and garment manufacturers.

Our Strategy

Our Corporate Vision is to be a '**Complete Apparel Company**'. We have three-pronged strategy to realize our vision.

1. To strengthen our fabric business in order to have full control of entire fabric supply chain- from yarn dyeing, weaving to processing of fabrics. We intend to achieve this through implementation of New Project facilities. This would not only help us achieve total quality control at each stage, it would enable us to cut out delays in delivery of fabrics to our garment units. This apart our stress on building and enhancing our design capabilities enables us to present our own collections and offer a total package solution to the customer.
2. To rapidly expand garment capacity to meet the growing opportunity in the market place and in the process captively consume 30-50% of our own production of fabrics.
3. Position ourselves in the mid to high end garment segment such that we enhance our acceptance and improve our capabilities to meet the stringent compliances stipulated by such customers Once this is achieved, entering the commodity market would pose little difficulty.

Continued focus on Innovative Designs

We are into high end products in our garmenting business, which requires creation of designs contemporary in terms of prevailing fashion. We have fully equipped design studio and all other facilities to come out with innovative designs, which make our fabrics and garments more of a fashion product than a commodity products and thus proving better in terms of price realization. Our strategy is to further improvize on designs development.

Backward Integration of our manufacturing process

We are into the manufacture of woven fabric and garments. Presently we do not have facilities for activities such as yarn dyeing, processing of grey fabric, garment washing etc. Absence of these facilities requires us to outsource these jobs making us dependent on many external factors. Our strategy is to have in-house facilities for these activities so that we become self dependent and competitive in terms of turnaround time and quality.

Continued focus on fabric weaving

Fabric weaving has been our core strength. Although over the years we have diversified in to garment manufacturing business, our strength of producing different variety of woven fabrics gives us an advantage over of all other garment manufacturers. We are constantly on the look out for new developments in weaving technology and seek to continuously improvize our strength in fabric weaving.

Further widening of our customer base

With proposed expansion of fabrics and garment capacities, and growing opportunities available in the post quota regime we intend to continue to grow our business by adding new customers in existing and new geographies, new market segments. We are looking towards expanding customer base in Africa as also in the South East Asian countries. We intend to diversify in bottom wear gents and ladies, denims and wish to tap enormous market in the EU countries. We are in dialogue with established brands in Germany and Italy for collaboration in terms of providing a manufacturing base in India for these brands We aim to do this by effectively leveraging our marketing skills and relationships and focusing on total customer orientation.

Adding to our manufacturing facilities

Expanding capacities in fabrics and garments will be a continuous process. We will look for more geographic locations suitable for catering to different markets and product ranges. We will constantly endeavour to acquire new technologies, latest developments and value adding processes to make our products techno savvy, contemporary in outlook, trendy in fashion and top class in quality. Our target segment of mid to high end customers would give us sufficient room for expansion of capacities for years to come.

Going further, we are adding three more units to our garmenting division, which will together have a capacity to manufacture approximately 32,000 shirts per day by the end of this fiscal. After implementation of the Expansion Project we will have capacities to manufacture over 60,000 shirts per day.

Opening of overseas offices

We have already incorporated our first wholly owned subsidiary with the trade name of BRFL Europe B.V. in Almere, the Netherlands. BRFL Europe B. V. (September 7, 2005 being the date of incorporation) has a showroom in Almere, which will mainly cater to the needs of countries in the EU. Over a period of time we intend to open more such overseas offices to provide product and services on the customer' door step. Our strategy is to give our overseas buyers a comfort of dealing with a company having reach in their respective territory.

Reduction of operational costs

Apart from expanding business and revenues we have to look for areas to cut costs in order to remain a cost competitive company. Measuring costs of each operation and process, evaluating costs at each cost centre and bench marking the same to industry / scientific standards is our core strategy to control direct costs and overheads. In our industry apart from Raw material costs other inputs and overheads account for 30-35% of our total costs. Raw material costs are controlled through centralise purchase. Consumption and wastages are controlled on the shop floor through effective supervision and systems. Other costs are reduced through proper training, new technologies and periodic reviews. Every single employee is given cost orientation and is instructed to look for areas of cost savings. Our focus has been to reduce the operational costs to gain competitive edge. We are quite successful in our efforts and hope to continue more vigorously to bench mark ourselves with the best in the industry.

Adding of new products in our garmenting division

Presently, we are mainly into the development and manufacture of men's shirts. While we intend to continue to be focused into men's shirts, our strategy is to add ladies tops, kids wear and men and women bottoms so as to have adequate diversification in our garmenting business. We also intend to enter linen fabrics and garments as the current trend show great potential for such products. Diversification of portfolio of products is essential to every business from the point of view of guarding its operations from sudden fall in demand for a particular product.

Bombay Rayon Fashions Limited

Our Business Model

We are a multi product, multi fibre and multi market company operating in the manufacture of woven fabric and garments. Our presence in the total value addition chain in textiles is indicated below:

Fibres (Natural / Manmade)	Yarn (Spinning & Texturising)	Weaving	Processing – Yarn & fabrics	Garments / Home Textiles
X	X	✓	**	✓

(✓ denotes our presence in the business segment), (** Activity proposed under the New Expansion Project) and (X denotes that we are not into the business segment)

Our Manufacturing Capacities

Presently we are into the business of manufacture of woven fabric and manufacture of fabrics for exports. Under the Expansion Project we shall be setting up an integrated facility of yarn dyeing, weaving, processing of grey fabric and manufacture of garments including processing thereof and packing of garments, all at one location. The following table sets forth our existing and upcoming manufacturing capacities:

Activity	Existing Capacity	Capacity under the Expansion Project	Capacity Post expansion
Yarn Dyeing	N. A.	2,000 kgs per day	2,000 kgs per day
Weaving	150 Weaving Machines	48 Weaving Machines	198 Weaving Machines
Processing	N. A.	93,999 mtrs per day	93,999 mtrs per day
Garment Manufacturing	6,000 pieces per day	22,000 pieces per day	28,000 pieces per day

Further, intermittent expansions are also underway under which three additional units are expected to become operational adding around another 32,000 pieces of garments per day to our manufacturing capacity and taking our total shirt making capacity to around 60,000 pieces per day by April, 2006.

Manufacture of Woven Fabric

We are into the manufacture of woven fabric for almost two decades. We manufacture woven fabric (both shirting and suiting) of different varieties using cotton, man-made fibres and their blends. We have 140 weaving machines spread at three locations at village Sonale in Thane district, Navi Mumbai and Silvassa. All our facilities for manufacture of woven fabric use modern technology using imported Projectile based Sulzer, Flexible Rapiet based Somet, Positive Rapiet based Dornier and Belt based Picanol weaving machines. Currently, we have 140 weaving machines in our fabric manufacturing units. Besides the weaving machines, most modern preparatory machines such as winding, sizing, direct and sectional warping machines etc. are also installed at our plants.

Our total fabric manufacturing capacity is about 10 million meters per annum. We also outsource fabric from the unorganized sector to meet our requirement of our customers. We supply fabrics in both domestic and overseas markets.

Brief description of different steps involved in garment manufacturing is as follows:

Procurement of Grey Yarn and Yarn Dyeing

Grey yarn is purchased from various suppliers depending upon orders on hand for manufacture of woven fabric. After procurement, yarn is checked for quality and is stored in the warehouse.

Based on the nature of orders grey or dyed yarn is to be used. Yarn is sent for dyeing. Presently, we do not have the facility for yarn dyeing and therefore this work is outsourced.

Sizing and Warping

Sizing is required to be done with certain yarns so as to give them strength to make them weavable. In this process the yarn is passed through chemicals and steam in the sizing machines.

Warping is a process in which yarn is put on a beam for being fit to be used on the weaving machines. For overcoming excess heat and provide humid conditions, humidification plants are used in the weaving sections

Weaving and Grey Fabric Inspection

After warping the beam is put on the weaving machines which produces woven fabric. The fabric produced by weaving is grey in nature and is not suitable for direct use for garment or any other purpose.

It has to be processed further to give an attractive look and stability. Grey fabric is subjected to quality check and mending is done wherever required and after which the fabric is packed and sent to the Process house.

Fabric Processing and Finished Fabric Checking

Presently the Company does not have own Process House facility and therefore this operation is outsourced. In the Process House things like washing, bleaching, mercerizing, printing, dyeing, calendering, and treatment for brightness, shrinkage & wrinkle free etc. is done.

After Processing, the processed fabric is received back at our packing units where it is re-inspected for quality and then it is packed and despatched as per orders.

Garment Manufacturing

We have started our garment manufacturing division in September 2003 and in a short span of time we have grown substantially in this business. One main feature of our garmenting business is that we are into high-end fashion products as compared to commodity garments. Per unit price realization is much higher in high-end fashion products.

Our existing garment manufacturing facilities are in two units and are based in Bangalore with a capacity to manufacture around 6,000 pieces of garment manufacturing per day. Going further, we are adding three more units to our garmenting division, which will together have capacities to manufacture approximately 32,000 pieces of shirts per day.

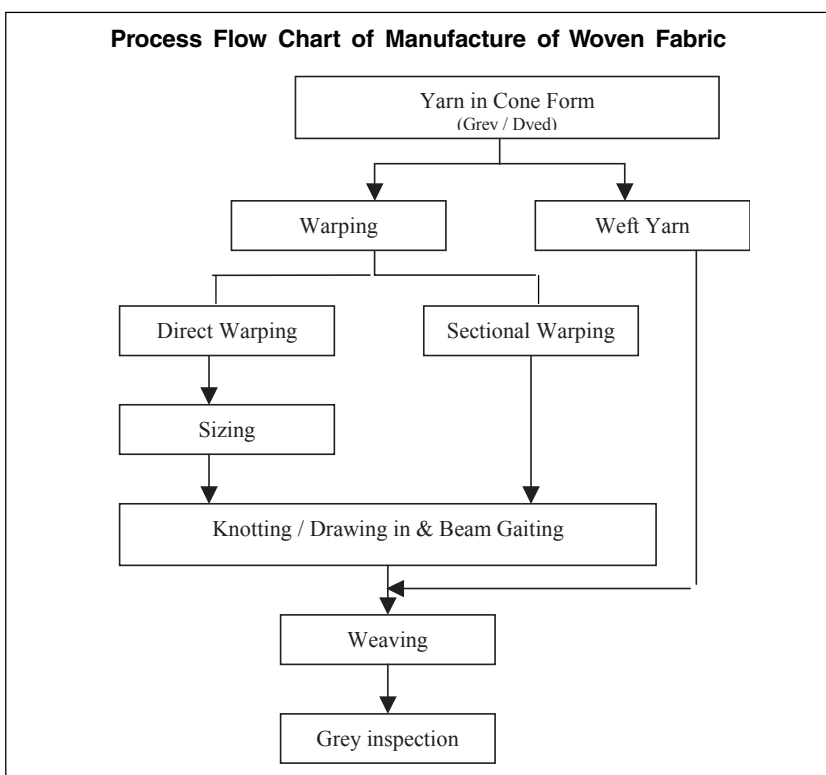
After implementation of the Expansion Project (which will have capacities to manufacture around 22,000 pieces of shirts per day) our total capacity will reach to approximately 60,000 shirts per day. Presently, our focus in garment manufacturing is on designer men's shirts. We shall continue to focus on designer men's shirts but shall also diversify to ladies tops, kids wear and bottoms for both men and women.

Our garment manufacturing operations are subject to stringent quality control standards. As per the requirement of the customers, a complete standard operating procedure (SOP) is implemented at all our garmenting units to make them quality compliant. A team of qualified and experienced professionals manages quality control for the entire manufacturing process, from the receipt of fabric to the dispatch of garments. The team ensures that SOP is followed at every stage and periodic quality audit is carried out to conform to all the requirements stipulated by the buyers.

Brief description of different steps involved in garment manufacturing is as follows

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. We have a team of skilled professionals who makes this assessment. We source majority of the fabric required from our fabric weaving plants at village Sonale in Thane district, Navi Mumbai and Silvassa. Depending on the requirement we also source grey fabric from local market or finished fabrics from overseas markets.



Bombay Rayon Fashions Limited

Fabric Checking

The procured fabric is checked for both quality as well as quantity. This process is done with the aid of machines that helps to visualise the extent of damage/waste in the fabrics. The fabrics are approved by the quality control department depending upon the specific quality norms ensuring that fabric matches the specifications laid by the production/design department. Besides fabric, the accessories are also thoroughly checked for defects and damages.

Fabric Cutting and Garment Stitching

The fabric is laid on the cutting table and then plotted with the help of CAD / CAM machinery as per the specific patterns. This is a system for consumption planning and ensures optimum usage of fabric keeping the cutting wastage at the minimum level. After plotting the fabric is cut with the help of cutting machines. Different parts of shirt are then stickered for identification of size and shade. This process is known as sorting of fabric. The sorted fabric is then bundled and sent for fusing of the three main parts namely collars, cuffs and plackets. Then collars and cuffs are attached to the main body completing the first stage. Then buttonholes are made and the buttons are attached. This is done with the help of specialised machinery. After the completion of manufacturing process finishing process starts. The shirt is now checked manually for loose threads and, if any, the same is cut off. There is also a thread-sucking machine, which sucks of all the unwanted threads in the shirt.

Final Checking of Garments

We subject 100% of the garments that we manufacture to stringent quality control measures. To ensure that every piece manufactured is as per specification and the required quality standards, there is a separate quality assurance department. This department is solely responsible for ensuring that all finished goods are free from defects and stitched as per measurement. This team compares the final product with the measurement chart and style chart given by the design department. Any variance beyond acceptable limits is rejected.

Manufacture of Made Ups

Very recently we have ventured into the value-added segment of Home Textiles i.e. Bed Sheets, Fitted sheets, Pillow covers, Quilt covers, Duvet covers etc. mainly for direct exports. The size of global trade in this segment is expected to be over US\$12 billion. The market for home textile products has been growing at a rapid pace over the last few years. With the removal of quota restrictions the segment offers great opportunity for growth. We have therefore strategically moved into this segment to capture the value addition to our basic product line. to conserve and further improve margins. Our investment in modern wide width weaving machinery allows us to target the export market for home textiles.

Brief description of different steps involved in manufacturing of made ups is as follows:

Procurement of fabric

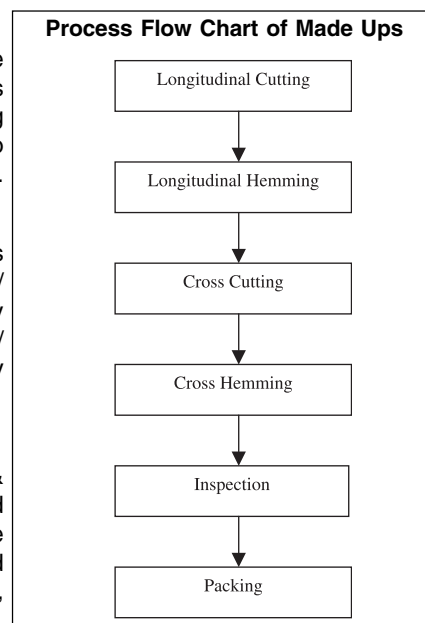
Based on order position and designs, patterns of orders as assessment is made of the type of fabric required. We have a team of skilled professionals who makes this assessment. We source almost all the fabric required from our fabric weaving plants at Sonale, Navi Mumbai and Silvasa. Depending on requirement we also source grey fabric from local markets or finished fabric also from overseas market.

Fabric Checking

The selected fabric is checked for both quality as well as quantity. This process is done with the aid of machines that helps to visualize the extent of damage / waste in the fabrics. The fabrics are selected depending upon the specific quality norms ensuring that fabric matches the specifications laid by the production / design department and Buyers. Besides fabric, the accessories are also thoroughly checked for defects and damages.

Fabric cutting & Made-up stitching

The finished fabric received at the made-ups factory is laid on the cutting table & cut using a wider width cutting machine as per the product specification required in terms of size. This fabric is then given for necessary embellishments like embroidery etc., if required. The fabric is then stitched in the style & specs provided by the designers in-house or the buyers abroad. After the basic stitching, buttons, zippers, etc. as required in specs are attached in the finishing stage.



This is done with the help of specialized machinery. In case of baby beddings & bed skirts sometimes there are ruffles to be attached along the edges. A special machinery is used for this purpose also to give the ruffling an even look throughout. In case of comforters in Adult & Baby, there is generally a filling of polyfill fibre required. This is done after stitching 75% of the product. The polyfill is then filled in the product from one side & the product stitched and completed.

After the completion of manufacturing process, the finishing process starts. The products are now checked manually for loose threads and if any they are cut off to give a neat look.

Final checking of Made-ups

We subject all the products that we manufacture to stringent Quality control, to ensure that every piece is manufactured as per specification and the quality standards, there is separate Q.C. department that is solely responsible for ensuring that all finished goods are free from defects and stitched as per the specifications provided of the respective products and as per the respective designs. Any variance beyond the AQL is rejected.

Finishing and packing

After the products pass the AQL they are then folded as per the fold diagrams given in the specs sheet to the factory. The necessary folding accessories like stiffeners, color inserter, barcodes etc., are put in according to the requirement and the products are packed in Vinyl Zipper Bags as per the different sizes. These are then placed in cartons ready to be shipped. In some case the goods are also shipped bulk packed if the buyer wants it so.

Our Marketing and Selling Strategy

We have positioned our Company in a reasonably strong position in all the business segments in which we operate due to our quality, consistency, pricing and delivery schedules. Our customer profile for fabrics include leading garment exporters in India. leading garment makers in the overseas markets, domestic garment manufacturers, domestic wholesalers and traders and retailers. In addition, we have developed a strong network of marketing agents who sell fabrics to various small sized units and traders thereby ensuring greater penetration of markets. As far as garment customers go, top labels in garments in the European and US markets are on our customer list.

Our Distribution Channels

We use the following distribution channels for marketing our products:

Products / Market Segments	Distribution Channel
Fabrics-Domestic Sale	BRFL → Marketing agents / Wholesalers / Garment manufacturers / Retailers
Fabrics-Exports	BRFL → Overseas garment manufacturer / Exporters / International buying houses
Garments-Exports	BRFL → Buying Houses / International brands / Retailers

Domestic Sale of Fabric

The local retail market is well developed and we have been catering to this market for almost two decades. We have a network of over 10 agents and 70 distributors catering to a network of more than 2000 retailers spread across India. Presently in the Domestic retail division, we have a turnover of around Rs 200 lacs per month, which we plan to increase to Rs. 300 lacs per month.

Domestic Sale of Fabrics to Readymade garment manufacturers - exporters

This is the fastest growing market segment. With our range of fabrics, the buyers of these garment exporters specify and approve fabrics made by Bombay Rayon. Thus it is a custom made product for these garment exporters. These are bulk and repeat orders. Normally once our fabrics is approved the overseas buyers is comfortable and prefers to deal with us for continuing supplies to the chosen garment manufacturer for his orders.

Domestic Sale of Fabrics to Readymade garment manufacturers operating in domestic market

This is another fast growing segment mainly caters to domestic garment industry. Many Indian and International brands have set shop to grab this ever growing market. With the popularity of readymade garments going up, the Indian customers have almost topped buying fabrics from retails shops and getting the garment stitched from local tailors. Buying a readymade garment frees the customer from all these hassles. With the retailing concept through shopping malls booming, the demand for fabrics from this segment is growing fast. We intend to put more efforts in this market.

Bombay Rayon Fashions Limited

Export of Fabric

We are an established fabrics exporter to various overseas markets. Suiting fabrics are exported to Europe and shirting to Middle East countries. We are now concentrating on developing export of shirting fabrics to other territories too. However as a market it will have restrictions of growth, we are confident of finding pockets where we can sell our fabrics and maintain our growth pattern.

Export of Garments

Our strategy for exports of garments is to focus on medium to high-class garment labels as per unit price realization is maximum in high value garments segment. We have been able to attract well know names in overseas fashion garments industry, due to our ability to offer garments based on seasonal fashion trends and colour choices. Our expertise in design of fabrics as per customers specifications, garment designs and garment samples meeting the stringent quality required have made a preferred garment supplier to discerning customers from Europe and USA.

We enjoy a steady market for our products in this segment and have established significant brand goodwill among overseas buyers for our garments. In addition to above we are now focusing on significant reduction in turn around time. This one aspect will give us access to large number of customers who prefer to source their garments from Turkey and such other countries just because those suppliers offer a cycle time of less than 30 days from initiation to delivery. The Company also regularly participates in international trade fairs to develop new relationships and understand contemporary trends in fashion.

Export of Made Ups/Home Textiles

We believe that in the post-WTO era, home textiles will be a driving force of Indian textile exports. With the closure of home textile plants in the US and shift in international buying patterns towards Asia Pacific Region, there is expected to be considerable demand for home textiles out of Asian countries. This presents adequately prepared Indian textile companies with an opportunity to penetrate the US market. We intend to establish a presence in the high value added segment of home furnishings and home textiles will form an important aspect of our business.

Products / Market Segments	Distribution Channel
Adult Bedding Exports	BRFL → International Brands
Adult Bedding Exports	BRFL → Buying House → International Brands → Retailers
Baby Beddings	BRFL → Buying House → International Brands
Baby Beddings	BRFL → International Brands

Use of Information Technology

We are a technology oriented organization and use information systems extensively across our operations, to enable us to optimally benefit from our systems and processes. Most of our critical functions such as operations, supply chain, finance and accounts and human resources are linked through a computer network. This has enabled us to reduce our time in various critical areas. This has also helped us reduce our costs of operations, reduction in wastages, and enhanced overall cost efficiency.

We intend to continue to invest in IT systems to upgrade the same to be able to better serve our requirements and enhance our operational efficiencies. For our proposed new unit, we intend to implement Oracle based ERP from the beginning and replicate the same to our other units and finally integrate the systems in such a way that we have a common platform for information processing and control of operations.

Research and Development and Design Development

We undertake continuous research and development activities with an objective to reduce operational costs and improve the efficiency of our plants.

New design development and sampling is an important feature of our business and we accord importance since these are highly effective tools to convert business enquiries into orders. We have our in-house research and development department constituted by designing unit and fabric development unit. Our designers come out with new designs and ideas based on the current trends in the international and domestic markets. The new designs are then sent out to laboratory for the various testing before the designs are released to the sampling unit for the further marketing and sales

purpose. We have an in-house team of experienced designers in weaving, garmenting and home textiles. We have also installed software packages / CAD / CAM systems for generating designs on computers. The weaving machines are connected to dobby for design generation. On an average at least 4-5 new designs are developed on a daily basis in each of the divisions. Today we have a library of over 10000 designs in weaving apart from numerous varieties of prints.

Quality Control Measures

We have internalised quality control management systems and quality improvement systems in all our plants. We have quality audit teams reviewing all aspect of quality assurance at all our units Apart from that a dedicated in-house management team overlooks the implementation and adherence to quality control policies across all the company's establishments. The corporate management takes active interest and reviews use of IT enabled platforms, which help in monitoring the same.

New Initiatives

We are undertaking the New Expansion Project, which shall have facilities such as yarn dyeing, weaving, processing of grey fabric, garmenting and garment washing etc. These facilities will reduce our dependence on outsourced jobs, give us complete control on the entire supply chain from yarn dyeing to garments thus giving us the advantages of fully integrated operations.

We intend to apply for ISO 9002 certification for our garment manufacturing facilities shortly.

Competition

In the domestic market we face competition from both the organised and unorganised sectors. Even with a diversified product portfolio, quality approach, manufacturing flexibility and modern technology we may have to face intense competitive pressures.

Further, in the free trade regime, there will be intense competition both in the domestic and international markets. Countries such as Mexico and Turkey have the advantage of being located in proximity to our main markets of the US and EU. These countries can shorten the lead time required by being able to deliver products to the customers in shorter time. We also face competition from manufacturers in other cost efficient supplier countries such as China, Pakistan, Bangladesh, Sri Lanka and Vietnam, which have low labour costs.

We intend to meet this competition through product differentiation, whereby we will offer value added , design based product in the mid and high end segment. We believe that we have geared ourselves to face this competition by setting up state of the art facilities across the textile chain from weaving to processing to garments and Made-Ups an area, which have potential for growth in the quota-free era.

Insurance

Details of various categories of risks covered and the sum insured under this insurance policy are as given below:

(Rs. in lacs)

Perils covered	Policy Number	Sum Insured	Sum Insured includes
Fire, earthquake and shock	253200/11/04/3102089	360.5 lacs	Building, plant and machinery and furniture and fixtures of production facilities at Sonale
Fire, earthquake and shock	253200/11/04/3104660	23.5 lacs	Office premises at the Registered Office
Earthquake (Fire and Shock)	253200/11/05/3100517	140 lacs	Unit No. J1-J3 of Tex Centre at Narayan Plaza
Earthquake (Fire and Shock)	142000/11/04/02055	300 lacs	Stock at Peenya Industrial Area
Standard Fire and Special Perils	070404/11/04/00374	500 lacs	Plant and machinery at Peenya Industrial Area
Earthquake (Fire and Shock)	253200/11/05/3401260	400 lacs	Comprehensive Stock Policy for all the weaving mills of the Company

Bombay Rayon Fashions Limited

Human Resources

Textile industry is highly labour intensive in nature. Managing a team engaged doing largely repetitive work is one of the challenges that we face. Further, with competition from other companies in labour intensive business, retaining our workforce is another challenge that we face. Our human resource policies are targeted at creating a motivated work force. Our efforts in building a conducive work atmosphere have helped us in having lower attrition rates than the rest of the industry. We have 927 employees working with us as on July 31, 2005.

Employee Development Policy and Training

Our Human Resource vision is to create a committed workforce through people enabling processes and knowledge sharing practices based upon our value system. We believe that learning and development is an integral part of business operations. We have annual assessment process for every level within the organization, including the top management. Under this, employees are subject to performance appraisal and are assessed on specific skill requirements. For each employee areas of development are identified and training is given in those areas, based on the employee's career plan. We also use these assessment processes to carry out promotions at all levels, through a completely transparent process.

Our corporate objective is to provide every employee training, which is one of the mandatory leadership competencies for promotion.

Compensation Policy

Our compensation policy is based on employees qualification age, experience and level. The policy also compares industry practices in this regard. Compensation among others is used to attract and retain talent in the company

Corporate Social Responsibility

Corporations do not create a team. It's a good team, which creates a good corporation. We fully realize this fact and therefore provides its team with the best working and social environment. From a highly creative office atmosphere to an eco-friendly manufacturing infrastructure, our business philosophy is finely guided by protecting the environment and the interest of its people, customers and business associates. From healthcare to international standards of social compliance, we treat every issue as a means to higher efficiency of our social responsibility.

Health and Safety

We follow a strict code of Health & Safety practices at conditions in the workplace and beyond. The code is monitored continually by internal management reviews, which involve representatives from all areas of the business. The group also reviews and updates the code regularly. Ensuring that all legislation and recommended practice is complied with. We constantly strive to remain eco-friendly by adhering to the highest international standards of manufacturing, affluent treatment and by using azo-free dyes and chemicals to ensure the welfare of our consumers and the sanctity of our natural environment.

The Environment

Good environmental practice has always been a prime consideration in our development, leading us to seek practical solutions to avoid the production of waste. Our business activity inevitably has an impact on the environment. We seek to minimize this impact as far as possible by operating a policy of sustainable development and constantly researching new ways to reduce pollution, wastage and the amount of resources used, while recycling as much as we can.

We view all environmental regulations and legislation as the minimum standard to be attained and strive to exceed them significantly where possible as the needs of the retail industry have changed. We have worked closely with our retail partners to develop economic and environmentally friendly solutions to their waste problems.

In the Community

We take our responsibility to contribute to the community in which we operate seriously. We make every effort to support our staff and the wider society in improving our local community. The company has always taken an active role in local communities in which it operates, supporting many worthy causes.

Bombay Rayon recognizes that its employees have an important role to play within the wider community and seeks to provide every effort to support its staff with charitable endeavours and local community initiatives. These activities have included promoting and sponsorship of individual and social activities, fund raising for hospitals and schools and coordinating with aid agencies and local authorities for projects around the nation.

Corporate Values

- We are committed to actions to restore and preserve the environment.
- We are committed to developing safe and clean technologies using the best environmental practices.
- We are committed to minimizing waste and pollutants, conserving resources, and recycling materials at every stage of the product life cycle.
- We will continue to work with customers and public authorities, vigorously pursuing the development, and implementation of improved technologies and products by minimizing their impact on the environment.
- We will develop effective methods and procedures, and will promote a culture in which all employees share this commitment.

In this way, we aim to have an environmental performance we can be proud of, to earn the confidence and respect of customers, shareholders, and society at large, and to contribute to sustainable development.

Our Offices and Production Facilities

We have acquired immovable properties for setting up our offices and production facilities for the purpose of business. These properties are held either on a freehold or a leasehold basis. Our registered office is located in Mumbai and manufacturing facilities are based across four locations at Navi Mumbai, Silvassa, Sonale in Thane district and Bangalore. Set forth below is a brief summary of our office/production properties:

Registered and Corporate Office

D-1 st Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (East), Mumbai	Freehold
---	----------

Other Offices

163, Shivshakti Industrial Estate, Andheri Kurla Road, Opposite Mittal Estate, Andheri (East), Mumbai	Freehold
J. 101,102, 103, Tex Centre Premises Cooperative Society Limited, Narayan Plaza, Chandivali Farm Road, Andheri (East), Mumbai	Freehold
J. 201,202, 203, Tex Centre Premises Cooperative Society Limited, Narayan Plaza, Chandivali Farm Road, Andheri (East) Mumbai	Freehold

Production Facilities

Tex Center-Sampling Unit and Made Ups, Narain Plaza	Freehold
Raj Rajeshwari Compound, Sonale Village, Thane district	Freehold
TTC Industrial Area, Navi Mumbai	MIDC Lease
227/3 Khanvel Main Road, Kherdi, Silvassa	Freehold
57/A, 3rd Phase, Peenya Industrial Area, Bangalore	Leasehold
288, 4th Phase, Peenya Industrial Area, Bangalore	Leasehold
S. No. 53/10, Madanayakanahalli, Bangalore	Leasehold
Plot No. 471-D2, S No. 46, 4 th Phase, Peenya Industrial Area, Bangalore	Leasehold
Survey Nos. 148/2B, 151/1, 151/3A, 151/5 situated at Kengeri village, Kengeri Hobli, Bangalore	Leasehold

Bombay Rayon Fashions Limited

OUR HISTORY AND CORPORATE STRUCTURE

The Company

Our Company was incorporated as Mudra Fabrics Private Limited (MFL) on May 21, 1992. On October 13, 1992 our Company was converted into a public limited company. Subsequently, on September 30, 2004, name of our Company was changed to Bombay Rayon Fashions Limited (BRFL). In March 2005, with a view to consolidate business of our Group, Bombay Rayon Private Limited (BRPL) was amalgamated with our Company and two partnership firms of the Group, i.e, B R Exports and Garden City Clothing were taken over by BRPL and our Company respectively.

The Bombay Rayon Group

The Bombay Rayon Group started in 1986 with the incorporation of BRPL. The Group is in the textile industry having facilities for manufacture of fabrics, garments, design development, sampling etc. Presently, our Group is engaged in carrying out the activities of manufacture of fabrics for domestic sale and export and manufacture of garments for export.

The Bombay Rayon Group was promoted by Mr. Janardan Agrawal. Subsequently Mr. Aman Agrawal and Mr. Prashant Agarwal, sons of Mr. Janardan Agrawal joined the Group and are now in charge of the management of the Company as well as our Group companies.

Consolidation of Our Business

The Group Companies/Ventures

With the incorporation of BRPL in 1986 the Bombay Rayon Group started its operations. However, within the Group other companies were incorporated and partnership firms were formed to carry on various aspects of the business like manufacture of fabric, sale of fabric in domestic and overseas markets and manufacture and sale of garments. The following table gives a summary of our Group:

S. No.	Name	Date of Incorporation/formation	Nature of Business
1	Bombay Rayon Private Limited	September 23, 1986	Manufacture of fabric
2	Bombay Rayon Fashions Limited	May 21, 1992	Manufacture of fabric
3	B R Exports (partnership firm)	April 1, 1998	Export of fabric
4	Reynold Shirting Private Limited	November 27, 2003	Manufacture of fabric in tax free zone at Silvassa
5	Garden City Clothing (partnership firm)	June 23, 2003	Manufacture and sale of garments
6	Bombay Rayon Clothing Limited	January 3, 2005	Manufacture of fabric

The Corporate Consolidation

With an objective to consolidate business of the Bombay Rayon Group, it was decided to merge all the group companies and firms into one corporate entity excepting Reynold Shirting Private Limited, which is eligible for tax benefits at Silvassa and Bombay Rayon Clothing Limited.

S. No.	Name	Status
1	Bombay Rayon Private Limited	BRPL has been amalgamated with BRFL under a Scheme of Amalgamation
2	B R Exports	Taken over by BRPL w.e.f. March 1, 2005. Further, BRPL has been amalgamated with BRFL under a Scheme of Amalgamation
3	Garden City Clothing	Taken over by our Company w.e.f. March 1, 2005

Amalgamation of BRPL and BRFL

With a view to strengthen our operations so as to grab the opportunity arising out of removal of quota restrictions from January 1, 2005 it was decided to amalgamate BRPL with BRFL. The amalgamation will reduce the overlapping business amongst our Group apart from giving synergies in manufacture of woven fabric and sale thereof in both domestic and overseas market. The Bombay High Court had vide it's order dated March 11, 2005 approved the Scheme of Amalgamation of BRPL with BRFL effective April 1, 2004.

Takeover of the group partnership firms

To further strengthen our operations and corporate structure and to move up in the value chain by entering into the business of garments export, which is expected to show manifold increase in the post quota regime we decided to take over the businesses of Garden City Clothing (GCC) and B R Exports, our Group partnership firms. Consequently, GCC and B R exports were taken over by BRFL and BRPL respectively with effect from March 1, 2005.

After the amalgamation of BRPL with BRFL all the three entities, i.e., BRPL, GCC and B R Exports have merged into our Company resulting into consolidation of businesses from fabrics, design development and Garments under one corporate roof.

Details of BRPL, B R Exports and Garden City Clothing before Consolidation

Bombay Rayon Private Limited (BRPL)

BRPL was incorporated on September 23, 1986 as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Maharashtra, Mumbai. The main objects clause of BRPL provides that the company has been incorporated to carry on the business of spinners, weavers, twisters, processors, etc. of various types of fabrics and to carry on the business as traders, wholesalers, retailers, sellers, exporters, importers etc. in textile, fabric etc. BRPL was amalgamated with Bombay Rayon Fashions Limited under a Scheme of Amalgamation approved by the Bombay High Court vide an order dated March 11, 2005.

The promoters of BRPL were Janardan Agrawal and Narendra Kumar Agarwal.

Shareholding Pattern of BRPL as on March 31, 2004

Category	Number of Shares	% of Total
Promoters		
Janardan Agrawal	101796	35.14 %
Aman Agrawal	23850	8.23 %
Prashant Agarwal	36000	12.43 %
Sub Total [A]	161646	55.80 %
Promoters Group		
Janardan Agrawal (HUF)	3900	1.35 %
Bimla Devi Agrawal	10330	3.56 %
Payal Agarwal	2800	0.96 %
Radha Devi Agarwal	3400	1.17 %
Vinita Agarwal	63611	21.97 %
Vedant Agarwal	8000	2.76 %
Aayush Agarwal	3000	1.04 %
Priyanka Agarwal	1000	0.34 %
Sub Total [B]	96041	33.15 %
Promoters and Promoters Group [A+B]	257687	88.95 %
Others	32003	11.05 %
Total Equity Shares	289690	100.00 %

Bombay Rayon Fashions Limited

Board of Directors of BRPL as on March 31, 2004

Under the Articles of Association BRPL was to have not fewer than 2 or more than 11 directors. The following table sets forth current details regarding Board of Directors BRPL:

Name of Directors	Designation
Janardan Agrawal	Director
Aman Agrawal	Director
Prashant Agarwal	Director
Vinita Agarwal	Director

Financial Performance

The audited financial performance of BRPL for three financial years ending FY 2004 was as given below:

(Rs. in lacs, except per share data)

For the year ended March 31,	FY 2004	FY 2003	FY 2002
Total Income	2760.55	3402.32	2419.37
Profit after tax	74.45	31.28 [#]	32.71
Equity Share Capital	289.69	260.34 [*]	151.31 [*]
Reserves and Surplus (Note 1)	264.60	189.82	248.88
Dividend (%)	Nil	Nil	Nil
Earning Per Share (Rs.) (Note 2)	25.67	Nil	21.07
Book Value per share (Rs.) (Note 2)	191.34	172.91	264.48

Note 1: Reserves and surplus are stated after deducting miscellaneous expenditure.

Note 2: At a face value of Rs. 100/- each

* Excluding share application money received during the year.

In FY 2003, on account of adjustment of a prior period item of Rs. 37.89 lacs relating to income tax paid consequent to block assessment order (for a period starting April 1, 1990 and ending August 22, 2000) dated September 30, 2002 passed by Assistant Commissioner of Income Tax 8 (1), Mumbai, BRPL had net loss of Rs. 6.59 lacs. This block assessment was done consequent to a search and seizure operations conducted on August 22, 2000 at various premises of BRPL after which BRPL had declared total undisclosed income of Rs. 55.88 lacs.

B R Exports

B R exports was formed as a partnership firm on September 13, 1996 to carry on the business of exports and imports and to deal as cloth merchants, textile processors and commission agents. Under a deed of admission cum partnership executed on April 1, 1998 a reconstitution of the firm was made by admission of a partner and retirement of few partners. Further, a deed of admission cum partnership was executed on April 1, 2004 admitting BRPL as a partner in B R Exports. B R Exports was dissolved on March 1, 2005 by the retirement of all the partners except BRPL. Pursuant to above arrangement, BRPL took the business of B R exports on a going concern basis together with all of its assets and liabilities. Pursuant to the deed of dissolution BRPL was to pay consideration equivalent to credit appearing in the capital account of the respective partners either in cash or by way of allotment of shares in BRPL. However, since BRPL was merged with our Company, we have paid the consideration to the retiring partners. For details regarding payment of consideration to the retiring partners of B R Exports by our Company kindly refer to section titled "Related Party Transactions" on page 90 of the Prospectus.

Capital holding position of B R Exports as on February 28, 2005

(Rs. in lacs)

Name of Partners	Capital	% of Total
Janardan Agrawal	(48.47)	(23.34) %
Prashant Agarwal	85.26	41.04 %
Vinita Agarwal	45.18	21.76 %
Bombay Rayon Private Limited	125.73	60.54 %
Total	207.70	100.00 %

Partners of B R Exports as on February 28, 2005

Under a deed of admission cum partnership executed on April 1, 2004, BRPL was admitted as a partner in B R Exports. Immediately before dissolution of B R Exports, the following were the partners of the firm:

Name of Partners	Share in the business
Janardan Agrawal	15%
Prashant Agarwal	15%
Vinita Agarwal	10%
Bombay Rayon Private Limited	60%

Financial Performance

The audited financial performance of B R Exports for last three financial years was as given below:

(Rs. in lacs)

For the year ended March 31,	FY 2005*	FY 2004	FY 2003
Total Income	2029.81	1488.13	2320.04
Profit after tax	126.23	111.83	260.71
Capital	207.71	134.04	204.99

* Financials for the period starting April 1, 2004 and ending February 28, 2005

Garden City Clothing (GCC)

GCC was formed as a partnership firm on June 23, 2003 to carry on the business of manufacture, import, export and to act as wholesale and retail dealer of every kind, nature and description of textiles and leather garments and related items. Under a deed of admission cum partnership executed on April 1, 2004, BRFL was admitted as a partner in GCC. GCC was dissolved on March 1, 2005 by the retirement of all the partners except BRFL. Pursuant to above arrangement, BRFL took the business of GCC on a going concern basis together with all of its assets and liabilities. For details regarding payment of consideration to the retiring partners of GCC by our Company kindly refer to section titled "Related Party Transactions" on page 90 of the Prospectus.

Capital holding position of GCC as on February 28, 2005

(Rs. in lacs)

Name of Partners	Capital	% of Total
Janardan Agrawal	91.81	17.49 %
Sushila Agarwal	74.76	14.24 %
Rajendra Kumar Agarwal	56.68	10.80 %
Aman Agarwal	34.76	6.62 %
David D'Souza	13.11	2.50 %
Bombay Rayon Fashions Limited	253.77	48.35 %
Total	524.89	100.00 %

Partners of GCC as on February 28, 2005

Under a deed of admission cum partnership executed on April 1, 2004, BRFL was admitted as a partner in GCC. Immediately before dissolution of GCC, the following were the partners of the firm:

Name of Partners	Share in the business
Janardan Agrawal	5 %
Sushila Agarwal	15 %
Rajendra Kumar Agarwal	10 %
Aman Agrawal	5 %
David D'Souza	5 %
Bombay Rayon Fashions Limited	60 %

Bombay Rayon Fashions Limited

Financial Performance

The audited financial performance of GCC for FY 2005 was as given below:

(Rs. in lacs)

For the Period Ended	FY 2005 ²	FY 2004 ¹
Total Income	1067.17	197.44
Profit/ (Loss) after tax	239.37	11.86
Capital	524.89	193.03

1. Financials for the period starting June 23, 2003 and ending March 31, 2004
2. Financials for the period starting April 1, 2004 and ending February 28, 2005

Key Events in the History of the Bombay Rayon Group/ BRFL

Year	Key Events
1986	Bombay Rayon Private Limited, the first company of Bombay Rayon Group incorporated for undertaking the business of manufacture of woven fabric
1990	Start of manufacturing facilities for woven fabric at Navi Mumbai by BRPL
1992	BRFL incorporated for undertaking the business of manufacture of woven fabric
1998	Start of manufacturing facilities for woven fabric at Sonale in Thane district by BRFL
1998	Fabric export started in the Group. B R Exports was formed for undertaking this business segment
2003	<ul style="list-style-type: none"> ● Group turnover reaches Rs. 100 crores ● Start of Group's Silvassa unit for manufacture of woven fabric under Reynold Shirting Private Limited ● Garment manufacturing for exports started in the Group. Garden City Clothing was formed for undertaking this business
2004	<ul style="list-style-type: none"> ● Decided to set up an integrated facility of yarn dyeing, weaving, process house and garment manufacturing at the apparel park in Doddaballapura near Bangalore ● Awarded contract to Gherzi Eastern Limited for technical appraisal of the Expansion Project ● Land allotment by KIADB at the apparel park being developed in Doddaballapura near Bangalore
2005	<ul style="list-style-type: none"> ● Consolidation of business of companies and firms of the Promoters ● Group turnover crosses Rs. 140 crores ● Company ventures into home furnishing and made ups ● Incorporates a Wholly Owned Subsidiary at Almere, the Netherlands ● EXIM Bank acquires equity in our Company. This was the first time that EXIM Bank has acquired an equity stake in an Indian Company on preferential basis.

Our Main Objects

The main objects of our Company, as stated in the Memorandum of Association include the following:

1. To carry on the business of spinners, weavers, twistors, processors, manufacturers, dyers, bleachers, ginners, water profers, printers, combers, doublers, winders, blenders, packers, balers, importers and exporters of textiles, fabrics, cloth, cotton, wool, silk, artificial silk, fabrics, whether synthetics, artificial or natural, yarn, nylon, polyester, linen, rayon and other goods and fabrics whether textiles, felted, netted or looped, wearing apparel and ready made garments.
2. To carry on the business as traders, wholesalers, retailers, sellers, exporters, importers, stockiest, brokers, agents, distributors, consigners, and dealers in textiles, fabrics, cotton, wool, silk, nylon, costumes, silk materials, raw silk, ropes, cards, milliners, surgical cotton, surgical bandages, gauze, sanitary and other textile goods.
3. To carry on all or any of the business following, namely the business of silk and cotton spinners, weavers, and doublers, spinners, linen, manufactured, and wool merchants, wool combers, worsted spinners, yarn merchants,

worsted stuff manufacturers, bleachers, and dyers, ginners and pressers, and makers of vitriol bleaching and dyeing materials, and to purchase, comb, prepare, spin, dye, and deal in the cotton, wool, cotton silk and other fibrous substances and products and to weave or otherwise manufacture, buy, sell, and deal in raw cotton, yarn, silk wool, and other fibrous substances and products, and in linen, cloth and other allied goods, fabrics and allied materials and to gin and press cotton.

4. To carry on business of dyeing, bleaching, printing, processing, calendaring, colouring, engraving, finishing, embossing or preparing for use or sale by any other process textiles, fabrics, yarn, threads, fibres, hosiery, to manufacture purchase and acquire any textile fabrics, silk, yarn, threads, cotton, whole.

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

Changes in Memorandum of Association

Date of change	Changes
September 16, 1992	Increase in the authorised share capital to Rs. 100 lacs consisting of 99,500 Equity Shares and 500 preference shares
November 28, 2002	Increase in the authorised share capital to Rs. 200 lacs consisting of 1,99,500 Equity Shares and 500 preference shares
October 14, 2003	Increase in the authorised share capital to Rs. 500 lacs consisting of 4,99,500 Equity Shares and 500 preference shares
March 30, 2004	Subdivision of Equity Shares of face value of Rs. 100 each to that of face value of Rs. 10 each
April 7, 2004	Increase in the authorised share capital to Rs. 10 crores consisting of 99,95,000 Equity Shares and 500 preference shares
January 22, 2005	Increase in the authorised share capital to Rs. 30 crores consisting of 2,99,95,000 Equity Shares and 500 preference shares
March 30, 2005	Increase in the authorised share capital to Rs. 50 crores consisting of 5,00,00,000 Equity Shares
June 27, 2005	Alteration of Main Objects Clause of the Company

Our Subsidiaries

Recently we had incorporated our first wholly owned subsidiary with the trade name of BRFL Europe B.V. in Almere, the Netherlands. BRFL Europe B.V. (September 7, 2005 being the date of incorporation) has been incorporated and registered with the Dutch Trade Register of the Chamber of Commerce and Industries for Flevoland, the Netherlands with September 9, 2005 as the date of incorporation.

BRFL Europe B.V. has been incorporated as a private company with limited liability to carry on the business of dealing in textiles with an authorized share capital of 90,000 Euro divided into 90,000 shares each having a par value of 1 Euro. Upon incorporation of this WOS, we shall subscribe to 18000 shares at par value of 1 Euro each amounting to 18000 Euro.

We have taken a showroom of 116 square meter on lease for a period of 5 years starting September 1, 2005 at Veluwezoom 5 Dome 2.34, 1327AA, Almere for a consideration of 161433 Euro per annum with a right to use the showroom w.e.f. July 1, 2005 for design and decoration purposes. The showroom will mainly cater to needs of the countries in the EU.

Shareholders Agreement

Our Company does not have any shareholders agreements.

Other Agreements

Our Company has not entered into any other material agreement.

Strategic and Financial Partners

Export-Import Bank of India has made an equity investment in our Company on July 24, 2005. We have allotted 100000 Equity Shares of Rs. 10 (constituting 2.82 % of the pre-Issue Capital) each at a premium of Rs. 40/- aggregating to Rs. 5 crores on preferential basis to EXIM Bank. This is for the first time that EXIM Bank has acquired any equity stake in an Indian Company on preferential basis.

Bombay Rayon Fashions Limited

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we cannot have fewer than 3 directors or more than 12 directors. Presently we have nine directors. The day to day affairs of the Company is looked after by Mr. Aman Agrawal, Executive Vice Chairman and Mr. Prashant Agarwal, Managing Director under the overall supervision and control of the Board of Directors.

The following table sets forth current details regarding our Board of Directors:

Name, Designation, Father's Name, Address and Occupation	Age	Date of Appointment and Term	Other Directorships
Janardan Agrawal Non-Executive Chairman Late Bisheshwar Lal Agarwal 315-A, Mittal Park, Ruia Park, J. M. Road, Juhu, Mumbai 400 049 <i>Industrialist</i>	56 years	June 1, 2005 For a period of 3 years	<ul style="list-style-type: none"> ● Bombay Rayon Clothing Limited ● Reynold Shirting Private Limited
Aman Agrawal Executive Vice-Chairman S/o Mr. Janardan Agrawal 315-A, Mittal Park, Ruia Park, J. M. Road, Juhu, Mumbai 400 049 <i>Industrialist</i>	33 years	June 1, 2005 For a period of 3 years	<ul style="list-style-type: none"> ● Bombay Rayon Clothing Limited ● Reynold Shirting Private Limited
Naseer Ahmed Joint Vice-Chairman S/o C. K. M. Hyder 391, 2 nd Main, 2 nd Cross, 2 nd Phase, 80 Feet Road, R.M.V. Extention, Bangalore 560 094 <i>Industrialist</i>	46 Years	July 25, 2005 Liable to retire by rotation	<ul style="list-style-type: none"> ● Scotts Garments Private Limited ● Scotts Clothing Private Limited ● Scotts Fashions Private Limited ● Scotts Apparels Private Limited ● Scotts Metals and Mines Private Limited
Prashant Agarwal Managing Director S/o Mr. Janardan Agrawal 315-A, Mittal Park, Ruia Park, J. M. Road, Juhu, Mumbai 400 049 <i>Industrialist</i>	31 years	June 1, 2005 For a period of 3 years	<ul style="list-style-type: none"> ● Bombay Rayon Clothing Limited ● Reynold Shirting Private Limited
A. R. Mundra Executive Director (Finance) S/o Mr. Dwarkadas Mundra 63-A, Shivam, 96, Jayprakash Road, Andheri (West), Mumbai 400 058 <i>Corporate Executive</i>	49 years	June 1, 2005 Liable to retire by rotation	Nil

Name, Designation, Father's Name, Address and Occupation	Age	Date of Appointment and Term	Other Directorships
Uday C. Mogre Executive Director (Corporate) S/o Mr. Chandrakant Mogre Aneesh, 4 th Floor, Govindrao Patwardhan Marg, Opposite Portuguese Church, Dadar, Mumbai 400 028 <i>Corporate Executive</i>	53 years	June 1, 2005 Liable to retire by rotation	Nil
Dr. Pravin P. Shah Director (Independent) S/o Mr. Pranlal Shah 502, Doli Chambers, Strand Cinema Road, Colaba, Mumbai 400 005 <i>Financial and Corporate Consultancy</i>	61 Years	July 25, 2005 Liable to retire by rotation	<ul style="list-style-type: none"> ● J. M. Morgan Stanley Private Limited ● J. M. Financial and Investment Consultancy Services Private Limited ● Bhansali Engineering Polymers Limited ● Adani Exports Limited ● Jai Corp Limited ● Benchmark Trustee Company Private Limited ● Claris Lifesciences Limited ● Landmark Business Service Centre Pvt Limited ● Landmark Financial and Investment Consultancy Pvt Ltd. ● Macro Investment and Financial Consultants Private Limited ● Health and Education Foundation (A Section 25 Company)
S. B. Agarwal Director (Independent) S/o Mr. Shyam Saran Agarwal 31, Sainara, 17, Cuffe Parade, Mumbai 400 005 <i>Consultant</i>	67 years	July 25, 2005 Liable to retire by rotation	<ul style="list-style-type: none"> ● Banswara Syntex Limited ● Rani Sati Trading Company Private Limited ● Zarhan Laxmi Trading Company Private Limited ● Bhagwan Computerpersonal Private Limited ● Netit Technology (I) Private Limited ● Netit (I) Innovation Private Limited
B. S. Bhesania Director (Independent) S/o Mr. Shapurji Bhesania Nazir Building, 13, A. K. Marg, Cumballa Hill, Mumbai 400 036 <i>Solicitor</i>	72 years	July 25, 2005 Liable to retire by rotation	<ul style="list-style-type: none"> ● Trent Limited ● Bhansali Engineering Polymers Limited ● DG. P. Hinoday Industries Limited ● Indian Overland Private Limited ● Gilt Edge Finance and Investments Limited ● Jamyad Investment Private Limited

Brief Profile of our Directors:

Janardan D Agrawal, aged 56 years is our Chairman. He is the main person behind the establishment and growth of the Bombay Rayon Group and has been involved in the business of BRFL since its inception. He has over 28 years of experience in textile industry more particularly in weaving segment of the industry. As chairman he provides strategic direction to our Company. He is accredited with establishment of the Bombay Rayon brand of fabrics in the local retail market. He has also set up a unique bi-annual presentation of company's collections to the trade, a very novel way of marketing the products and has exhibited foresight and vision in continuously growing the business and bringing the same to its present status. He has been the driving force behind the Group's growth. Mr. Agrawal started his career in pharmaceutical business in New Delhi in 1975. However, he shifted to Mumbai in 1979 and joined as a partner in a firm in the business of manufacture and trading in fabric. In 1986 he decided to start his own business resulting in establishment

Bombay Rayon Fashions Limited

of Bombay Rayon Private Limited, the first company of the Group. Since 1997 Mr. Agrawal is assisted by his sons Aman and Prashant. In spite of adverse business cycles during the 1990's the group has consistently made profits in all its companies, which clearly establishes the values nourished by the Group under his dynamic and compassionate leadership.

Aman Agrawal, aged 33 years is the Executive Vice-Chairman of our Company. He is the elder son of Mr. Janardan Agrawal and has over 11 years of experience in the textile industry. Over the years he has developed expertise in weaving technology. The Group's reputation of being capable of delivering of any sort of complicated yarn dyed fabric is mainly due to his efforts of building in-house expertise of transforming complex designs from drawing board to shop floor. He is currently in charge of fabrics manufacturing and controls all the fabrics manufacturing activities including procurement of yarn, other raw materials, production planning & control and packing and logistics. He is presently involved in setting up home furnishing business for the Group, which has huge potential for made-ups in the export market. He provides strategic direction in selection of technology and machineries in setting up new manufacturing facilities, improvement of production processes and new ventures.

Naseer Ahmed, aged 46 years is our Joint Vice-Chairman. He is a sitting member of the legislative council of state of Karnataka. He was a minister of state for small-scale industries in state of Karnataka during October 1990 to November 1992. He holds a bachelor degree in commerce from Kolar Gold Fields 1st Grade College. After completing his studies he entered in to active politics and held various positions in Congress Party. He has promoted four companies in textile sector. Over the period his group has established a niche in the export market by supplying to top international brands.

Prashant Agarwal, aged 31 years is the Managing Director of our Company. He is the younger son of Mr. Janardan Agrawal and has over 9 years of experience in the textile industry. Besides, being responsible for the overall management of the Company presently he is in charge of fabrics design, oversees marketing of fabrics and holds complete responsibility from initiation to delivery for the garment business. Mr. Prashant is accredited with development and growth of the Group's export business. Under his leadership exports of fabrics grew multifold. Sensing the enormous potential in garment exports post quota removal he decided to enter garment exports in a big way. The establishment of Bombay Rayon as a fashion brand in the international market and a reliable supplier of quality garments to top labels has been his achievement. The shift of strategic focus from a fabrics company to a fully integrated complete apparel company is due to his vision. He holds a bachelor degree in Chemical Engineering from University Institute of Chemical Technology, Bombay.

A.R. Mundra, aged 49 years is our Executive Director (Finance). He has experience of over twenty-four years in finance, commercial and managerial related matters. His core strength lies in fund procurement, internal controls, organizational systems and strategic planning. He has worked with organisations like Bhansali Engineering Polymers Limited as President, Welspun group of companies as Senior Vice-President (Finance) & Company secretary and Chief Executive (Commercial). In the initial stage of his career he has also worked with Indian Rayon and Industries Limited, other Birla group of companies and Gujarat Ambuja Cement Limited in various capacities. He holds a bachelor degree in commerce and law (gold medallist). He is an associate member of the Institute of Chartered Accountants of India and also of the Institute of Company Secretaries of India. He is also a member of the International Institute of Business Management, London. He was awarded 'Samaj Shri' for excellence in management by Indian Institute of Management Executives, Mumbai in 1994.

Uday C. Mogre, aged 53 years is our Executive Director (Corporate). He has over twenty-five years of experience and has initially worked with organizations like Advani Oerlikon Limited for eight years and then with Universal Luggage as General Manager (Finance). Later on he also worked with Reliance Industries Limited for fourteen years and his last assignment was with Texmaco group of companies (Jakarta, Indonesia) as Senior Vice President and Chief Financial Officer. During his long tenure with Reliance Industries Limited he worked as Executive Assistant to the Vice-Chairman for first four years and later on he handled senior level positions in the textured yarn and fibre intermediate marketing and was finally as Vice President (Finance) he was involved in project financing and implementation of SAP. In the initial stage of his career he worked as Scientific Officer with Heavy Water Project-Tuticorian, Department of Atomic Energy, Gol. He holds a bachelor degree in technology (Chemical Engineering) from Laxminarayan Institute of Technology, Nagpur and has completed Post Graduate Diploma in Management from Indian Institute of Management, Ahmedabad.

Dr. Pravin P. Shah, aged 61 years is an independent Director on our Board. He has over thirty-four years of professional experience in the areas of financial consultancy, corporate structuring/restructuring, management consultancy, taxation, valuation, property matters, accounting, auditing, company law and FEMA matters etc. He is on the board of many companies including J. M. Morgan Stanley Private Limited, Adani Exports Limited, Bhansali Engineering Polymers Limited etc. Since 1980 he is a partner of Pravin P. Shah, a firm of chartered accountants undertaking specialized services mainly in the areas of public issues, private funding, foreign collaborations, business reorganizations, valuation, tax planning etc. From 1975 to 1980 he was director of Internal Consulting, WUI Inc., New York, a subsidiary of Xerox Corporation and was

involved in providing in-house consulting services in the areas of business planning, costing, finance, new project evaluation, capital expenditure planning etc. Dr. Shah is a fellow member of Institute of Chartered Accountants of India (All India 4th Ranker in final examination held in May 1969) and Institute of Cost and Works Accountants of India. He has also completed his Ph.D. in cost accounting from University of Bombay. He holds a bachelor degree in commerce from University of Bombay (ranked first in order of merit). Dr. Shah has contributed significantly in the academic side and was a faculty for tax planning at Jamnadas Bajaj Institute of Management at Mumbai besides teaching at American Management Association, U.S.A. He has also presented various papers at seminars, workshops etc.

B. S. Bhesania, aged 72 years, is an independent Director on our Board. He is an Attorney-at-law, High Court, Bombay since 1962 and a Solicitor, Supreme Court of England and Supreme Court of Hongkong since 1981 and 1982 respectively. His association with the Messers Mulla & Mulla & Craigie Blunt & Caroe dates back to 1959 and is partner with that firm since 1971. He is board of many companies including Trent Limited and is associated with a number of public charitable trusts.

S. B. Agarwal, aged 67 years, is an independent Director on our Board. He has over thirty-nine years of professional experience. For eighteen years from 1982 to 2000 he was Business Head for global textile companies in Aditya Birla Group having textile units at various locations in India and abroad. Before joining the Aditya Birla Group he was President and Chief Executive Officer of Rajasthan Spinning Mills (Bhilwara Group) for a brief period of two years. He has also worked with J. C. Mills, Gwalior a Birla group company for fourteen long years holding various positions upto President. Mr. Agarwal is has participated in various associations. Presently he is heading the textile group in the Indo-American Chamber, Mumbai and Textile Promotion Group of Federation of India Chambers of Commerce and Industries. He is a member of the Institute of Chartered Accountants of India. Mr. Agarwal holds a masters degree in commerce and economics and has also graduated in law.

Details of Borrowing Powers of Directors

Our Articles of Association authorise our Board, to borrow moneys and secure the payment thereof. Our shareholders at the EGM held on June 11, 2005 authorised the Board to borrow by way of loan (term loans/working capital facilities/ external commercial borrowings and securities (debentures) the aggregate value of which (including existing facilities etc.) shall not exceed Rs. 150 crores from financial institutions/ banks etc. subject to a maximum of Rs. 150 crores.

Our Board has further been authorized to borrow money (including external commercial borrowings in foreign denominated currencies from any foreign sources/foreign countries notwithstanding that the money(s) to be borrowed together with the money(s) already borrowed by our Company and outstanding may exceed the aggregate of the paid-up capital and free reserves of the Company if the total amount borrowed/to be borrowed by the Board does not exceed Rs. 150 crores.

For details regarding powers of our Board in this regard kindly refer to the section titled "Main Provisions of the Articles of Association" on page 155 of the Prospectus.

Details of Compensation payable to Executive Vice-Chairman, Managing Director and Executive Directors

In an EGM held on June 11, 2005 our shareholders have approved the appointment of Executive Vice-Chairman, Managing Director and Executive Directors. Further, in a meeting of the Board held on June 11, 2005 terms and conditions of appointment were finalized, details of which are as under:

Mr. Aman Agrawal, Executive Vice Chairman and Mr. Prashant Agarwal, Managing Director

Mr. Aman Agrawal and Mr. Prashant Agarwal have been appointed as the Executive Vice Chairman and Managing Director of our Company respectively with effect from June 1, 2005 for a period of 3 years. Details of remuneration payable to them are as follows:

Basic

Basic salary of Rs. 1,00,000 per month is payable to each of them. In addition they are also entitled to the following perquisites:

Perquisites

- House rent allowance at 40 % of basic salary
- Company's contribution to Provident Fund
- Gratuity at the rate of half-month salary for each year of completed service
- Leave with full pay as per the rules of the company, encashment of unavailed leave as per rules of the Company

Bombay Rayon Fashions Limited

- Leave travel allowance equivalent to one month's basic salary
- Medical allowance of Rs. 15,000 per annum
- Annual bonus equivalent to one month's basic salary
- Personal accident insurance and mediclaim rules of the Company
- Free use of company's car for company's work as well as personal purposes along with the driver
- Facility of mobile phone and telephones at residence
- Facility of a chauffer driven car
- Club membership upto a maximum of 2 clubs
- Performance incentive as may be decided by the Board from time to time subject to maximum ceiling of managerial remuneration as specified in Schedule XIII of the Companies Act

Mr. Uday Mogre and Mr. A. R. Mundra, Executive Directors

Mr. Uday Mogre and Mr. A. R. Mundra have been appointed as Executive Directors of our Company with effect from June 1, 2005 for a period of 3 years. Details of remuneration payable to them are as follows:

Basic

Basic salary of Rs. 60,000 per month is payable to each of them. In addition they are also entitled to the following perquisites:

Perquisites

- House rent allowance at 40% of basic salary
- Company's contribution to Provident Fund
- Gratuity at the rate of half-month salary for each year of completed service
- Leave with full pay as per the rules of the company, encashment of unavailed leave as per rules of the Company
- Leave travel allowance equivalent to one month's basic salary
- Medical allowance of Rs. 15,000 per annum
- Annual bonus equivalent to one month's basic salary
- Personal accident insurance and mediclaim rules of the Company
- Free use of company's car for company's work as well as personal purposes along with the driver
- Facility of mobile phone and telephones at residence
- Facility of a chauffer driven car
- Club membership upto a maximum of one club
- Performance incentive as may be decided by the Board from time to time subject to maximum ceiling of managerial remuneration as specified in Schedule XIII of the Companies Act

Also, Mr. Janardan Agrawal, our Non-Executive Chairman is entitled to a commission @ 1% of the net profits of the Company per annum. In addition, he shall also be entitled to fees payable to him for attending meetings of the Board or any committee of the Board.s

Shareholding of the Directors in our Company

The following table provides the details of the shareholding of the directors of BRFL and their relatives as on date:

Name of Shareholder	Number of shares	% Shareholding
Mr. Janardan Agrawal	75,99,422	22.03 %
Mr. Aman Agrawal	33,38,404	9.68 %
Mr. Prashant Agarwal	61,62,994	17.86 %
Mr. Uday Mogre	70,000	0.20 %
Mr. A. R. Mundra	50,000	0.14 %

Changes in Our Board of Directors during last 3 years

The changes in the Board of Directors of our Company during last three years are as under:

Name of Director	Date of change	Reasons for change
Mr. Aman Agrawal	January 31, 2003	Appointment as Director
Ms. Priyanka Agarwal	May 16, 2005	Resignation
Mr. A. R. Mundra	May 16, 2005	Appointment as an additional director*
Mr. Uday Mogre	May 16, 2005	Appointment as an additional director*
Dr. Pravin P. Shah	July 25, 2005	Appointment as an additional director
Mr. B. S. Bhesania	July 25, 2005	Appointment as an additional director
Mr. S. B. Agarwal	July 25, 2005	Appointment as an additional director
Mr. Naseer Ahmed	July 25, 2005	Appointment as an additional director

* Mr. Uday Mogre and Mr. A. R. Mundra were appointed as executive directors w.e.f. June 1, 2005.

Interest of Directors (Other than promoter directors)

Except as stated in "Related Party Transactions" on page 90 of the Prospectus, and to the extent of shareholding in the Company as stated below, the directors do not have any other interest in the business. Except to the extent of their compensation as mentioned on page 77 of the Prospectus, and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also Directors, do not have any other interest in the Company. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Mr. Naseer Ahmed, our Joint Vice-Chairman has promoted a company Scotts Garments Private Limited which holds 4000000 Equity Shares (11.27 % of the pre-Issue Capital of our Company) and to that extent he is interested in our Company. Mr. Uday Mogre and Mr. A. R. Mundra, our Executive Directors holds 70,000 and 50,000 Equity Shares respectively and to that extent they are interested in our Company.

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

The Articles of Association provide that the Directors and officers shall be indemnified by the Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgment in his favour or is acquitted in such proceeding.

Corporate Governance

The Company stands committed to good Corporate Governance practices. We have set up internal policies to ensure best practices in corporate governance. Our corporate governance philosophy is dedicated to the attainment of the highest levels of accountability and transparency in dealings with our stakeholders. Our corporate governance policies lay emphasis on communication (both internal and external) and reporting. These vital initiatives extend beyond mandatory corporate governance requirements and are in accordance with our aim of establishing voluntary best practices for good corporate governance practices.

The Company has complied with SEBI Guidelines in respect of corporate governance specially with respect to broad basing of the Board, constitution of committees such as Shareholding/Investor Grievance Committee etc.

The Board has nine Directors, of which three are independent directors in accordance with the requirements of Clause 49 of the listing agreement of the Stock Exchanges. The Chairman of the Board is a non-executive Director. Committees of the Board have been constituted in order to look into the matters in respect of audit, compensation of executive directors, shareholding/Investors Grievance Redressal, details of which are as follows:

Audit Committee

The Audit Committee has been constituted on July 25, 2005. The Committee currently consists of three directors Dr. Pravin P. Shah, Mr. B. S. Bhesania and Mr. S. B. Agarwal. All these directors are independent directors with Dr. Pravin P. Shah with finance and accounting background. The members shall elect the chairman of the Committee from amongst themselves.

Bombay Rayon Fashions Limited

The terms of the Audit Committee is to comply with the requirements of section 292 A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchange (S). The scope of Audit Committee shall include but shall not be restricted to the following:

1. Authority to investigate any matter pertaining to the items specified in section 292A of the Companies Act or referred to it by the Board
2. Investigate any activity within its terms of reference
3. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
4. Reviewing with management the annual financial statements
5. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
7. Reviewing the Company's financial and risk management policies
8. Periodic discussion with the auditors about internal control systems, scope of audit including the observations of the auditors and review the quarterly, half-yearly, and annual financial statements before submissions to the Board.

Remuneration Committee

The Remuneration Committee has been constituted on July 25, 2005. The Committee currently consists of three directors, Mr. B. S. Bhesania, Mr. S. B. Agarwal and Dr. Pravin P. Shah. All these directors are independent directors. The members shall elect the chairman of the Committee from amongst themselves.

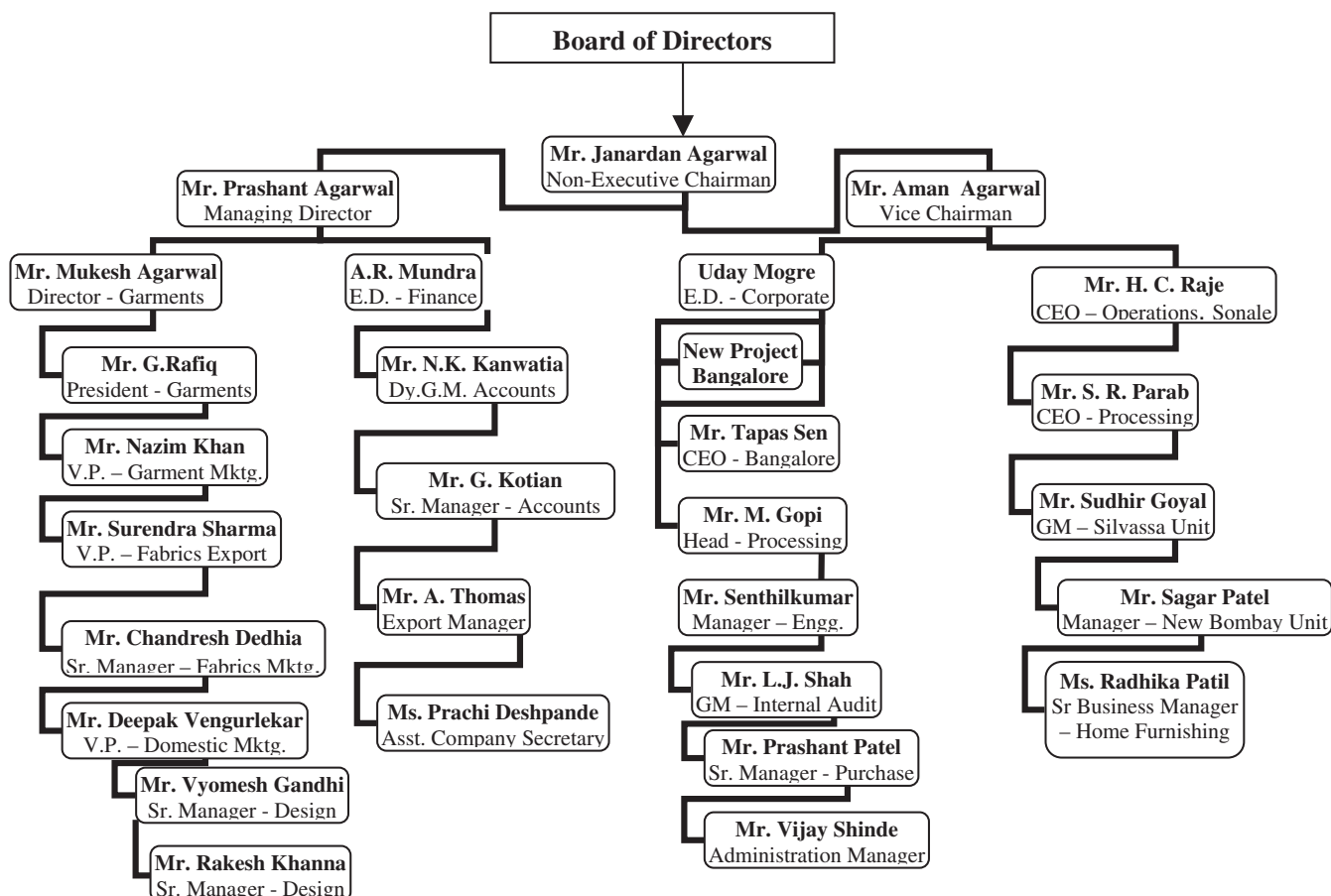
The Committee has been formed to decide and approve the terms and conditions for appointment of executive directors of the Company and remuneration payable to other directors and executives of the Company and other matters related thereto.

Shareholders / Investor Grievance and Share Transfer Committee

The Shareholders / Investor Grievance Committee has been constituted on July 25, 2005. The Committee currently consists of three directors, Mr. Janardan Agrawal, Mr. Prashant Agarwal and Mr. A. R. Mundra. The members shall elect the chairman of the Committee from amongst themselves.

The Committee has been formed to specifically look into all the works relating to shares and shareholders grievance, i.e., approval of transfer/transmission/demat/remat of shares, issue of duplicate, split-up, consolidation, renewal of share certificate, non receipt of balance sheet, non receipt of declared dividends etc.

Organizational Structure



Key Managerial Personnel

The key managerial personnel of the Company are as follows:

For a brief profile of Mr. Aman Agrawal, Executive Vice-Chairman, Mr. Prashant Agarwal, Managing Director, Mr. Uday C. Mogre, Executive Director (Corporate) and Mr. A. R. Mundra Executive Director (Finance) kindly refer to the paragraph on 'Our Directors' on page 74 of the Prospectus.

Mr. Mukesh Agarwal, 43 years, Director (Garments) is with our Company since April 1, 2005. He has over 24 years of experience in the textile industry and was running his own business of textiles. He holds a bachelors degree in commerce from Delhi University. The gross salary payable to him is Rs. 6,50,536 per annum.

Mr. G. Rafiq, 39 years, President (Garments Division) is in our Company since February 25, 2005 in charge of the existing facilities of garment manufacturing at Bangalore. He has overall experience of 20 years in the textile industry. Prior to joining our Company he has worked with Triburg, an export house as a team leader for over ten years. Mr. Rafiq holds a certificate in apparel manufacturing and pattern making from National Institute of Fashion Technology, Bangalore. The gross salary payable to him is Rs. 9,10,620 per annum.

Mr. Tapas Kumar Sen, 46 years, is the Chief Executive (Bangalore-Operations) since December 6, 2004. He has total experience of 24 years. Before joining our Company, he was working with Gokaldas Exports for 2 years as Head-Sourcing wherein he was responsible for sourcing of fabrics from all over the world. He has also worked with M.H.Mills and Industries, Ahmedabad for four months as President (Marketing) in charge of total marketing of the products of the

Bombay Rayon Fashions Limited

company, with Bharat Vijay Mills, the textile division of Simtex Industries Limited, Ahmedabad for 9 years as Executive President-Marketing, with Arvind Mills Limited for 5 years as Regional Sales Manager for shirting and conventional products, with Reliance Industries Limited for five years as Shift In charge of worsted spinning division responsible for production, quality and maintenance of machineries. He holds a master degree in business administration, marketing from University of Gujarat. The gross salary payable to him is Rs. 9,35,120 per annum.

Mr. Hemchandra C. Raje, 51 years, Chief Executive (Bhiwandi-Operations) is with our Company since April 1, 2005. He has total experience of approximately 31 years. Before joining our Company he was with Sun Flag Spinning Mills (East Africa) Limited, Nairobi, Kenya for twelve years as Plant Manager-Weaving and Processing Division responsible for overall performance of the plant including weaving, processing, engineering, sales, labour management and administration. He has also worked with Manchester Outfitters Suiting Division Limited, Nairobi, Kenya for two years as Weaving Manager and with Sadhana Silk Mills, Bombay for two years as Project Manager. In the initial stages of his career, he has worked with Hindustan Spinning and Weaving Mills Limited, Bombay Dyeing and Manufacturing Company Limited, Mafatlal Fine Spinning and Manufacturing Company Limited in various capacities. He has done Licence Diploma in Textiles Manufacturing from Victoria Jubilee Technology Institute, Mumbai and has done diploma in Industrial Management from Welinkar Institute of Management, Mumbai. The gross salary payable to him is Rs. 2,60,045 per annum.

Mr. Sudhakar R. Parab, 61 years, is the Chief Executive (Processing). He has total experience of 39 years and has experience in processing and dyeing of all types of fabrics and garments for export and local utility. Before joining our Company he has worked with Harco Silk Mills Private Limited for 18 years as Processing Manager. The gross salary payable to him is Rs. 2,98,696 per annum.

Mr. Nazim Khan, 32 years, Vice President (Marketing-Garment) is with our Company since December 12, 2001. He has total experience of approximately ten years. Prior to joining our Company he was working with B.Sorabji, an export house for three years as vice-president heading their US Division and was instrumental in the start and development of the firm's exports to US. He had also worked for five years as marketing manager with Mahindra Intertrade Limited, a garment export agency looking after export of garments. Mr. Khan has graduated in commerce from University of Mumbai and completed diploma in Import Export Management from Indian Merchant Chamber of Commerce, Mumbai. The gross salary payable to him is Rs. 4,26,454 per annum.

Mr. Surendra Sharma, 39 years, Vice President (Marketing-Fabric Exports). He has total experience of approximately 14 years and is with our Company since April 1, 2005 heading fabric exports to the EU countries, South-East and Middle-East Asia, Canada and South America. Prior to joining our Company, he was with Paltex Group of Industries for 7 years as Assistant General Manager-Exports heading the group's export division. In Paltex Group he was head of the profit centre of exports of suiting, shirting and garments. He has extensive experience of participation in international textiles trade fairs. In the initial stage of his career, he had worked with Modern Suitings Limited for 2 years in various capacities and was involved in overseas marketing of textile products. Mr. Sharma has graduated in science from University of Rajasthan, Jaipur and post graduated in business management from University of Punjab, Chandigarh. The gross salary payable to him is Rs. 4,03,416 per annum.

Mr. Deepak Vengulrikar, 55 years, is Vice-President (Domestic Marketing) is with our Company since April 1, 2005. He has total experience of 23 years. Before joining our Company he was working with Paragon Textile Mills for 19 years as Sales Manager. He has also worked with Mudra Textiles Private Limited as General Manager-Marketing for 10 years. The gross salary payable to him is Rs. 4,55,014 per annum.

Mr. L. J. Shah, 63 years, General Manager (Internal Audit). He has rich experience of approximately 37 years mainly into the audit related works and is with our Company since June 21, 2004. Over the period of time he has developed in-depth knowledge of establishing elaborate systems for internal audit and control and proper implementation of the set systems. Prior to joining our Company he was working with J D Orgochem Limited as General Manager (Audit). Before that he had worked for seventeen years with Morarjee Gokuldas Spinning and Weaving Company Limited in various capacities ending as General Manager (Audit). In the initial stages of his career he had worked with companies such as Wellman (India) Private Limited, Precision Fastners Limited etc. He is an associate member of the Institute of Chartered Accountants of India and has graduated in Commerce from Mumbai University. The gross salary payable to him is Rs.5,19,560 per annum.

Mr. N. K. Kanwatia, 41 years, Deputy General Manager (Finance and Accounts). He has total experience of approximately 17 years and is with our Company since June 9, 2005. Prior to joining our Company he has working with Uniworth Textiles Limited as Deputy General Manager (Finance and Accounts) for three years as head of finance, banking, accounts, insurance and excise matters etc. He has also worked with organizations such as Indo Rama Synthetics

Limited, Kanwatia Chemicals Limited etc. in various capacities. He is an associate member of the Institute of Chartered Accountants of India and has also passed the final examination conducted by the Institute of Company Secretaries of India. He has graduated in Commerce from University of Rajasthan. The gross salary payable to him is Rs.6,00,118 per annum.

Mr. M. Gopi, 53 years, Head (Processing) is with our Company since June 1, 2005. He has over thirty years of experience in production, maintenance and quality assurance in wet processing segment of textile industry. Over the period he has developed expertise in textile processing specifically in continuous pre-treatment & dyeing, printing etc. Before joining our Company he was with Monno Fabrics Limited, Dhaka, Bangladesh for a brief period as project head of composite textiles of that company. He has worked with Premier Mills, Coimbatore for twenty-one long years holding various positions upto Assistant General Manager, Processing. He has traveled extensively in many countries for implementing for high technology know-how in Indian textile companies. He has presented a paper on the survival of 'Wet Processing for Survival' in the 17th Convention of Textile Engineers on Strategies and Technology of Textiles Industry to Meet Global Economy' held in Coimbatore in December 2002. He holds a bachelors degree in science from Calicut University and has also attended various management programs including a special program for managers conducted by Xaviers' Institute of Social Sciences, Jamshedpur. The gross salary payable to him is Rs. 7,80,060 per annum.

Ms. Prachi Deshpande, Assistant Company Secretary is with our Company since November 1, 2004. In our Company she heads the secretarial and legal department and will be responsible for redressal of investors grievances etc. Before joining our Company she was working with Rishiroop Group Companies and was the designated company secretary of a public limited company of that group. At the beginning of her career she was associated with an advocate and was involved in drafting of various legal documents etc. She has graduated in Commerce and Law from Mumbai University and is also an associate member of the Institute of Company Secretaries of India. She is paid a gross salary of Rs. 2,15,038 per annum.

Note: Mr. Sudhakar R. Parab, Chief Executive (Processing) and Mr. L. J. Shah, General Manager (Audit) though have reached the age of retirement, their services have been extended upto February 28, 2007 and December 31, 2006 respectively and accordingly they continue to be in the permanent employment of the Company.

Except Mr. Mukesh Agarwal none of the key managerial personnel are relatives of the Promoters. As on date all the employees named above were on the roll of the Company as permanent employees.

Shareholding of Key Managerial Personnel:

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

Name of Key Managerial Personnel	No. of Equity Shares
Mr. Uday C. Mogre	70,000
Mr. A. R. Mundra	50,000
Mr. G. Rafiq	1,000
Mr. Tapas Kumar Sen	1,000
Mr. Hemchandra C. Raje	1,000
Mr. Sudhir Goyal	3,500
Mr. Nazim Khan	3,500
Mr. Surendra Sharma	3,500
Mr. Deepak Vengulrlekar	3,000
Ms. Prachi Deshpande	700
Total	137200

Bombay Rayon Clothing Limited, one of our Group Companies has transferred 375600 Equity Shares to Employees of our Company (including their relatives) in two tranches consisting of 53900 Equity Shares to 118 employees on April 27, 2005 and 321700 Equity Shares to 67 employees on June 11, 2005 at par.

For details of Equity Shares held by Mr. Aman Agrawal and Mr. Prashant Agarwal kindly refer to the section titled 'Capital Structure' on page 14 of the Prospectus.

Bombay Rayon Fashions Limited

Changes in Key Managerial Personnel in Last One Year

There has been following changes in the key managerial personnel of our Company in last one year:

Name	Designation	Date of Joining	Date of Leaving
Mr. Uday C. Mogre	Executive Director (Corporate)	August 2, 2004	—
Mr. A. R. Mundra	Executive Director (Finance)	August 9, 2004	—
Ms. Prachi Deshpande	Assistant Company Secretary	November 1, 2004	—
Mr. Tapas Kumar Sen	Chief Executive (Bangalore)	December 6, 2004	—
Ms. Radhika Patil	Senior Manager-Home Furnishing	December 12, 2004	—
Mr. G. Rafiq	President (Garments Division)	February 24, 2005	—
Mr. M. Gopi	Head Processing	June 1, 2005	—
Mr. N K Kanwatia	Deputy General Manager (Accounts)	June 9, 2005	—
Mr. Mukesh Agarwal	Director (Garments)	April 1, 2005	—

Changes in Key Managerial Personnel in last one year due to amalgamation / taking over of the partnership firms to be provided separately

The following key managerial personnel of our Group have been taken in our Company due to amalgamation of BRPL with our Company and taking over of B R Exports and GCC by BRPL and our Company respectively:

Name	Parent Organization	Date of Joining in Parent Organization	Designation in our Company
Mr. Hemchandra Raje	BRPL	April 26, 2000	Chief Executive (Bhiwandi-Operations)
Mr. Surendra Sharma	B R Exports	December 30, 2001	Vice President (Marketing-Fabric Exports)
Mr. Deepak Vengulrekar	BRPL	May 24, 2004	Vice-President (Domestic Marketing)

Bonus or Profit Sharing Plan for the Key Managerial Personnel

Currently, we do not have a performance linked bonus or a profit sharing scheme for our Employees. However, our Employees are entitled to bonus equivalent to one-month basic salary payable annually. Additionally, our Non-Executive Chairman is entitled to a commission of 1% of the net profits of the Company. The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in our Company.

Employee Stock Option Scheme

The Company does not have any employee stock option scheme as on date.

Non Salary Related Payment or Benefit to Employees/Key Managerial Personnel of the Company

There has been no other payment or benefit to the employees/key managerial personnel of the Company.

OUR PROMOTERS

Janardan Agrawal, Aman Agrawal and Prashant Agarwal are the promoters of our Company. A brief profile of our Promoters is as follows:



Janardan Agrawal, aged 56 years is our Chairman. He is the main person behind the establishment and growth of the Bombay Rayon Group and has been involved in the business of BRFL since its inception. He has over 28 years of experience in textile industry more particularly in weaving segment of the industry. As chairman he provides strategic direction to our Company. He is accredited with establishment of the Bombay Rayon brand of fabrics in the local retail market. He has also set up a unique bi-annual presentation of company's collections to the trade, a very novel way of marketing the products and has exhibited foresight and vision in continuously growing the business and bringing the same to its present status. He has been the driving force behind the Group's growth. Mr. Agrawal started his career in pharmaceutical business in New Delhi in 1975. However, he shifted to Mumbai in 1979 and joined as a partner in a firm in the business of manufacture and trading in fabric. In 1986 he decided to start his own business resulting in establishment of Bombay Rayon Private Limited, the first company of the Group. Since 1997 Mr. Agrawal is assisted by his sons Aman and Prashant. In spite of adverse business cycles during the 1990's the group has consistently made profits in all its companies, which clearly establishes the values nourished by the group under his dynamic and compassionate leadership.

His voter identity card number is MT/08/038/250236. He does not hold a valid driving licence as on date.



Aman Agrawal, aged 33 years is the Executive Vice-Chairman of our Company. He is the elder son of Mr. Janardan Agrawal and has over 11 years of experience in the textile industry. Over the years he has developed expertise in weaving technology. The Group's reputation of delivering of any sort of complicated yarn dyed fabric is mainly due to his efforts of building in-house expertise of transforming complex designs from drawing board to shop floor. He is currently in charge of fabrics manufacturing and controls all the fabrics manufacturing activities including procurement of yarn, other raw materials, production planning & control and packing & logistics. He is presently involved in setting up home furnishing business for the Group, which has huge potential for made-ups in the export market. He provides strategic direction in selection of technology and machineries in setting up new manufacturing facilities, improvement of production processes and new ventures.

His voter identity card number is MT/08/038/249345 and driving licence number is MH 02/2000/12371.



Prashant Agarwal, aged 31 years is the Managing Director of our Company. He is the younger son of Mr. Janardan Agrawal and has over 9 years of experience in the textile industry. Besides, being responsible for the overall management of the Company presently he is in charge of fabrics design, oversees marketing of fabrics and holds complete responsibility from initiation to delivery for the garment business. Mr. Prashant is accredited with development and growth of the Group's export business. Under his leadership exports of fabrics grew manifold. Sensing the enormous potential in garment exports post quota removal he decided to enter garment exports in a big way. The establishment of Bombay Rayon as a fashion brand in the international market and a reliable supplier of quality garments to top labels has been his achievement. The shift of strategic focus from a fabrics company to a fully integrated complete apparel company is due to his vision. He holds a bachelor degree in Chemical Engineering from University Institute of Chemical Technology, Bombay.

His passport number is F2519175 and driving licence number is MH 03/90/10137.

Bombay Rayon Fashions Limited

We confirm that the permanent account number, bank account number and passport number of our Promoters have been submitted to NSE and BSE at the time of filing the Red Herring Prospectus with them.

Common Pursuits

Except that Mr. Aman Agrawal and Mr. Prashant Agarwal are sons of Mr. Janardan Agrawal, chairman of our Company and Mr. Mukesh Agarwal, Director (Garments) is related to the Promoters, there is no other relation between our Promoters, Director and Key Managerial Personnel.

We have two Group Companies operating in the textiles industry and having main objects similar to that of our Company. To that extent there may be a potential conflict of interests in the companies of the Group. Except this there are no common pursuits in the business of our Company and our group/associate companies.

Interest of the Promoters

Our Promoters have no interest other than reimbursement of expenses incurred at actuals, remuneration or benefits in their capacity as executive directors and their shareholding in the Company. The Promoters may be deemed to be interested to the extent of Equity Shares held by them, their friends or relatives.

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

Our Promoters have promoted companies and they may be deemed to be interested in these companies. For details of our group/associate companies, other ventures of our Promoters and companies under the same management kindly refer to the section titled 'Group/Associate Companies' on page 87 of the Prospectus.

Payment or benefit to our Promoters

Our Company has made payments to the Promoters in their capacity as the retiring directors of B R Exports and Garden City Clothing, partnership firms as the business of these firms were taken over by BRPL and our Company respectively. For details of these payments kindly refer to the section titled 'Related Party Transactions' on page 90 of the Prospectus.

No other payment or benefit is given to our Promoters save in their capacity as shareholders or remuneration as executive directors.

For related party transactions kindly refer to the section titled 'Related Party Transactions' on page 90 of the Prospectus.

For currency of presentation used in the Prospectus kindly refer to the section titled 'Currency of Presentation' on page i of the Prospectus.

For dividend policy of our Company kindly refer to the section titled 'Dividend Policy' on page 96 of the Prospectus.

OUR GROUP COMPANIES

The companies, which can be classified as our Group Companies are Reynold Shirting Private Limited and Bombay Rayon Clothing Limited.

Reynold Shirting Private Limited (RSPL)

Reynold Shirting Private Limited was incorporated on November 27, 2003 as a private limited company under the Companies Act, 1956 with the Registrar of Companies, Maharashtra, Mumbai. RSPL was incorporated to take over the business of a partnership firm 'Reynold Shirting' with all the assets and liabilities. Main objects clause of RSPL provides that the company has been incorporated to carry on the business of manufacturing, processing, folding, decadizing, calendaring including running of hand and power process house, buying, selling, importing, exporting, distributing and dealing in textiles, cotton, woollen, synthetics and synthetics fibres and blends, both with natural (with vegetable and/or animal) and man made and artificial fibres etc. including running of a manufacturing unit, either unitary or composite.

The promoters of RSPL are Janardan Agrawal, Aman Agrawal and Prashant Agarwal.

Shareholding Pattern of RSPL as on March 31, 2005

Category	Number of shares	% of Total
Promoters		
Janardan Agrawal	447000	22.35 %
Aman Agrawal	20000	1.00 %
Prashant Agarwal	1206000	60.30 %
Sub Total [A]	1673000	83.65 %
Promoters Group		
Bimladevi Agrawal	10000	0.50%
Vinita Agarwal	317000	15.85 %
Sub Total [B]	327000	16.35 %
Promoters and Promoters Group [A+B]	2000000	100.00 %
Others	Nil	Nil
Total Equity Shares	2000000	100.00 %

Board of Directors of RSPL as on March 31, 2005

Under the Articles of Association RSPL cannot have fewer than 2 directors or more than 12 directors. The following table sets forth current details regarding the Board of Directors of RSPL:

Name of Directors	Designation
Janardan Agrawal	Director
Bimla Devi Agrawal	Director
Aman Agrawal	Director
Prashant Agarwal	Director

Bombay Rayon Fashions Limited

Financial Performance

The audited financial performance of RSPL for the last two financial years is as given below:

(Rs. in lacs, except per share data)

For the year ended March 31,	FY 2005	FY 2004*
Sales	660.59	43.24
Total Income	660.94	43.30
Profit after tax	26.02	1.01
Equity Share Capital	200.00	3.00
Reserves and Surplus	25.58	(0.57)
Dividend (%)	Nil	Nil
Earning Per Share (Rs.)	1.30	3.36
Book Value per share (Rs.)	11.28	8.10

*For a period commencing November 27, 2003 to March 31, 2004

Bombay Rayon Clothing Limited (BRCL)

Bombay Rayon Clothing Limited was incorporated on January 3, 2005 as a public limited company under the Companies Act, 1956 with the Registrar of Companies, Maharashtra, Mumbai. BRCL received the certificate of commencement of business on February 8, 2005. The main objects clause of BRCL provides that the company has been incorporated to carry on the business of retailing, purchasing, selling, whole sale trading, importing, exporting of fabric, garments and textile products and manufacture and/or deal in cloth or garments, readymade or made to measure.

The promoters of BRCL are Janardan Agrawal, Aman Agrawal and Prashant Agarwal.

Shareholding Pattern of BRCL as on March 31, 2005

Category	Number of shares	% of Total
Promoters		
Janardan Agrawal	416600	27.77 %
Aman Agrawal	441600	29.44 %
Prashant Agarwal	541600	36.11 %
Sub Total [A]	1399800	93.33 %
Promoters Group		
Vinita Agarwal	100050	6.67 %
Priyanka Agarwal	50	Negligible
Sub Total [B]	100100	6.67 %
Promoters and Promoters Group [A+B]	1499900	100%
Others	100	Negligible
Total Equity Shares	1500000	100.00 %

Board of Directors of BRCL as on March 31, 2005

Under the Articles of Association BRCL cannot have fewer than 3 directors or more than 12 directors. The following table sets forth current details regarding Board of Directors BRCL:

Name of Directors	Designation
Janardan Agrawal	Director
Aman Agrawal	Director
Prashant Agarwal	Director

Financial Performance

The audited financial performance of BRCL for the three months period ending March 31, 2005 is as under:

(Rs. in lacs, except per share data)

For the year ended March 31,	FY 2005
Sales/Total Income	—
Profit/ (Loss) after tax	—
Equity Share Capital	150.00
Reserves and Surplus <i>(Note 1)</i>	(2.88)
Dividend (%)	Nil
Earning Per Share (Rs.)	—
Book Value per share (Rs.)	9.81

**For a period commencing January 3, 2005 to March 31, 2005*

Note 1: Reserves and surplus are stated after deducting miscellaneous expenditure

There is no Group Company, which has become sick within the meaning of the Companies Act. Additionally, there is no Group Company that was referred to erstwhile BIFR or under the process of winding up or having negative networth.

Companies with which the Promoter has disassociated itself in the last three years

Our Promoters had formed a partnership firm named M/s. Mulberry Clothing. The firm came into existence on January 1, 1997 vide a deed of partnership. The first partners of M/s. Mulberry Clothing were Mr. Aman Agrawal and Mr. Prashant Agarwal. From time to time partners were admitted in the firm.

Our Promoters have disassociated from this firm vide an Admission-cum-Retirement Deed executed on April 1, 2004 and Mr. Amar P. Patel and Mr. Prashant P. Patel were admitted as the partners. Our Company was undertaking merchandise exports through Mulberry Clothing. However, with the amalgamation of BRPL with our Company followed by the decision to take over the businesses of the Group partnership firms, the Company itself was in a position to make direct exports and therefore the Promoters decided to disassociate themselves with Mulberry Clothing.

Related party transaction with Group Companies

For details of transactions with our Group Companies kindly refer to paragraph on 'Related Party Transactions' on page 90 of the Prospectus.

Bombay Rayon Fashions Limited

RELATED PARTY TRANSACTIONS

Related Party Transactions as on June 30, 2005

Key Management Personnel	Nature of Relationship
Mr. Aman Agarwal	Promoter / Director
Mr. Prashant Agarwal	Promoter / Director

Name of the Enterprises having same management personnel and / or their relatives as the reporting enterprises with whom the company has entered into transaction during the quarter period

Name of the Concern	Nature of Relationship
Reynold Shirting Private Limited	Associate Company

Details of Transactions

(Rs. in lacs)

Sr. No.	Nature	June 30, 2005
1.	Purchase of Finished / Unfinished Goods / Services	47.16
2.	Director Remunerations	3.40

Related Party Transactions as on March 31, 2005

Key Management Personnel	Nature of Relationship
Mr. Janardan Agarwal	Promoter / Director
Mr. Aman Agarwal	Promoter / Director
Mr. Prashant Agarwal	Promoter / Director

Relatives of Key Management Personnel

- Ms. Bimla Devi Agarwal
- Ms. Priyanka Agarwal

Name of the Enterprises having same management personnel and / or their relatives as the reporting enterprises with whom the company has entered into transaction during the year.

Name of the Concern	Nature of Relationship
Garden City Clothing	Associate Concern
BR Exports	Associate Concern
Reynold Shirting Private Limited	Associate Company

Company Wise Details

(Rs. in lacs)

S. No.	Particulars	Amount	Total
1.	Purchase of finished goods B R Exports Reynold Shirting Private Limited	1.14 397.59	398.73
2.	Sale of goods Garden City Clothing B R Exports Reynold Shirting Private Limited	723.58 59.08 48.92	831.58
3.	Reimbursement of expenses Reynold Shirting Private Limited	0.07	0.07

(Rs. in lacs)

S. No.	Particulars	Amount	Total
4.	Rendering of services B R Exports Reynold Shirting Private Limited	62.35 36.92	99.28
5.	Lease charges Reynold Shirting Private Limited	0.07	0.07
6.	Hire charges B R Exports	5.13	5.13
7.	Directors remuneration Mr. Janardan Agrawal Mr. Aman Agrawal Mr. Prashant Agarwal Mrs. Priyanka Agarwal	9.00 9.00 9.00 9.00	36.00
8.	Rent paid Mrs. Bimladevi Agrawal	1.20	1.20
9.	Repayment of erstwhile Partners Capital Mr. Janardan Agrawal Mr. Aman Agrawal Mr. Prashant Agarwal	42.95 25.49 84.07	152.51

Related Party Transactions as on March 31, 2004

Key Management Personnel	Nature of Relationship
Mr. Janardan Agarwal	Promoter / Director
Mr. Aman Agrawal	Promoter / Director
Mr. Prashant Agarwal	Promoter / Director

Relatives of Key Management Personnel

- Ms. Bimla Devi Agarwal
- Ms. Priyanka Agarwal

Name of the Enterprises having same management personnel and / or their relatives as the reporting enterprises with whom the company has entered into transaction during the year.

Name of the Concern	Nature of Relationship
Garden City Clothing	Associate Concern
BR Exports	Associate Concern
Reynold Shirting Private Limited	Associate Company
Bombay Rayon Private Limited	Associate Company

Details of Transactions

(Rs. in lacs)

Sr. No.	Nature	FY 2004
1.	Purchase of Finished / Unfinished Goods / Services	122.88
2.	Sales of Finished / Unfinished Goods	2149.80
3.	Reimbursement of Expenses / Stores	0.22
4.	Director Remunerations	6.00
5.	Rent Paid	1.20
6.	Sale of Assets	3.02

Bombay Rayon Fashions Limited

Related Party Transactions as on March 31, 2003

Key Management Personnel	Nature of Relationship
Mr. Janardan Agarwal	Promoter / Director
Mr. Aman Agarwal	Promoter / Director
Mr. Prashant Agarwal	Promoter / Director

Name of the Enterprises having same management personnel and / or their relatives as the reporting enterprises with whom the company has entered into transaction during the year.

Name of the Concern	Nature of Relationship
BR Exports	Associate Concern
Reynold Shirting Private Limited	Associate Company
Bombay Rayon Private Limited	Associate Company

Details of Transactions

(Rs. in lacs)

Sr. No.	Nature	FY 2003
1.	Purchase of Finished / Unfinished Goods / Services	78.84
2.	Director Remunerations	3.60

REGULATION AND POLICIES

The WTO 2005 Initiative

Protection of the textile and clothing sector has a long history in United States and Europe. In the 1950s, Japan, Hong Kong, China, India and Pakistan agreed to voluntary export restraints for cotton textile products to the United States. In 1962 a Long Term Agreement regarding International Trade in Cotton Textiles (LTA) was signed under the auspices of the GATT (replacing a 1-year short-term agreement). The LTA was renegotiated several times until it was replaced by the MFA, which extended restrictions on trade to wool and man-made fibres in addition to cotton.

Since 1947, when the General Agreements on Tariff and Trade (GATT) was first signed, an increasing proportion of international trade was regulated by the international agreements, designed to ensure countries could erect or maintain barriers to international trade only under mutually agreed terms.

Apparel/readymade garments were not included in GATT provisions. In 1947, the Multi-Fibre Agreement (MFA) was signed, without reference to GATT, essentially ratifying countries right to impose quotas on textiles and apparel/readymade garment imports from each other. This was intended to be a temporary measure allowing developed countries time to restructure their apparel/ready-made garments and textile industries before opening them up to competition from developed countries.

In practice the MFA was frequently renewed. In 1994, GATT signatories signed the Agreement on Textiles and Clothing (ATC), committing to phasing out MFA and replacing it by the general systems for agreeing trade barriers and disputes that the GATT has laid down. Almost simultaneously, the GATT was replaced by the World Trade Organisation (WTO).

The most important underlying principles of the ATC are:

- The quotas would be phased out to an agreed timetable (16% of Imports quota-free by January 11, 1995, further 17% by January 1, 1998, further 18% by January 1, 2002 and the remaining 49% by January 1, 2005)
- There would be no extension date
- The ATC would be binding only on trade between WTO member states

There would be no temporary provisions while the ATC was in force for monitoring progress and managing duties. Accordingly, quota restrictions have been removed with effect from January 1, 2005.

This removal of world trade quota restrictions is expected to bring a change in the global apparel trade. Productivity, labour costs, quality and creativity will determine which countries will eventually emerge as winners.

Technology Upgradation Fund Scheme

Technology Upgradation Fund Scheme is the first of its type in any industry specific financing for modernization and technology upgradation. TUFS was launched by GoI on April 1, 1999 for a period of five years. Operation of this scheme was further extended upto march 31, 2007. TUFS is intended to be a focal point for modernization efforts through technology upgradation in the Indian textiles industry and has an objective of making available adequate capital from banks and financial institutions for modernization at internationally comparable rate of interest and it provides a 5% reimbursement of interest actually charged by the identified financial institution on the sanctioned projects.

With effect from January 1, 2002 an option was provided to small scale textile and jute industries to avail of either 12% (increased to 15% w.e.f. January 13, 2005) Credit Linked Capital Subsidy (CLCS-TUFS) or 5% interest reimbursement. An additional option has also been provided to the powerloom units to avail 20% capital subsidy in lieu of 5% interest reimbursement or 15% CLCS-TUFS in certain cases.

GoI has provided an additional incentive of 10% capital subsidy over and above the 5% interest subsidy under TUFS for the specified textile processing machinery. The additional 10% capital subsidy will be admissible on the investments made in the specified processing machinery during a period of one year from April 20, 2005 to April 19, 2006.

Announcement of New Textile Policy

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

Bombay Rayon Fashions Limited

Liberalisation of FDI Policy

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

The Import and Export Policy of India

a) Export Promotion Capital Goods (EPCG) Scheme

The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods is allowed under the EXIM Policy as announced on 31.03.2003.

b) Advance Licensing Scheme

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

c) Duty Exemption Pass Book (DEPB) Scheme

DEPB credit rates have been prescribed for 82 textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized. However, these export incentives are to be reviewed shortly to make it WTO-compatible.

d) Duty Drawback Scheme

The exporters are allowed refund of the excise and import duty suffered on raw materials under the scheme so as to make the products more competitive in the international market. From January 19, 2005, the Ministry of Finance restructured the drawback rate from value-based to quantity-based.

New duty drawback rates of 2005-2006

The drawback rates have been determined on the basis of certain broad parameters including, inter alia, the prevailing prices of inputs, standard input/output norms (SION) published by DGFT, share of imports in the total consumption of inputs and the applied rates of duty. As education cess is being collected as duties of excise/customs, the element of education cess has been factored in the drawback rates. The changes in drawback rates reflect the changes in applied duties and changes in prices.

Ready Made Garments

In the ready made garment sector, the new drawback rate for knitted blouses/shirts/tops of cotton is 6% with a cap of Rs.19 per piece as against the existing rate of Rs.42/kg. The new rate for knitted blouses/shirts/tops of man-made fibre is 7.5% with a cap of Rs.24 per piece as against the existing rate of Rs.53.50/kg. For knitted blouses/shirts tops of cotton and man made fibre blend the new drawback rate is 6.8% with a cap of Rs.21 per piece as against the existing rate of Rs.48/kg. The drawback rates on woven garments have been revised accordingly. As for ready made garments made up of silk, the rate provided is 6% with a cap of Rs.36/45 per piece as against the existing rate of Rs.130/ kg. The drawback rate on dyed woolen shawls has been revised upwards from Rs.20.50/kg to 6% with a cap of Rs.30 per piece.

Other Policy and Administrative Initiatives

Human Resource Development

Attention has also been paid to Human Resource Development in the textile sector. Towards this end, particular mention deserves to be made of National Institute of Fashion Technology (NIFT), which is imparting training to Fashion Designers and Fashion Technologists to cater to the human resource requirements of garment industry. The NIFT has 7 branches of Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar.

The Ministry of Textiles is also concerned over the need to improve the quality of textile training institutes in the country. Therefore, a Nodal Centre for Up gradation of Textile Education has been established at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles. The Apparel Export Promotion Council has been running Apparel Training and Design Centres (ATDCs) at important apparel centers located at Chennai, Delhi, Kolkata, Hyderabad, Jaipur and Bangalore in order to impart training at shop floor level to meet the growing needs of apparel industry.

Construction of Apparel International Mart

Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from Government. For this purpose a grant of Rs.15 crore was released during the year 2001-02 and of Rs.30 crore has been released during the year 2003-04.

Setting up of modern laboratories

The Ministry of Textiles has assisted the Textile Committee in setting up of modern textile laboratories to ensure that the textiles exported from the country meet all international environmental standards.

Apparel Park for Exports Scheme

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

Textile Centres Infrastructure Development Scheme (TCIDS)

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

Meanwhile, in the recent Budget, the government reduced the import duty textile machinery from 20% to 10%.

Bombay Rayon Fashions Limited

DIVIDEND POLICY

Dividends, other than interim dividends, will be declared at the annual general meeting of the shareholders based on the recommendation of the Board of Directors. The Board may, at its discretion, recommend dividend to be paid to the members of the Company. The factors that may be considered by the Board before making any recommendations for the dividend, include but are not limited to profits earned during the financial year, liquidity of the Company, obligations towards repayment of debt including maintaining debt service reserves, future expansion plans and capital requirements, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time. The Board may also, from time to time, pay to the members interim dividend, as appears to the Board to be justified by the profits of the Company.

Some of the agreements that we have entered into with our Lenders require us not to declare dividend except out of profits relating to the year for which dividend is to be declared after making all due and necessary provisions. We cannot declare dividend in case of any default in repayment obligation to our Lenders.

Our Company has not paid any dividend so far.

SECTION VI
FINANCIAL INFORMATION
AUDITORS' REPORT

To,

The Board of Directors,
Bombay Rayon Fashions Limited
D-1st Floor, Oberoi Garden Estates,
Chandivali Farm Road, Andheri East,
Mumbai 400 072

- A. a) We have examined the annexed financial information of Bombay Rayon Fashions Limited for the five financial years ended March 31, 2005 and Quarter ended June 30, 2005 being the last date to which the accounts of the Company have been made up and audited by us. The financial statements for the year ended March 31, 2005 and Quarter ended June 30, 2005 are approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the Public Issue of Equity Shares by the Company.
- b) In accordance with the requirements of
1. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956;
 2. The securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
 3. Our terms of reference given vide the Company's letter dated May 5, 2005 requesting us to carry out work in connection with the Issue as aforesaid.

We report that the restated assets and liabilities of the Company as at March 31, 2001, 2002, 2003, 2004, 2005 and Quarter ended June 30, 2005 are as set out in Annexure I to this report after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and notes to account as appearing in Annexure III.

We report that the restated profits of the Company for the financial years ended March 31, 2001, 2002, 2003, 2004, 2005 and Quarter ended June 30, 2005 are as set out in Annexure II to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments / restatements and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies and notes to accounts as appearing in Annexure III to this report. The Company has not paid any dividend on Equity Shares in any of the years mentioned above.

- B. We have examined the following financial information relating to the Company proposed to be included in the Prospectus, as approved by you and annexed to this report:
1. Statement of Cash Flow as appearing in Annexure IV to this report;
 2. Statement of Debtors enclosed as Annexure V to this report;
 3. Details of loans and advances as appearing in Annexure VI to this report;
 4. Statement of Secured Loans as appearing in Annexure VII to this report.
 5. Statement of Unsecured Loans as appearing in Annexure VIII to this report;
 6. Statement of Operational Income as appearing in Annexure IX to this report;
 7. Statement of Other Income as appearing in Annexure X to this report;
 8. Details of Contingent Liabilities as appearing in Annexure XI to this report;
 9. Accounting Ratios as appearing in Annexure XII to this Report;
 10. Capitalisation Statement as at June 30, 2005 as appearing in Annexure XIII to this report;
 11. Statement of Tax Shelters as appearing in Annexure XIV to this report;

Bombay Rayon Fashions Limited

- C. a) In our opinion the financial information of the Company as stated in Para A and B above read with Significant Accounting Policies and Notes to Accounts enclosed in Annexure III to this report, after making adjustments / restatements and regroupings as considered appropriate has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.
- b) This report is intended solely for your information and for inclusion in the Offer Document in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **V.K. Beswal and Associates**
Chartered Accountants

R. P. Laddha
Partner
Membership No. 48195

Place: Mumbai
Date: October 7, 2005

Annexure – I
Statement of Restated Assets and Liabilities
(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Fixed Assets (A)						
Gross Block	3441.14	3210.72	713.97	618.10	565.78	439.77
Less: Accumulated Depreciation	753.18	687.33	188.96	130.80	81.08	36.40
Net Block	2687.96	2523.39	525.01	487.30	484.70	403.37
Capital Work in Progress	476.90	420.20	0.00	0.00	0.00	0.00
Total (A)	3164.86	2943.59	525.01	487.30	484.70	403.37
Investments (B)	11.51	11.51	11.51	11.51	5.00	2.00
Current Assets, Loans and Advances (C)						
Inventories	4180.46	3840.04	435.38	616.61	410.92	221.97
Sundry Debtors	2561.96	2081.41	1599.88	971.06	528.21	255.89
Cash and Bank Balances	40.68	86.63	50.11	18.30	10.33	3.34
Loans and Advances	1060.01	844.27	205.30	121.22	46.77	67.96
Total (C)	7843.11	6852.35	2290.67	1727.19	996.23	549.16
Liabilities and Provisions (D)						
Secured Loans	2954.21	2725.42	402.65	752.35	406.52	305.01
Unsecured Loans	0.00	0.00	1.00	1.00	1.00	13.00
Deferred Tax Liability (Net)	28.91	32.36	83.20	54.30	0.00	0.00
Current Liabilities and Provisions	2712.41	2496.55	1609.64	1055.72	828.00	469.35
Total (D)	5695.53	5254.33	2096.49	1863.37	1235.52	787.36
Net Worth (A+B+C-D) = (E)	5323.95	4553.12	730.70	362.63	250.41	167.17
Represented by						
1. Share Capital	3450.00	3296.36	499.50	100.00	55.49	55.49
2. Reserves	1924.71	1293.55	233.84	263.23	194.92	111.71
Total	5374.71	4589.91	733.34	363.23	250.41	167.20
Less: Miscellaneous Expenditure not written off	50.76	36.79	2.64	0.60	0.00	0.03
Net Worth	5323.95	4553.12	730.70	362.63	250.41	167.17

Note:

- The fixed assets have not been revalued during any of the period under reporting.
- With effect from April 1, 2004 Bombay Rayon Private Ltd. was amalgamated with the company and business of partnership firms B R Exports and Garden City Clothings were taken over by the Company w.e.f. March 1, 2005. Accordingly the figures for March 31, 2005 are inclusive of assets and liabilities of these entities.

Bombay Rayon Fashions Limited

Annexure – II

Statement of Restated Profits and Losses

* Provision for current tax has been made as per section 115 JB of the Income Tax Act, 1961.

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Income						
Operational Income	4409.63	10729.05	5523.74	4791.35	2953.38	1595.37
Other Income	18.65	236.55	4.87	3.59	0.30	3.59
Increase / (Decrease) in Stocks	312.95	1785.43	(154.03)	(10.71)	105.11	140.89
Total (A)	4741.23	12751.03	5374.58	4784.23	3058.79	1739.85
Expenditure						
Cost of Raw Material / Goods Sold	3095.96	8163.08	2618.50	2766.43	1691.15	883.44
Manufacturing Expenses	424.39	1845.93	1380.91	1380.98	950.38	586.39
Excise Duty & Sales Tax	73.89	341.40	462.75	0.00	0.00	0.00
Employees' Remuneration & Benefits	152.01	190.35	67.17	45.09	25.80	18.29
Administrative and Other Expenses	117.29	323.23	142.75	135.45	99.80	61.37
Interest and Financial Charges	85.01	264.43	119.23	98.38	56.06	43.88
Selling & Distribution Expenses	205.24	485.83	223.95	142.32	96.80	61.95
Loss on sale of Assets	0.00	26.94	4.84	6.34	0.00	1.23
Miscellaneous Expenditure not Written Off	0.48	1.73	0.70	0.02	0.03	0.03
Total (B)	4154.27	11642.92	5020.80	4575.01	2920.02	1656.58
Profit before Depreciation, Tax and Extraordinary items	586.96	1108.11	353.78	209.22	138.77	83.27
Depreciation	65.84	188.39	59.38	51.63	44.67	26.16
Profit before Tax	521.12	919.72	294.40	157.59	94.10	57.11
Provision for Taxation						
- Current Tax	43.85*	244.52	85.00	35.00	11.00	6.00
- Less/(Add) Deferred Tax	(3.45)	(50.82)	28.91	12.89	0.00	0.00
Fringe Benefit Tax	3.20	0.00	0.00	0.00	0.00	0.00
Profit after Tax as per Audited Financial Statements	477.52	726.02	180.49	109.70	83.10	51.11
- Less/(Add) Previous Year Taxes	0.00	(0.19)	9.86	0.00	(0.10)	1.04
Profit available for appropriations	477.52	726.21	170.63	109.70	83.20	50.07
Add: Balance brought from previous year	760.25	233.85	263.22	194.92	111.72	61.65
Less: Capitalised for issue of bonus Shares	0.00	199.80	200.00	0.00	0.00	0.00
Less: Deferred Tax Liability as on April 1, 2002	0.00	0.00	0.00	41.40	0.00	0.00
Balance carried forward to Balance Sheet	1237.77	760.26	233.85	263.22	194.92	111.72

* Provision for current tax has been made as per Section 115JB of Income tax Act, 1961.

Note:

- The fixed assets have not been revalued during any of the period under reporting.
- With effect from April 1, 2004 Bombay Rayon Private Ltd. was amalgamated with the company and business of partnership firms B R Exports and Garden City Clothings were taken over by the Company w.e.f. March 1, 2005. Accordingly the figures for March 31, 2005 are inclusive of assets and liabilities of these entities.

Annexure – III

Significant Accounting Policies and Notes to Accounts

(1) Significant Accounting Policies

a) Basis of Preparation

The Company follows the mercantile system of accounting and recognizing income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern and are in consistent with generally accepted accounting principles.

b) Fixed Assets

Fixed assets are stated at cost less depreciation. The cost includes all expenses incurred to bring the assets to its present location and condition.

c) Depreciation

Depreciation on fixed assets is provided on 'Straight Line Method' at rates prescribed in Schedule-XIV to the Companies Act.

d) Impairment

At each balance sheet date, the carrying amounts of fixed assets are reviewed by the management to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use.

e) Inventories

Inventories are valued at lower of cost or Net Realisable Value. Cost is determined on moving weighted averaged basis, cost of work in process and manufactured goods includes material, labour and other appropriate overheads where applicable.

f) Investments

Long term investments are stated at cost.

g) Revenue Reorganisation

Sales are recognized when goods are supplied to customers and are recorded net or rebates, discount, claims and shortages.

h) Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rate on the date of transaction. Gain and losses arising out of subsequent fluctuations are accounted for on actual payment or realization. Current assets and liabilities denominated in foreign currency as at the balance sheet date are converted at the exchange rates prevailing on that date. Exchange differences are recognized in the profit and loss account.

i) Miscellaneous Expenditure

Miscellaneous expenditure including preliminary expenses is to be written off in 1/10th each year. Expenses related to amalgamation are written off 1/5th each year.

j) Employee Retirement Benefits

Contributions to provident fund and employee state insurance are charged to the Profit and Loss Account as incurred. The Company also provides retirement benefits in the form of gratuity and leave encashment on the basis of estimates made by the management.

k) Taxation

Current tax is determined as the amount of tax payable in respect of estimated taxable income for the year as per Income Tax Act, 1961. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Bombay Rayon Fashions Limited

(2) Change in Accounting Policy

There is no change in accounting policy in the reporting years/period.

(3) Earning per Share:

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Face value per Share (Rs.)	10	10	10	100	100	100
(A) Weighted average number of equity shares						
1. Number of Equity Shares at the beginning of the year	32963640	49,95,000	1,00,000	55,493	55,493	50,503
2. Number of Equity Shares at the end of the year	34500000	3,29,63,640	49,95,000	1,00,000	55,493	55,493
3. Weighted average number of Equity shares outstanding during the year (On annualised basis)	33484990	95,90,835	27,89,603	68,540	55,493	54,919
(B) Net profit after tax available for Equity Shareholders (Rs. in lacs)	477.52	726.21	170.63	109.70	83.20	50.07
(C) Basic and diluted earning per share (in Rs.) (<i>Weighted Average</i>)	1.43*	7.57	6.12	160.05	149.93	91.17

* For the Quarter

Note: The Company does not have any dilutive potential Equity Shares. Consequently the basic and diluted earning per share of the Company remain the same.

(4) Deferred Tax

In term of Accounting Standard on "Accounting for Taxes on Income" (AS-22) the Company has recognized deferred taxes during the Quarter ended June 30, 2005 and year ended March 31, 2005 March 31, 2004 and March 31, 2003.

(Rs. in lacs)

Deferred Tax Liability / (Assets)	June 30, 2005	FY 2005	FY 2004	FY 2003
On account of Depreciation	28.91	34.37	83.20	12.89
Items Disallowed under the I.T. Act				
- Provision for Leave encashment	-	(1.48)	-	
- Provision for Gratuity	-	(0.51)	-	
Total Deferred Tax Liability / (Assets) as on balance sheet date	28.91	32.36	83.20	12.89
Add/Less: - Opening Balance of deferred tax Liability	32.36	(83.20)	(54.29)	41.40
Debited / (Credited) in Profit & Loss A/c	(3.45)	(50.82)	28.91	54.29

(5) Change in the status and Name

The status of the Company has been changed from private limited' to public limited w.e.f. October 13, 1992 by duly complying with the provisions of the section 31 of the Companies Act. Name of the Company has also been changed w.e.f. September 30, 2004 from Mudra Fabrics Limited to Bombay Rayon Fashions Limited consequent upon the conversion and change of name, the Registrar of Companies has issued fresh certificates of incorporation.

(6) Details of Related Party Transactions

For the Quarter ended June 30, 2005

Particular of Associates

Name of Related Party	Nature of Relationship
Reynold Shirting Private Limited	Associate Company

A. Key Management Personnel

(Rs. in lacs)

Name	Director Remuneration
Aman Agrawal	1.70
Prashant Agarwal	1.70
Total	3.40

B. Name of enterprises having same management personnel and/or their relatives as the reporting enterprises with whom the Company has entered into transaction during the Quarter.

(Rs. in lacs)

Nature of Transactions	Amount
Reynold Shirting Private Limited	47.16

For FY 2004-05

Particulars of Associates

Name of Related Party	Nature of Relationship
Garden City Clothing	Associate Concern
BR Exports	Associate Concern
Reynold Shirting Private Limited	Associate Company

Company Wise Details

(Rs. in lacs)

S. No.	Particulars	Amount	Total
1	Purchase of finished goods B R Exports Reynold Shirting Private Limited	1.14 397.59	398.73
2	Sale of goods Garden City Clothing B R Exports Reynold Shirting Private Limited	723.58 59.08 48.92	831.58
3	Reimbursement of expenses Reynold Shirting Private Limited	0.07	0.07
4	Rendering of services B R Exports Reynold Shirting Private Limited	62.35 36.92	99.28
5	Lease charges Reynold Shirting Private Limited	0.07	0.07
6	Hire charges B R Exports	5.13	5.13
7	Directors remuneration Mr. Janardan Agrawal Mr. Aman Agrawal Mr. Prashant Agarwal Mrs. Priyanka Agarwal	9.00 9.00 9.00 9.00	36.00

Bombay Rayon Fashions Limited

S. No.	Particulars	Amount	Total
8	Rent paid Mrs. Bimladevi Agrawal	1.20	1.20
9	Repayment of erstwhile Partners Capital Mr. Janardan Agrawal Mr. Aman Agrawal Mr. Prashant Agarwal	42.95 25.49 84.07	152.51

- (7) In accordance with the Scheme of Amalgamation as sanctioned by the High Court of Judicature at Mumbai, Bombay Rayon Private Limited was amalgamated with the Company as going concern with effect from April 1, 2004, which is the appointed date under the Scheme. Bombay Rayon Private Limited was engaged in the business of manufacturing of Textile Products. In pursuance of the Scheme of Amalgamation, the assets and liabilities of the Bombay Rayon Private Limited has been merged with the Company and the shareholders of that company have been issued 40 shares of Rs.10/- each in the Company for every one share held of Rs.100/- each thereby the total number of shares issued as consideration are 11587600 Equity Shares of Rs.10/- each.
- (8) Figures for the year ended March 31, 2005 of the Company comprised of figures pertaining to Bombay Rayon Private Limited w.e.f. April 1, 2004 and two firms B R Exports and Garden City Clothing w.e.f. March 1, 2005. Figures for Quarter ended June 30, 2005 comprised for a period of three months (April 1, 2005 to June 30, 2005)
- (9) There has been no change in the activities of the Company except addition of the business of manufacture of garments for exports and exports of fabrics, which were hitherto being carried on by the Group partnership firms Garden City Clothing and B R Exports respectively.
- (10) Some of the fixed assets added under the scheme of amalgamation and acquisition of the assets of the firms, i.e., BR Exports and Garden City Clothing are in the process of transfer in the name of the Company.
- (11) The Company operates in single segment of textile products.
- (12) In the opinion of the Board the current assets, loans and advances are approximately of the value stated and are realizable in the ordinary course of business. The provision for all known liabilities is adequate.
- (13) The previous year's figures have been regrouped and rearranged, wherever necessary.

Annexure - IV
Statement of Cash Flow
(R s. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Cash Flow from Operating Activities (A)						
Profit before Tax	521.12	919.72	294.40	157.59	94.10	57.11
Adjustments for:						
Loss on Sale of Fixed Assets	0.00	26.94	4.85	6.34	0.00	1.23
Depreciation and Amortisation	65.84	188.39	59.38	51.63	44.67	26.16
Interest, Dividend and Miscellaneous Income	(0.38)	(6.36)	(4.87)	(3.59)	(0.30)	(3.59)
Interest and financial charges	85.01	264.43	114.24	98.38	56.06	43.88
Miscellaneous Expenditure Written Off	0.00	0.00	0.00	0.00	0.00	0.00
Earlier Year Taxation	0.00	0.19	(9.86)	0.00	0.10	0.00
Operating Profit before Working Capital Changes	671.59	1393.31	458.14	310.35	194.63	124.79
Adjustments for:						
(Increase)/Decrease in Inventories	(340.42)	(3404.66)	181.23	(205.69)	(188.94)	(137.14)
(Increase)/Decrease in Debtors	(480.55)	(481.53)	(628.83)	(442.85)	(272.32)	(83.10)
(Increase)/Decrease in Loans and Advances	(215.74)	(638.97)	(84.09)	(74.45)	21.19	3.13
(Increase)/Decrease in Current Liabilities and Provisions	168.81	691.88	474.90	192.71	357.65	143.13
(Increase)/Decrease in Miscellaneous Expenditure Written Off	(13.97)	(34.15)	(2.04)	(0.60)	0.03	0.03
Cash Generated from Operations	(210.28)	(2474.12)	399.31	(220.53)	112.24	50.84
Tax Paid (Net of Refund)	0.00	(49.51)	(5.98)	0.01	(10.00)	(2.23)
Net Cash Flow from Operating Activities	(210.28)	(2523.63)	393.33	(220.52)	102.24	48.61
Cash Flow from investing Activities (B)						
(Purchase) / Sale of Fixed Assets (net)	(287.11)	(2642.99)	(102.95)	(73.14)	(126.00)	(312.06)
(Purchase) / Sale of Investments (net)	0.00	0.00	0.00	(6.51)	(3.00)	(1.00)
Interest and Dividend Income Received	0.38	6.36	4.87	3.59	0.30	3.59
Proceeds on disposal of Fixed Assets	0.00	9.08	1.00	12.59	0.00	3.99
Net Cash Flow from Investing Activities	(286.73)	(2627.55)	(97.08)	(63.47)	(128.70)	(305.48)
Cash Flow from Financing Activities (C)						
Proceeds from Issue of Share Capital	153.64	2597.06	199.50	44.51	0.00	4.99
Proceeds from Share Premium	153.64	533.30	0.00	0.00	0.00	0.00
Proceeds from Secured Loans	228.79	2322.77	(349.70)	345.83	101.51	286.02
Proceeds from Unsecured Loans	0.00	(1.00)	0.00	0.00	(12.00)	13.00
Interest Paid	(85.01)	(264.43)	(114.24)	(98.38)	(56.06)	(43.88)
Net Cash Flow from Financing Activities	451.06	5187.70	(264.44)	291.96	33.45	260.13
Net (Decrease) / (Increase) in Cash and Cash Equivalents (A+B+C)	(45.95)	36.52	31.81	7.97	6.99	3.26
Cash and Cash Equivalents at the Beginning of the Year	86.63	50.11	18.30	10.33	3.34	0.08
Cash and Cash Equivalents at the end of the Year	40.68	86.63	50.11	18.30	10.33	3.34

Bombay Rayon Fashions Limited

Annexure-V

Statement of Sundry Debtors (Unsecured and Consolidated Good)

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Exceeding Six Months	167.57	131.56	163.13	120.63	76.02	245.77
Other Debts	2394.39	1949.85	1436.75	850.43	452.19	10.12
Total	2561.96	2081.41	1599.88	971.06	528.21	255.89

None of the beneficiaries are in any way related to the Promoters/Directors.

Annexure-VI

Statement of Loans and Advances

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Advance recoverable in cash or kind or for value to be received	323.23	365.65	132.79	94.96	41.89	63.05
Deposits	208.30	121.85	13.93	26.26	4.88	4.91
Balance with Excise & Customs	528.48	356.77	58.58	0.00	0.00	0.00
Total	1060.01	844.27	205.30	121.22	46.77	67.96

None of the beneficiaries are in any way related to the Promoters/Directors.

Annexure – VII
Statement of Secured Loans as on June 30, 2005

(Rs. in lacs)

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Outstanding	Rate of Interest P.A.	Repayment of Terms	Securities offered
Term Loans Under TUFs	UTI Bank Limited	Term Loan-1	145.00	83.88	10.50%	September 2004 to December 2005 Rs. 5.66 lacs per month (16 installments) January 2006 Rs. 6.46 lacs per month (1 instalment) February -March 2006 Rs. 1.50 lacs per month (2 installments) April 2006 to February 2007 Rs. 3.50 lacs per month (11 installments) March 2007 Rs. 3.00 lacs per month (1 installments)	Charge of fixed assets of the Company. (Except office premises)
	SBI	Term Loan-2	209.00	190.35	12.25%	October 2004 to March 2005 Rs. 2.67 lacs per month (6 installments) April 2005 to March 2007 Rs. 4.25 lacs per month (24 installments) April 2007 to March 2008 Rs. 4.33 lacs per month (12 installments) April 2008 to March 2009 Rs. 1.67 lacs per month (12 installments) April 2009 to February 2010 Rs. 1.66 lacs per month (11 installments) March 2010 Rs. 0.72 lacs per month	Charge of fixed assets of the Company. (Except office premises)
	SBI	Term Loan-3	145.00	55.00	12.25%	Rs. 15.00 lacs per quarter from April 2005	Charge of fixed assets of the Company. (Except office premises)
Term Loan	Citi Bank	Mortgage Loan-1	139.00	121.20	9.50%	From January 2005 to December 2007 EMI of Rs. 4.45 lacs	Exclusive charge on office premises
		Mortgage Loan-2	36.00	34.10	9.50%	From January 2005 to Dec. 2013 EMI of Rs. 0.50 lacs (108 installments)	Exclusive charge on office premises
Working Capital Facility	UTI Bank Limited	Cash Credit	800.00	181.11	9.50%		Secured by hypothecation of the Company's entire current assets and collateral security of specified immovable assets of the Company and the Promoters
		FCNR (Sub limit of ICash Credit)	550.00	524.22	LIBOR + 350 basis points		

Bombay Rayon Fashions Limited

Particulars of Loan	Bank	Nature of Loan	Sanctioned Amount	Outstanding	Rate of Interest P.A.	Repayment of Terms	Securities offered
	SBI	Cash Credit	355.00	442.95	12.75%		
	SBI	Export Packing Credit	1205.00 (inclusive of 105.00 Standby Line of Credit)	1173.36	6.50%		
Hire Purchase Loans	HDFC Bank Limited			57.67			Secured by hypothecation of specified vehicles against which the finance is obtained
	Citicorp Maruti Financial Limited			2.88			
	Others			26.89			
LIC Loan against Key Man Insurance Policy	LIC of India		59.81	60.59			Secured by benefits and surrender values of policy
Total				2,954.20			

Annexure – VII (Contd.)

Details of Secured Loans

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Working Capital						
Jankalyan Sahakari Bank Limited	0.00	0.00	0.00	405.06	196.94	93.15
UTI Bank Limited	705.33	821.99	0.00	0.00	0.00	0.00
State Bank of India	1616.31	1222.51	0.00	0.00	0.00	0.00
Kalyan Janta Sahakari Bank Limited	0.00	0.00	202.65	200.08	0.00	0.00
Total (A)	2321.64	2044.50	202.65	605.14	196.94	93.15
Term Loan						
Jankalyan Sahakari Bank Limited	0.00	0.00	170.17	137.49	201.97	211.86
UTI Bank Limited	83.88	101.54	0.00	0.00	0.00	0.00
State Bank of India	245.35	260.36	0.00	0.00	0.00	0.00
Citi Bank	155.30	170.16	0.00	0.00	0.00	0.00
Total (B)	484.53	532.06	170.17	137.49	201.97	211.86
Vehicle Loan from various Loans (C)	87.44	88.27	15.34	9.72	7.61	0.00
Life Insurance Corporation of India (D)	60.59	60.59	14.49	0.00	0.00	0.00
TOTAL (A+B+C+D)	2954.20	2725.42	402.65	752.35	406.52	305.01

Annexure - VIII
Statement of Unsecured Loans

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
From Promoters/Directors/Shareholders*	0.00	0.00	1.00	1.00	1.00	13.00
TOTAL	0.00	0.00	1.00	1.00	1.00	13.00

* Short term, Interest free and payable on demand

Annexure - IX
Statement of Operational Income

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Domestic Sales	3021.50	10223.96	5523.74	4791.35	2953.38	1595.37
Export Sales	1388.13	399.45	—	—	—	—
Job Work/Labour Charges	—	105.64	—	—	—	—
TOTAL	4409.63	10729.05	5523.74	4791.35	2953.38	1595.37

Annexure - X
Statement of Other Income

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001	Remarks
Interest Received	0.38	2.54	2.55	0.82	0.24	0.49	Recurring
Dividend Received	0.00	3.82	1.35	0.65	0.06	Nil	Recurring
Miscellaneous Income	18.27	0.87	0.97	2.12	Nil	3.10	Recurring
Hire Charges	0.00	5.13	Nil	Nil	Nil	Nil	Recurring
Profit on Sale of Investment	0.00	4.83	Nil	Nil	Nil	Nil	Non Recurring
Share in Firm's Profit	0.00	219.36	Nil	Nil	Nil	Nil	Non Recurring
Total	18.65	236.55	4.87	3.59	0.30	3.59	

Annexure - XI
Statement of Contingent Liabilities

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Corporate Guarantee	538.00	538.00	Nil	Nil	Nil	Nil
Bank Guarantee	Nil	Nil	3.45	Nil	Nil	Nil
Total	538.00	538.00	3.45	Nil	Nil	Nil

Bombay Rayon Fashions Limited

Annexure – XII

Statement of Accounting Ratios

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Face Value Per Share (Rs.)	10	10	100	100	100	100
Earnings Per Share (Annualized) (Rs.)	1.43 [*]	7.57	6.12	160.05	149.93	91.17
Cash Earnings Per Share (Rs.)	1.62 [*]	9.84	8.44	244.66	230.48	141.10
Return on Net Worth (%)	8.97 [*]	15.95	23.35	30.25	33.23	29.95
Net Asset Per Share (Rs.)	15.43	13.81	14.63	362.63	451.27	301.26

** For the Quarter*

Notes:

The Ratios have been calculated as below

EPS = a/b

Return on Net worth = a/d %

Net asset Value Per share = e/b

- Net Profit after Tax
- Weighted Average number of Equity shares outstanding during the year
- Cash earning = Net Profit after tax add depreciation, preliminary expenses written off and deferred tax liability
- Net worth=Equity share Capital plus reserve and surplus less miscellaneous expenditure to the extent not written off
- Net Asset=Equity share capital plus reserve and surplus less miscellaneous expenditure to the extent not written off

Earnings per Share is computed in accordance with Accounting Standard 20 "Earnings per Share" issued by the Institute of Chartered Accountants of India.

Annexure - XIII

Statement of Capitalisation

(Rs. in lacs)

Particulars	Pre-Issue as at June 30, 2005	Post Issue*
Debt		
Short-term Debt	632.56	
Long -term Debt (A)	2321.64	
Total	2954.20	
Shareholders' Funds		
Share Capital	3450.00	4897.50
Reserves and Surplus after deducting Miscellaneous Expenditure not written off	1873.95	10358.95
Total Shareholders' Funds (B)	5323.95	15256.45
Long Term Debt / Total Shareholders' Funds (A/B)	0.55	0.15

Note:

Share Capital was increased from Rs. 3450.00 lacs to Rs. 3550.00 lacs by issue of further shares on premium after June 30, 2005

** Information pertaining to Share Capital and Reserves post-Issue can be ascertained only after completion of Book Building process.*

Annexure – XIV
Statement of Tax Shelters

(Rs. in lacs)

Particulars	FY 2004	FY 2003	FY 2002	FY 2001	FY 2000
Profit before Tax as per books - (A)	294.38	157.60	94.10	57.10	38.10
Total Tax (%)	35.88	36.75	35.70	39.55	38.50
Tax at actual rate on book profits	105.61	57.92	33.59	22.58	14.67
Adjustments:					
Permanent Differences					
-Deduction - U/S 80IA		38.94	12.88	1.08	10.26
Other Adjustments	(3.70)	(8.06)	(0.30)	(1.26)	(2.12)
Total Permanent Differences -(B)	(3.70)	30.88	12.58	(0.18)	8.14
Timing Differences					
Difference between Tax Depreciation and Book Depreciation	84.43	36.84	51.76	55.12	6.26
Others		(0.48)		(0.36)	(0.24)
Total Timing Differences - (C)	84.43	36.36	51.76	54.76	6.02
Net Adjustments - (B+C)	80.73	67.24	64.34	54.58	14.16
Tax Savings thereon	28.96	24.71	22.97	21.59	5.45
Profit as per Income Tax Returns (D) = (A-B-C)	213.65	90.36	29.76	2.52	23.94
Taxable Income as per MAT	0.00	0.00	0.00	57.10	0.00
Tax as per Income Tax Returns	76.65	33.21	10.62	4.84	9.22

Note:

The Company has not filed the return of Income for the Assessment Year 2005-06 (Year ended 31.03.2005) till the date of our report, therefore information for the Assessment Year 2005-06 (Year ended 31.03.2005) has not been given by us.

Bombay Rayon Fashions Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS

The financial statements have been prepared in accordance with the Indian GAAP, the Companies Act, and the SEBI Guidelines and restated as described in the report of our statutory auditor M/s. V. K. Beswal and Associates, Chartered Accountants dated October 7, 2005 in the section titled "Financial Statements" on page 97 of the Prospectus.

Our financial year ends on March 31 of each year. Our historical financial performance may not be considered as indicative of future financial performance.

Overview of the business of BRFL

We are a multi divisional textile company engaged in the manufacture of a variety of fabrics and garments with modern production facilities. Our Group was promoted by Mr. Janardan Agrawal in 1986. With a modest beginning of manufacturing fabrics, we expanded our capacities for manufacture of woven fabric and started catering to Shirting segment. Realising the potential our Group has intently moved towards the garment manufacturing mainly to conserve the fabrics margins and take advantage of the higher margins offered by the designer / fancy shirt segment.

Presently we are exporting 100% of our garments. However, we supply fabrics to the domestic garment exporters also. We have positioned ourselves as a multi product, multi fibre and multi market player ensuring that our target market is a diverse mix of the domestic fabrics market, garment export trade and international market (fabrics exports). Our manufacturing facilities are spread across four locations at Navi Mumbai, Silvassa, Sonale in Thane district and Bangalore, fully backed by the facilities for product development, design studio and efficient sampling infrastructure to provide quality services to its customers in India and abroad. We currently employ over 900 people.

Presently our weaving facilities are producing approximately 10.9 million meters of fabric per annum and our garment manufacturing facilities are producing 6,000 garments per day.

Significant developments subsequent to the last financial year

Except the material developments as disclosed in the section titled "Material Developments" at page 118 of the Prospectus, in the opinion of the Board of Directors, there have not arisen, since the date of the last financial statements any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or our ability to pay material liabilities within the next twelve months.

Factors that may affect results of the operations

- Changes in consumer preferences
- Changes in government policies relating to textile industry
- Imposition of anti-dumping duties by importing countries
- Appreciation in Indian rupee in relation to US dollar, Euro or other currencies

Discussion on Results of Operations

A summary of our past financial results based on our Restated Accounts is given below:

(Rs. in lacs)

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Income						
Operational Income	4409.63	10729.05	5523.74	4791.35	2953.38	1595.37
Excise Duty & Sales Tax	73.89	341.40	462.75	0.00	0.00	0.00
Net Operational Income	4335.74	10387.65	5060.99	4791.35	2953.38	1595.37
Other Income	18.65	236.55	4.87	3.59	0.30	3.59
Total	4354.39	10624.20	5065.86	4794.94	2953.68	1598.96
Expenditure						
Cost of Raw Material / Goods Sold	3095.96	8163.08	2618.50	2766.43	1691.15	883.44
Increase / (Decrease) in Stocks	312.95	1785.43	(154.03)	(10.71)	105.11	140.89
Net Cost of Raw Material / Goods Sold	2783.01	6377.65	2772.53	2777.14	1586.04	742.55
Manufacturing Expenses	424.39	1845.93	1380.91	1380.98	950.38	586.39
Total expenditure for working of gross profit margin	3207.40	8223.58	4153.44	4158.12	2536.42	1328.94
Gross Profit	1146.99	2400.62	912.42	636.82	417.26	270.02
Gross Profit Margin (%)	26.34	22.60	18.01	13.28	14.13	16.89
Employees' Remuneration & Benefits	152.01	190.35	67.17	45.09	25.80	18.29
Administrative and Other Expenses	117.29	323.23	142.75	135.45	99.80	61.37
Selling & Distribution Expenses	205.24	485.83	223.95	142.32	96.80	61.95
Depreciation	65.84	188.39	59.38	51.63	44.67	26.16
Operating Profit	606.61	1212.82	419.17	262.33	150.19	102.25
Interest and Financial Charges	85.01	264.43	119.23	98.38	56.06	43.88
Loss on sale of Assets	0.00	26.94	4.84	6.34	0.00	1.23
Miscellaneous Expenditure not Written Off	0.48	1.73	0.70	0.02	0.03	0.03
Profit before tax	521.12	919.72	294.40	157.59	94.10	57.11
Provision for Taxation						
- Current Tax	43.85	244.52	85.00	35.00	11.00	6.00
- Less/(Add) Deferred Tax	(3.45)	(50.82)	28.91	12.89	0.00	0.00
Fringe Benefit Tax	3.20	0.00	0.00	0.00	0.00	0.00
Profit After Tax for current year (PAT)	477.52	726.02	180.49	109.70	83.10	51.11
PAT Margin (%)	10.97	6.83	3.56	2.29	2.81	3.20
- Less/(Add) Previous Year Taxes	0.00	(0.19)	9.86	0.00	(0.10)	1.04
Profit available for appropriations	477.52	726.21	170.63	109.70	83.20	50.07

* Provision for current tax has been made as per section 115 JB of the Income Tax Act, 1961

- Our manufacturing expenses comprise of job charges incurred for weaving, processing & yarn dyeing, stores consumed, workmen & staff welfare expenses, repairs & maintenance of plant & machinery etc.
- The gross profit margin has improved from 16.89% in FY2001 to 22.60% in FY2005 due to the restructuring process carried out by the group by merging the various group entities in our Company.
- Although the textile industry was going through the bad phase, during the period FY2001 to FY2005 our Company has shown CAGR of 59.74% and 94.14% in the net operational income and PAT respectively.

Bombay Rayon Fashions Limited

Review of results of operations

Comparison of FY 2005 with FY 2004

The financial statements for FY 2005 have been prepared after incorporating the figures relating to BRPL from April 1, 2004 to March 31, 2005 and of two partnership firms - B.R. Exports and Garden City Clothing from March 1, 2005 to March 31, 2005 therefore, on absolute term there is substantial increase in almost all the items of income and expenditure.

The share of B R Exports and Garden City Clothing in total income and expenses of the Company for FY 2005 was as under:

(Rs. in lacs)

Particulars	BRFL	B R Exports		Garden City Clothing	
	Amount	Amount	%age	Amount	%age
Total Operational Income	10965.60	107.87	0.98 %	322.27	2.94 %
Total Expenses	10045.88	100.93	1.00 %	296.80	2.95 %

Operational Income

The operational income net of excise duty and sales tax has increased from Rs.5060.99 lacs in FY 2004 to Rs.10387.65 lacs in FY 2005 indicating a growth of 105.25% consequent to substantial improvement in supplying fabrics to garment manufactures and positive impact of excise duty benefits availed by the Company.

Raw Material Consumption

The raw material consumption (net of stock adjustments) has increased from Rs.2772.53 lacs in FY 2004 to Rs.6377.65 lacs in FY 2005 showing an increase of 130.03%. An increase in raw material consumption as a percentage of net operational income for FY 2005 was 61.40% as compared to 54.78% for FY 2004

Manufacturing Expenses

The manufacturing expenses have increased from Rs.1380.91 lacs in FY 2004 to Rs.1845.93 lacs in FY 2005 showing an increase of 33.67%.The manufacturing expenses as a percentage of operational income net of excise duty and sales tax for FY 2005 was 17.77% as compared to 27.29%. This reduction was due to economies of scale, improvement in operational efficiencies and nullified effect of inter company transactions.

Employees Remuneration and Benefits

The employees remuneration and benefits have shown year on year growth of 183.39% due to recruitment at all the levels of management and rationalisation of pay structure of employees.

Administrative and Other Expenses

In absolute terms administrative and other Expenses have gone up by 126.43% due to acquisition of new office premises.

Interest and Financial Charges

Interest and financial charges comprise of interest payments to banks and financial institutions, others and bank charges. In absolute terms interest and financial charges have gone up by 121.78% but the cost of borrowing on the basis of average borrowed funds has come down to 9.76% from 19.78% as the Company has borrowed the funds at subsidised interest rate under TUFS.

Selling and Distribution Expenses

In absolute term selling and distribution Expenses have shown an increase of 116.94%, they account for 4.68% and 4.43% of net operational income for FY 2005 and FY 2004 respectively thus showing a marginal increase in FY 2005.

Comparison of FY 2004 with FY 2003

Operational Income

The operational income net of excise duty and sales tax has increased to Rs.5060.99 lacs in FY 2004 as compared to Rs.4791.35 lacs in FY 2003 showing a marginal growth of 5.63% on account of decline in sale volume of fabrics due to imposition of excise duty on fabrics.

Raw Material Consumption

The raw material consumption (net of stock adjustments) was Rs.2772.53 lacs in FY 2004 against Rs.2777.14 lacs in FY 2003, showing a flat trend due to change in the product mix.

Manufacturing Expenses

The manufacturing expenses were Rs.1380.91 lacs in FY 2004 as compared to Rs.1380.98 lacs in FY 2003, remained constant due to cost control measures adopted by our Company to remain cost competitive.

Employees Remuneration and Benefits

The employees remuneration and benefits have increased to Rs.67.17 lacs as compared to Rs.45.09 lacs showing a growth of 48.97% due to upward revision in salaries and recruitment of additional manpower.

Administrative and Other Expenses

Administrative and other expenses have gone up marginally by 5.39%.

Interest and Financial Charges

Interest and financial charges comprise of interest payments to banks and financial institutions, others and bank charges. In absolute terms interest and financial charges have gone up by 21.19% and the cost of borrowing on the basis of average borrowed funds has increased to 19.78% from 15.79%.

Selling and Distribution Expenses

In absolute term selling and distribution expenses have gone up by 57.36% due to amount spent for sales promotion and exploring new markets.

Previous Year Taxes

During FY 2004 the Company has passed an accounting entry for Rs. 10.43 lacs paid in FY 2001 towards income tax payment. In FY 2001 this sum was paid and the return for block period April 1, 1992 to August 22, 2000 was filed with the income tax department. This return was filed in response to search and seizure action carried out at office and factory premises of the Company by the income tax authorities, which started on August 22, 2000 and concluded on September 9, 2000.

In the block return the Company disclosed a sum of Rs.15.39 lacs out of which a sum of Rs.6.39 lacs pertained to unaccounted stock and a further sum of Rs.9 lacs was declared as undisclosed income on the basis of statement given by one of the directors of the Company. The Company was asked to produce the details of every purchase and expense claimed during the period but due to lapse of time the Company was not able to substantiate every purchase or expense claimed during that period therefore to mitigate the hardship a sum of Rs.9 lacs was declared towards leakage or expenses not supported by proper evidence.

Accordingly, the Company has paid a tax of Rs.10.43 lacs on the disclosed sum of Rs.15.39 lacs and filed the return in FY 2001 and the assessment order for same was passed by Deputy Commissioner of Income-tax 8(2) Mumbai with the prior approval dated September 30, 2002 of Additional Commissioner of Income Tax Range, 8(2), Mumbai. Therefore, in this connection neither any outstanding demand nor any proceedings are pending against the Company.

Comparison of FY 2003 with FY 2002

Operational Income

The operational income has increased to Rs.4791.35 lacs in FY 2003 against Rs.2953.38 lacs in FY 2002 displaying a growth of 62.23% due to increase in demand of fabric consequent to launching of fabrics in various designs and colours.

Raw Material Consumption

The raw material consumption (net of stock adjustments) was Rs.2777.14 lacs in FY 2003 as compared to Rs.1586.04 lacs in FY 2002 showing an increase of 75.10% due to increase in sales volume

Manufacturing Expenses

The manufacturing expenses as a percentage of sales have declined to 28.82% in FY 2003 against 32.18% in FY 2002 due to increase in sales.

Employees Remuneration and Benefits

The employee's remuneration and benefits have increased to Rs.45.09 lacs in FY 2003 as compared to Rs.25.80 lacs in FY 2002 showing a growth of 74.77% due to upward revision in pay scale of employees and recruitment of additional manpower.

Administrative and Other Expenses

Administrative and other expenses have increased by 35.72%.

Interest and Financial Charges

Interest and Financial Charges comprise of interest payments to banks & financial institutions, others and bank charges In absolute terms interest and financial charges have gone up by 75.49% and the cost of borrowing on the basis of average borrowed funds has increased to 15.79% from 13.82%

Bombay Rayon Fashions Limited

Selling and Distribution Expenses

In absolute term selling and distribution expenses have risen by 47.02% due to increase in sales.

Unusual or infrequent events or transactions

There have been no unusual or infrequent transactions affecting our business for last three financial years.

Significant economic changes that materially affected or are likely to affect income from continuing operations

- Implementation of VAT replacing local taxes has a positive impact on our business;
- Reduction in excise duty on polyester filament yarns including polyester textured yarns from 24% to 16% has positive impact on our business;
- Duties on specified textile machinery items, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is also being continued;
- An additional incentive of 10% capital subsidy over and above the 5% interest subsidy under TUFs for the specified textile processing machinery. The additional 10% capital subsidy will be admissible on the investments made in the specified processing machinery during a period of one year from April 20, 2005 to April 19, 2006.

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 and uncertainties that have had or are expected to have a material adverse impact on sales, revenue, or income from continuing operations

Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known

Nil

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

The growth in revenues is in line with rising trend in the business volume of our company.

Total turnover of each major industry segment in which the company operated

The Company operated in only one industry segment – Textile segment. In 2003, the Indian textile industry (excluding garments) was of around USD 22 billion, consisting of domestic market of USD 15 billion and exports market of around USD 6.5 billion and the Indian garment industry was of around USD 16 billion, consisting of domestic market of USD 10 billion and exports markets of around USD 6.5 billion.

Status of any publicly announced new products or business segment

The Company has not publicly announced any new products or segments.

The extent to which the business is seasonal

In the garments business of our Company the range of the products changes according to the season therefore the business of our company is seasonal to that extent.

Any significant dependence on a single or few suppliers or customers

We are not significantly dependent on any single or few suppliers or customers.

Competitive conditions

Globally in textile industry the quantitative and fiscal restrictions imposed by importing countries have done away consequent to removal of quota system with effect from January 1, 2005 that has resulted in intensified competition for acquiring the share in global trade.

Our company faces stiff competition for its products across the world. Our Company exports mainly to USA, Europe and Middle East. The critical factor in textile industry other than production of quality goods and cost competitiveness is the delivery of goods at a shorter time due to seasonality of products, therefore the countries like Mexico and Turkey having proximity to North America and Europe respectively scored over us in this respect. On the basis cost competitiveness, we face competition not only from Indian manufacturers but also from manufacturers of other Asian countries such as China, Bangladesh etc.

Over the period we have built up excellent relationship with renowned customers. Our strengths in producing fabric and garments with good understanding of current fashion trends, anticipating future changes in fashion trends, creation of innovative designs, styles & patterns appealing to mind of end users and track record of timely execution of orders have given us competitive advantage in global as well as in domestic market.

SECTION VII

OUTSTANDING LITIGATION

Except as stated below, there are no outstanding litigations, suits, criminal or civil prosecution or tax liabilities against the Company and there are no defaults, non-payment of statutory dues, overdues to banks/ financial institutions, defaults against banks and financial institutions, defaults in dues payable to holders of any debentures, bonds and fixed deposits and arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company or its Subsidiaries or Group Companies and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, Promoters or Directors.

LITIGATION AGAINST THE COMPANY

CIVIL DISPUTE

An Application has been filed by Master Umar Ayub Shaikh through his father Mr. Ayub Munic Shaikh against the Company before the Motor Accident Claims Tribunal at Mumbai bearing Application Number 4778A of 1999. The matter relates to one of the Company's vehicle bearing No. MH-03-11-8571, which was involved in a motor accident. The Applicant has filed the Application claiming compensation of Rs.3,00,000/-. The insurance company with which the said vehicle was insured namely The New India Assurance Co. Ltd. is a Party to the Application.

The Company has been advised by its lawyers that as the vehicle in question was at the time of the accident under a valid insurance, under law, all the steps required for defense of the insured as also payment of compensation, if any, would be the liability of the insurance company. The Company has acted on the advise of its lawyers and has vide its letter bearing reference No. Gen/2/2004-2005 informed the Insurance Company of the said claim. The matter is pending consideration of the Tribunal.

LITIGATION AGAINST THE DIRECTOR

CIVIL DISPUTE

A Suit bearing No. 234 of 2001 has been filed before the Court of Civil Judge Pilani Jhunjunu, Rajasthan by one Mr. Devi Singh against Bharat Petroleum Corporation Limited (BPCL) and Others. The case of the plaintiff Mr. Devi Singh that shares of BPCL, which are owned by him were transferred to the other defendants. One of the defendants in the said suit is a director of the Company namely Mr. Prashant Agarwal. The case as far as Mr. Prashant Agarwal is concerned is that 100 shares of BPCL owned by the plaintiff were transferred to Mr. Prashant Agarwal. The Plaintiff is claiming the said 100 shares together with 100 bonus shares issued in respect of the said original 100 shares and dividend thereon. There is an order dated March 27, 2004, which nullifies the said transfer and further orders that 200 shares (100 + 100 bonus) together with the dividend paid thereon be returned to the plaintiff. On August 24, 2004 BPCL has addressed a letter to Mr. Prashant Agarwal calling upon Mr. Prashant Agarwal to abide with the order dated August 24, 2004. Mr. Prashant Agarwal has on October 21, 2004 addressed a letter to BPCL informing them that the 200 shares (100 + 100 bonus) were sold by him in the market on December 8, 2003. No further steps have been taken in the matter either by Mr. Devi Singh or by BPCL.

Bombay Rayon Fashions Limited

MATERIAL DEVELOPMENTS

Except as mentioned herein under, in the opinion of our Board of Directors, there have not arisen, since the date of the last financial statements disclosed in the Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or our ability to pay material liabilities within the next twelve months.

1. Our Company has preferential allotment of 10,00,000 Equity Shares of Rs. 10 each (constituting 2.82 % of the pre-Issue Capital) at a premium of Rs. 40 amounting to Rs. 5,00,00,000 to EXIM Bank vide a resolution passed by the Board at their meeting held on July 25, 2005;
2. Bombay Rayon Clothing Limited, one of our Group Companies has transferred 113900 Equity Shares to Employees of the Company (including their relatives) at par. The transfer was made in two tranches, first being 50200 Equity Shares on April 27, 2005 and 63700 Equity Shares on June 11, 2005.
3. Recently we had incorporated our first wholly owned subsidiary with the trade name of BRFL Europe B.V. (September 7, 2005 being the date of incorporation) in Almere, the Netherlands. BRFL Europe B.V. has been incorporated and being the Chamber of Commerce and Industries for Flevoland, the Netherlands with September 9, 2005 as the date of incorporation.

BRFL Europe B.V. has been incorporated as a private company with limited liability to carry on the business of dealing in textiles with an authorized share capital of 90,000 Euro divided into 90,000 shares each having a par value of 1 Euro. Upon incorporation of this WOS, we shall subscribe to 18000 shares at par value of 1 Euro each amounting to 18000 Euro.

Further, we have taken a showroom of 116 square meter on lease for a period of 5 years starting September 1, 2005 at Veluwezoom 5 Dome 2.34, 1327AA, Almere for a consideration of 161433 Euro per annum with a right to use the showroom w.e.f. July 1, 2005 for design and decoration purposes. The showroom will mainly cater to needs of the countries in the EU.

4. We have taken additional three leased properties in Bangalore for adding three more units to our garments division. The details of agreement entered in to in this respect are as under:
 - a. Deed of lease dated September 29, 2005 granting a lease for 10 years period starting September 1, 2005 at a monthly lease rental of Rs. 2,00,000/- (Two lacs only) at S. No. 53/10, Madanayakanahalli, Dasanapura Hobli, 19th K. M. Thakur Road, Bangalore 562 123 for starting the Unit 3 of the Garments Division of the Company;
 - b. Deed of lease dated June 2, 2005 granting a lease for 10 years period starting December 1, 2005 at a monthly lease rental of Rs. 2,75,000/- (Two lacs and Seventy Five Thousand only) at Plot No. 471-D2, S. No. 46, 4th Phase, Peenya Industrial Area, Yeshwantpur, Bangalore for starting the Unit 4 of the Garments Division of the Company; and
 - c. Deed of lease dated October 4, 2005 granting a lease for 5 years period starting October 10, 2005 at a monthly lease rental of Rs. 5,50,000/- (Five lacs and Fifty Thousand only) at Survey Nos. 148/2B, 151/1, 151/3A, 151/5 situated at Kengeri village, Kengeri Hobli, Bangalore for starting the Unit 5 of the Garments Division of the Company.

GOVERNMENT APPROVALS/LICENSING ARRANGEMENTS

In view of the approvals listed below, we can undertake the Issue and our current and proposed business activities and no further major approvals from any statutory authority are required to continue with said activities. Some of these approvals were obtained by the entities that have merged into our Company and requisite applications and /or steps are being taken to have the approvals transferred / endorsed in our name. It must, however be distinctly understood that in granting the approvals, the government and other statutory authorities do not take the responsibility for the financial soundness of the Company or for the correctness of any statements or any commitments made or opinions expressed.

The Company has obtained the following approvals under the applicable Central and State Laws for carrying on its Business.

Corporate Approvals

Sr. No.	Issuing Authority	Registration/ Licence Number	Nature of Registration	Validity
1	Registrar of Companies	11-66880	Certificate of Incorporation	
2	Income Tax Department	AAACM3447J	Permanent Account Number	-
3	Textile Committee (Ministry of Textiles, GoI)	MUM/-6829	Registration	June 12, 2006
4	Income Tax Department	MUMM 08816D	TAN	-

The Expansion Project

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
1	Karnataka Industrial Areas Development Board	IADB/15113/9789/64-05	Allotment Letter of 15.50 acres of land bearing Plot Nos.S.21 to S.31 and S.32 on lease cum sale basis in Apparel Part , Industrial Area, Doddaballapur	30 days on the expiry of which Possession Certificate be issued
2	Karnataka Industrial Areas Development Board	IADB/PC-6/05/05-06	Possession Certificate for the above-mentioned land bearing Plot Nos.S.21 to S.31 and S.32	-
3	Karnataka Industrial Areas Development Board	IADB/15113/3188/2005-2006	Allotment letter of balance 4.66 acres of land bearing Plot Nos.S-16,17,35 and 36 in Apparel Park Industrial Area, Doddaballapur	-
4	Karnataka Industrial Areas Development Board	IADB/DO-III/BP/Apparel/OA/2005-06	Approval of the Development officer accorded to the plans submitted for approval of the proposed factory building on plot bearing No.S.21 to S.32.	May 31, 2007
5	Karnataka Industrial Area Development Board	IADB/CDO/4285/05-06	Intimation of KIADB Establishing of 5 MLD capacity CETP and 0.5 MLD capacity STP at Apparel Park, Doddaballapur	-

Bombay Rayon Fashions Limited

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
6	Karnataka State Pollution Control Board.	CFE-CELL/BRFL/NE-1071/2005-06/68	Consent for establishment under the Water and Air Act for establishment of Industry to manufacture the items mentioned therein at Plot No. S.21 to 31 and S.32 (P) KIADB, Industrial Areas Apparel Park, Doddaballapura, Bangalore	-
7	Karnataka Government Factory and Boiler Department	AFIIS:CR:93:2005-2006/588	Provisional Factory License	-

We are yet to receive environmental/ecological approval for the Expansion Project for which application has already been made.

Other General Approvals for our Existing Operations

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
1	Profession Tax Officer. Bombay	PTR/1/1/23/18041	Certificate of Registration under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975.	-
2	Foreign Trade Development Officer	0393016757	Certificate of Importer-Exporter Code (IEC)	-
3a	Sales Tax Officer	70016	Certificate of Registration under the Central Sales Tax (Registration and Turnover) Rules 1957	-
3b	Sales Tax Officer	400059/S/689	Certificate of Registration under the Bombay Sales Tax Act, 1959	-
4	Inspector under the Bombay Shops and Establishment Act, 1948	K/E-II-4195	Registration Certificate of Establishment	-
5	Section Officer Municipal Corporation Bombay	957978	Permission under BMC Act to carry on business of processing cloth.	-
6a	Sales Tax Officer	40072/S/3897	Certificate of Registration under the Bombay Sales Tax Act, 1959	-
6b	Sales Tax Officer	40072/C/3453	Certificate of Registration under the Central Sales Tax (Registration and Turnover) Rules 1957	-

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
7	Profession Tax Officer	PT/E/1/1130/20/995	Certificate of Enrollment under the Maharashtra State Tax on Profession Trades, Callings and Employments Act, 1975.	-
8	Foreign Trade Development Officer, Ministry of Commerce, Maharashtra	0399028358	Certificate of Importer-Exporter Code (IEC)	-
9	Sales, Tax Office (Regional) Mumbai	40007/2/C/4400	Certificate of Registration under the Central Sales Tax and Turnover Rules, 1957	-
10	Sales Tax Officer Mumbai	40007/2/S/4897	Certificate of Registration under the Bombay Sales Tax Act, 1959.	-
11	Sales Tax Officer Mumbai	PTR/1/1/30/4403	Certificate of Registration under The Maharashtra State Tax on Professions Trades, Callings and Employments Act, 1975.	-
12	Ministry of Commerce & Industry, Thane Maharashtra	779/SIA/IMO/2000	IEM/Acknowledgment	-
13	Regional Office Maharashtra	35-1012-101	Registration under ESI Act, 1948	-
14	Regional Office Employees Provident Fund Organisation, Mumbai	M.H./BAN/45668	Registration under the Employees Provident Fund and Miscellaneous Provisions Act, 1952	-

Our Weaving Plant at Village Sonale in Thane District

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
1	Director, Industrial Security and Health, Maharashtra State, Mumbai	Registration No. 17118/63A Licence No.078643	Factory License	December 31, 2005
2	Deputy Commissioner of Central Excise	AAACM3447J X M001	Central Excise Registration Certificate	-

Our Weaving Plant at Navi Mumbai

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
1	Maharashtra Industrial Development Corporation		Receipt of Possession	-
2	MSEB (New Bombay)		Electricity Connection	-
3	Dy. Engineer & PA MIDC, Thane	-	Certificate of Plantation of Trees.	
4	Executive Engineer MIDC Division, Thane	TMC/60	Drainage Completion Certificate	

Bombay Rayon Fashions Limited

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
5	Executive Engineer, MIDC Division No. II, Thane	NIL	Building Completion Certificate.	
6	Cess Officer, Navi Mumbai Municipal Corporation, Cess Department	NMMC/CEG/05/00716	Certificate of Registration	-
7	Sub-Regional Officer Navi Mumbai – II, Maharashtra Pollution Control Board.	SRO/NMII/TTC/NNB/R/CC/C-295	Consent to operate under Section 26 of the Water (Prevention and Control of Pollution) Act, 1974 and under Section 21 and the Air (Prevention and Control of Pollution Act, 1981)	November 30, 2009
8	Maharashtra Government Food and Civil Supplies Departments, Controller, Standard Weights and Measures Rules, 1985	1521849	Certificate of Checking and Verification of the Electronic Scales	June 13, 2006

Our Upcoming Weaving Plant at Silvassa

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
1	Ministry of Commerce and Industry Silvassa	1053/SIA/IMO/2003	IEM/Acknowledgement	-
2	Pollution Control Committee of Daman and Diu and Dadra and Nagar Haveli	PCC/DDD/G-4234/KH/WA/05-06/583	Consent to establish/operate/ renewal facilities to manufacture weaving and finishing of Cotton, Manmade Textile Fabrics 21 lakh meter /annum	May 31, 2006
3	Chief Inspector of Factories	Registration No.2993 License No.2993	License to work a factory	December 31, 2005

Our Existing Garmenting Facilities at Bangalore

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
1	Government of Karnataka Department of Factory and Boilers.	MYB-13159	Registration and License	December 31, 2005
2	Karnataka State Pollution Control Board.	No.120/KSPCB/RO PEENYA / A / AOE-1/WPC/IND/PIA/MG 2005-6/745	Consent for existing discharge	December 31, 2005
3	Karnataka State Pollution Control Board.	No.95 KSPCB/RO/ PEENYA/A/AEO-1/ IND/APC/PIA/MG/ 2005-06/746	Consent for Operation of plant.	December 31, 2005
4	Deputy Commissioner of Central Excise-Bangalore	AAEFG6277FXM002	Central Excise Registration Certificate	

Sr. No.	Issuing Authority	Registration/ Licence No.	Nature of Registration	Validity
5	Asstt. Commissioner of Commercial Taxes, Bangalore	29580203878	Provisional VAT Registration	Provisional
6	Superintendent of Service Tax , Service Tax Commissionerate, Bangalore	(GTA)/AAEFG 6277 FST001	Certificate of Registration for Transport of Goods by Road	Valid till the holder carries on the activity for which certificate has been issued
7	Ministry of Commerce and Industry Bangalore, Karnataka	2204/SIA/IMO/2003	IEM/Acknowledgement	-
8	Apparel Export Promotion Council	AEPC/MAF/WR/68060/03-04	Registration cum Membership Certificate	May 31, 2008
9	Appeal Export Promotion Council	68712	Registration cum Membership Certificate	March 31, 2010
10	Regional Office (Karnataka) Employees State Insurance Corporation	53-19960-18	Registration under the ESI Act, 1948	-
11	Employees Provident Fund Organisation , Regional Office, Karnataka	KN/29554	Applicability of Employees Provident Fund & Miscellaneous Provisions Act, 1952	-
12	Asstt. Commissioner of Central Excise, Bangalore	AAACM3447J X M003	Central Excise Registration Certificate	-
13	Asstt. Commissioner of Central Excise, Bangalore	AAACM3447J X M002	Central Excise Registration Certificate	-
14	Profession Tax Officer, Bangalore	1103613-8	Certificate	-
15	Assistant Commissioner for Commercial Taxes Bangalore.	ACCT.19/PT-1054/03-04	Certificate	-
16	Asstt. Commissioner of Commercial Taxes	73131010	Certificate for the Central Sales Tax Registration	-
17	Asstt. Commissioner of Commercial Taxes Commercial Tax Department	73131010	Certificate for the Karnataka Sales Tax Registration	-

The Company has applied for but has to obtain the following approvals for carrying on its business.

1. Sales Tax Registration (Silvassa)
2. Electricity Connection (Silvassa)
3. Registration of Employing Contract Labour

Further, we are yet to receive environmental/ecological approval for the Expansion Project for which application has already been made.

SECTION VIII

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on June 1, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act at the Extra Ordinary General Meeting of the Company held on June 27, 2005.

Prohibition by SEBI

Our Company, our Directors, our Promoters, other companies/entities promoted by our Promoters and companies/entities with which our Directors are associated as directors, have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI. Our Company, our Directors, our Promoters, other companies/entities promoted by our Promoters have not been detained as wilful defaulters by RBI or Government authorities and there are no violation of securities laws committed by them in the past or pending against them.

Eligibility for the Issue

As per clause 2.2.1 of SEBI (DIP) Guidelines an unlisted company may make an initial public offering (IPO) of equity shares or any other security, which may be converted into or exchanged with equity shares at a later date, only if it meets all the following conditions:

- (a) The company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:
Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;
- (b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;
Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;
- (c) The company has a net worth of at least Rs. 1crore in each of the preceding 3 full years (of 12 months each);
- (d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and
- (e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.

We are eligible for the Issue as per Clause 2.2.1 of the SEBI (DIP) Guidelines as explained under:

1. We have net tangible assets of at least Rs. 3 crores in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
2. We have a pre-Issue net worth of not less than Rs.1 crore in each of the three preceding full years;
3. We have a track record of distributable profits as per Section 205 of Companies Act for at least three out of immediately preceding five years;
4. During the previous year name of our Company was changed from Mudra Fabrics Limited to Bombay Rayon Fashions Limited with effect from September 30, 2004. We have earned more than 50% of the revenue for the preceding one full year from the activity suggested by the new name; and
5. The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the Quarter ended June 30, 2005.

In terms of a certificate issued by M/s V. K. Beswal and Associates, our statutory auditors dated October 7, 2005 the Company satisfies the above eligibility criteria as follows:

Particulars	June 30, 2005	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Net Tangible Assets ⁽¹⁾	11019.48	9807.45	2827.19	2226.00	1485.93	954.53
Monetary Assets ⁽²⁾	40.68	86.63	50.11	18.30	10.33	3.34
Monetary Assets as % of Net Tangible Assets	0.37	0.88	1.77	0.82	0.70	0.35
Pre-Issue Net worth ⁽³⁾	5323.95	4352.12	730.70	362.63	250.41	167.17
Distributable Profits ⁽⁴⁾	477.52	726.21	170.63	109.70	83.20	50.07

1. Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by ICAI.
2. Monetary Assets comprise cash and bank balances, public deposit account with the Government and interest accrued thereon.
3. Net worth have been computed as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.
4. Distributable profits have been computed in terms of section 205 of the Companies Act.

The name of our Company was changed from Mudra Fabrics Limited to Bombay Rayon Fashions Limited on September 30, 2004. Our Company was into the business of manufacture of woven fabric since inception. With effect from March 1, 2005, Garden City Clothing, a partnership of the Group, which was into the business of manufacture of garments for exports, was taken over by our Company. Fabric manufactured by our Company has always been sold by the Company under the brand name of 'Bombay Rayon' to readymade garment manufactures and retail segment through the channel of distributors. Our Group has been using the name 'Bombay Rayon' since incorporation of Bombay Rayon Private Limited in 1986, the first company in our Group. Change of name of our Company from Mudra Fabrics Limited to Bombay Rayon Fashions Limited was aimed to consolidate and continue to grow in future with the name of 'Bombay Rayon', the name of our Group. We continue to derive almost all our revenues from the textile industry. The turnover of the Company for FY 2004-05 represents around 90% of turnover from sale of fabrics in domestic and overseas markets.

In addition, we shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number.

Disclaimer Clause

AS REQUIRED, A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY THE 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 PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS VIZ., UTI BANK LIMITED AND ANAND RATHI SECURITIES PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS 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 AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS VIZ., UTI BANK LIMITED AND ANAND RATHI SECURITIES PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 16, 2005 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 IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.
2. ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER

Bombay Rayon Fashions Limited

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 PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- (C) THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER'S 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 PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE HAVE BEEN COMPLIED WITH AT THE TIME OF FILING OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WOULD BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE FINAL PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND 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 MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

General Disclaimer

The Company accepts no responsibility for statements made otherwise than in the Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into among the Underwriters and the Company and the Memorandum of Understanding among the BRLMs and the Company dated August 9, 2005.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres, etc.

Disclaimer in Respect of Jurisdiction

The Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI. The Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful

to make an offer or invitation in such jurisdiction. Any person into whose possession the Prospectus comes is required to inform him or herself about and to observe any such restrictions. Any dispute arising out of the Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Prospectus has been filed with the RoC as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and the Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of the Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the National Stock Exchange of India Limited

As required, a copy of the Prospectus has been submitted to the National Stock Exchange of India Limited (“NSE”). NSE has vide its letter number NSE/LIST/17521 dated September 26, 2005 given permission to the Company to use the Exchange’s name in the Prospectus as one of the stock exchanges on which this Company’s securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e. the paid up capital shall not be less than Rs. 10 crores and market capitalization shall not be less than Rs. 25 crores at the time of listing). The NSE has scrutinized the Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Prospectus; nor does it warrant that this Company’s securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Issuer, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquire 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 any other reason whatsoever.

Disclaimer Clause of BSE Limited

BSE Limited (“BSE”) has vide its letter number DCS/SG/SM/2005 dated September 26, 2005 given permission to the Company to use the BSE’s name in the Prospectus as one of the stock exchanges on which this Company’s securities are proposed to be listed. The BSE has scrutinized the Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The BSE does not in any manner:-

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of the Prospectus; 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 the Prospectus has been cleared or approved by the BSE. 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 BSE 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.

Undertaking from the Promoters and Directors

The Company accepts full responsibility for the accuracy of the information given in the Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The Company further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of the Issue or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in the Prospectus. The Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the Equity Shares offered in terms of the Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to misstatement,

Bombay Rayon Fashions Limited

misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a misstatement/ misrepresentation, the Promoters/ Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

Filing

A copy of the Prospectus along with the documents required to be filed under section 60 B of the Companies Act will be delivered for registration to the ROC, Maharashtra, at Marine Lines, Mumbai. A copy of the Prospectus required to be filed under section 60 of the Companies Act would be delivered for Registration with the ROC, having attached thereto the Material Contracts and Documents for Inspection referred in section titled " Material Contracts and Documents for Inspection" on page 167 of the Prospectus. A copy of the Prospectus has been filed with SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. If the permission to deal in and for an official quotation of the Equity Shares is not granted by either of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Prospectus. If such money is not repaid within eight days after the Company becomes liable to repay it (i.e. from the date of refusal or within 70 days from the date of Issue Closing Date, whichever is earlier), then the Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act. Provided however, that where such refusal results from the fraud or wilful default or negligence of the Company, the Company shall be liable to pay the interest on the application money as per Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization and adoption of the basis of allocation for the Issue.

Consents

The written consents of Promoters, Directors, Compliance Officer, Assistant Company Secretary, Auditors, Legal Advisors, Book Running Lead Managers, Registrars to the Issue, Bankers to the Company and Bankers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Maharashtra, Mumbai as required under Section 60 of the Act and such consents have not been withdrawn up to the time of delivery of the Prospectus for registration.

M/s. V. K. Beswal and Associates, Chartered Accountants, our Statutory Auditors, M/s. Gherzi Eastern Limited, the technical appraiser of the Expansion Project and UTI Bank Limited, the financial appraiser of the Expansion Project have given their written consent for naming them as experts and to the inclusion of their report in the form and context in which they appear in the Prospectus and such consent and report have not been withdrawn up to the time of delivery of the Prospectus for registration.

Expert Opinion

Except for M/s. Gherzi Eastern Limited, the technical appraiser of the Expansion Project, UTI Bank Limited, the financial appraiser of the Expansion Project and M/s. V. K. Beswal and Associates, Chartered Accountants, our Statutory Auditors, and no other expert opinion have been obtained. For details of these expert opinions kindly refer to the sections titled 'Objects of the Issue', 'Statement of Tax Benefits' and 'Financial Information' on pages 25, 41 and 97 respectively.

Expenses of the Issue

The expenses of the Issue payable by the Company inclusive of brokerage, fees payable to the BRLMs, Registrar to the Issue, Legal Advisors, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses will not exceed Rs. 620 and will be met out of the proceeds of the Issue.

Details of Fees Payable

Particulars	Amount (Rs. in lacs)	% of total Issue expenses	% of total Issue size
BRLMs	235.81	41.56	2.50
Registrar to the Issue	6.00	1.05	0.06
Legal Advisors	10.00	1.76	0.11
Advisors	-	-	-
Bankers to the Issue	-	-	-
Others (legal fee, listing fee, fee of the auditor, book-building fee, etc.)	315.49	55.63	3.34
Total	567.30	100.00	6.01

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and the selling commission for the Issue is as set out in the Syndicate Agreement amongst the Company, the BRLMs and the Syndicate Members. Underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and the amount underwritten in the manner mentioned on Page 13 of the Prospectus.

Previous Public or Rights Issues

This is the first public issue of the Company. We have not made any public issue previously.

Previous Issue of Shares Otherwise than for Cash

We have made following allotments of Equity Shares for consideration other than cash.

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Nature of Allotment
October 16, 2003	200000	100	Bonus in the ratio of 2:1
May 3, 2004	1998000	10	Bonus in the ratio of 2:5
March 29, 2005	11587600	10	As per Scheme of Amalgamation

Commission or Brokerage on Previous Issues

We have not made any public or rights Issue since our inception and have accordingly not paid any commission or brokerage.

Particulars in Regard to the Company and Other Listed Companies under the Same Management within the meaning of Section 370(1)(B) of the Companies Act, 1956, which made any Capital Issue during last three years

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act that made any capital issue during the last three years.

Promises Vs Performance

The company has not made any public issue of shares since its incorporation. There are no group company, which has made any public issues.

Outstanding Bonds/ Debentures

There are no outstanding debentures or bonds or redeemable preference shares or any other instruments issued by the issuer company outstanding as on the date of Prospectus.

Stock Market Data

This being the first public issue by the Company, no stock market data is available.

Disclosure on Investor Grievances and Redressal System

The Company will settle investor grievances expeditiously and satisfactorily. The agreement between the Company and the Registrar will provide for retention of records with the Registrar for a period of one year from the last date of dispatch of Letters of Allotment/Share Certificates/Refund Orders to enable the investors to approach the Registrar for redressal of their grievances.

Bombay Rayon Fashions Limited

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Intime Spectrum Registry Limited, giving full details such as name, address of the applicant, number of Shares applied for, amount paid on application and the bank branch/collection center where the application was submitted.

Disposal of Investor Grievances

The average time required by the Company/Registrar for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the Company/Registrar would strive to redress these complaints as expeditiously as possible.

Investors can also contact the Compliance Officer for any investor grievances at the following contact details:

Mr. A. R. Mundra

Executive Director (Finance)
Bombay Rayon Fashions Limited
D-1st Floor, Oberoi Garden Estates,
Chandivali Farms Road,
Chandivali, Andheri (East),
Mumbai 400 072
Telephone: + 91 22 56955566
Fax: + 91 22 28476992
Email: ipo@bombayrayon.com

Changes in the Auditors during the last Three Years and Reasons thereof

There have been no changes in the auditors of the Company during past three years.

Capitalization of Reserves or Profits during the Last Five Years

We have twice capitalized our reserves, details of which are given as under:

Date of Allotment	Number of Equity Shares	Face Value	Nature of Allotment
October 16, 2003	200000	100	Bonus in the ratio of 2:1
May 3, 2004	1998000	10	Bonus in the ratio of 2:5

Revaluation of Assets during the last Five Years

The Company has not revalued its assets during the last five years.

SECTION IX

ISSUE RELATED INFORMATION

Terms of the Issue

The Equity Shares being issued are subject to the provisions of the Companies Act, Securities Contracts (Regulation) Act, 1956, Securities Contracts (Regulation) Rules, 1957, the Memorandum and Articles of the Company, NOC from RBI, the terms of the Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the allocation 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, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on June 1, 2005 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act at the Extra Ordinary General Meeting of the Company held on June 27, 2005.

Ranking of Equity Shares

The Equity Shares being issued are subject to the provisions of the Memorandum and Articles of Association of the Company and rank pari passu in all respects, including right to receive dividend and other corporate benefits, if any, with the other existing Equity Shares of the Company.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of the Prospectus at an Issue price of Rs. 70 per Equity Share. The Company undertakes that at any given point of time there shall be only one denomination for the Equity Shares of the Company.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders 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 public company under the Companies Act and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, kindly refer to the section titled "Main Provisions of Articles of Association of the Company" on page 155 of the Prospectus.

Market Lot

As trading of the Equity Shares is compulsorily in dematerialised mode, the tradable lot is one equity share. Allocation of Equity Shares through the Issue will be done only in electronic form to the successful bidders, subject to a minimum of 100 Equity Shares. For details of allocation and allotment, see "Other Regulatory and Statutory Disclosure – Basis of Allotment and Allocation" on page 152 of the Prospectus.

Bombay Rayon Fashions Limited

Jurisdiction

Exclusive jurisdiction for the purpose of the Issue is with competent courts/authorities in Mumbai, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidders, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, 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 Shares in the event of his/her death during the minority. A nomination shall stand rescinded upon a sale / transfer / alienation of Equity Shares by the person nominating.

In accordance with section 109B of the Companies Act, any person, who becomes a nominee by the virtue of the provisions of section 109A of the Companies Act, shall upon production of such evidence as may be required by Board, elect either:

- to register himself / herself as the holder of the Equity Shares; or
- to make such transfer of the Equity shares as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name**

shall be punishable with imprisonment for a term which may extend to five years.”

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Net Issue to Public including devolvement of Underwriters, if any, within 60 days from the date of closure of the Issue, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount we shall pay interest as per section 73 of Companies Act.

Withdrawal of the Issue

The Company in consultation with the BRLMs, reserves the right not to proceed with the Issue after the bidding. In case the Company decides so, it shall issue a public notice within two days of the closure of the bidding, indicating the reasons for withdrawal of the Issue in the newspapers in which the bid advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the Equity Shares were proposed to be listed.

Arrangements for Disposal of Odd Lots

The Company's shares will be traded in dematerialized form only and therefore the marketable lot is one (1) share. Therefore there is no possibility of odd lots.

Letters of Allotment or Refund Orders

The Company shall give credit to the Beneficiary Account with Depository Participants within two working days from allotment of the Equity Shares in the Issue. The Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above

The Company will provide adequate funds required for dispatch of refund orders or allocation advice to the Registrar to the Issue. Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Issue Programme/Issue Period

Bid/Issue Opens on	November 11, 2005
Bid/Issue Closes on	November 17, 2005

Bids and any revision of Bids shall be accepted only between 10.00 a.m. and 5.00 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 Closing Date, the Bids shall be accepted only between 10.00 a.m. and 1.00 p.m. (Indian Standard Time) and updated till such time as permitted by BSE and NSE on the Bid/Issue Closing Date.

Restriction on Transfer And Transmission of Shares

Nothing contained in the Articles of Association of the Company shall prejudice any power of the Company to refuse to register the transfer of any share.

No fee shall be charged for sub-division and consolidation of share certificates (physical form), debenture certificates and detachable warrants and for sub-division of letters of allotment and split, consideration, renewal and pucca transfer receipts into denomination corresponding to the market units of trading.

Application by Non Residents/NRIs/FIIs

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in the Issue.

Bombay Rayon Fashions Limited

ISSUE STRUCTURE

Public Issue of 1,34,75,000 Equity Shares of Rs. 10/- each at the Issue Price of Rs. 70 for cash aggregating Rs. 9432.50 lacs. Out of this, 6,12,500 Equity Shares are reserved for allocation to Employees of the Company. The Net Issue to Public is 1,28,62,500 Equity Shares. The Issue is being made through a 100% book building process. Details of the Issue structure are tabulated below:

	Employees Reservation Portion	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 6,12,500 Equity Shares	Up to 64,31,250 Equity Shares or Net Issue to Public less allocation to Non-Institutional Bidders and Retail Individual Bidders	Minimum of 19,29,375 Equity Shares or Net Issue to Public less allocation to QIBs and Retail Individual Bidders	Minimum of 45,01,875 Equity Shares or Net Issue to Public less allocation to QIBs and Non-Institutional Bidders
Percentage of Issue size available for Allocation	Up to 4.54 % of the Issue Size	Up to 50 % of Net Issue to Public or Net Issue to Public less allocation to Non-Institutional Bidders and Retail Individual Bidders	Minimum 15 % of Net Issue to Public or Net Issue to Public less allocation to QIBs and Retail Individual Bidders	Minimum 35% of Net Issue to Public or Net Issue to Public less allocation to QIBs and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	100 Equity Shares and thereafter in multiples of 100 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter	100 Equity Shares and thereafter in multiples of 100 Equity Shares thereafter
Maximum Bid	Such number of Equity Shares that the number of Equity Shares Bid for should not exceed 6,12,500 Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter, not exceeding the Issue size subject to applicable regulations	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter, not exceeding the Issue size	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot	One	One	One	One
Size of allocation	Minimum of 100 Equity Shares and in multiples of one Equity Share thereafter	Minimum of 100 Equity Shares and in multiples of one Equity Share thereafter	Minimum of 100 Equity Shares and in multiples of one Equity Share thereafter	Minimum of 100 Equity Shares and in multiples of one Equity Share thereafter

	Employees Reservation Portion	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Who can Apply	Employees of the Company as on cut-off date, i.e., September 30, 2005	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 bi-lateral development financial institutions, venture capital funds, Foreign Venture Capital Investors registered with SEBI and State Industrial Development Corporations, Insurance companies registered with Insurance Regulatory and Development Authority Provident Funds with minimum corpus of Rs. 250 million and Pension Funds with minimum corpus of Rs. 250 million who are authorised under their constitution to hold and invest in Equity Shares	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs) applying for up to Rs. 1,00,000
Terms of Payment	Margin Amount applicable to reserved portion for Employees of the Company at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the members of the Syndicate	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid-cum-application Form to the members of the Syndicate	Margin Amount applicable to Retail Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate
Margin Amount	Full Bid Amount on Bidding	NIL	Full Bid Amount on Bidding	Full Bid Amount on Bidding

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

Vide an undertaking dated September 30, 2005 the Promoters have confirmed that the Promoters Directors and Promoter Group (relatives of the Promoters and Group Companies) shall not apply in the Issue in the Employee Reservation Portion.

Notes:

1. The unsubscribed portion, if any, in the Employee Reservation Portion shall be added back to the Net Issue to Public and will be considered for allotment only on a proportionate basis.
2. Under subscription, if any, in the Retail Individual Investors, Non-institutional Investors or QIBs portion would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.

Bombay Rayon Fashions Limited

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue to Public shall be available for allocation on a discretionary basis to QIBs. Further at least 35% of the Net Issue to Public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and at least 15% of the Net Issue to Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received on or above the Issue Price within the Price Band.

Bidders are required to submit their Bids through the Syndicate Members. The Company in consultation with the BRLMs, reserve the right to reject any Bid from QIBs procured by any or all members of the Syndicate without assigning any reason thereof. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company shall have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful allottees only in the dematerialised form. Bidders will not have the option to getting allotment in physical form. The Equity Shares, on allocation, shall be traded only in the dematerialised segment of the Stock Exchange(s).

Illustration of Book Building and Price Discovery Process (Investors should note that this example is solely for the purpose of illustration and is not specific to the Issue)

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

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

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

Bid-Cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in the Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum-Application Form
Indian public, NRIs applying on a non-repatriation basis	White
Non residents, NRIs or FIIs applying on a repatriation basis	Blue
Employees of the Company applying under reservation portion	Pink

Who can Bid

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: 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;
3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorised under their constitution to hold and invest in Equity Shares;
10. Non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
11. Scientific and/ or Industrial Research Organisations authorised to invest in Equity Shares;
12. Insurance companies registered with Insurance Regulatory and Development Authority;
13. Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
14. Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in Equity Shares;
15. Multilateral and bilateral development financial institutions.

Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

Note: The BRLMs, Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary.

However, UTI Bank Limited, a BRLM to the Issue may apply in the non-discretionary portion of the Issue. Save and except above the BRLMs and Syndicate Members shall not be entitled to subscribe to the Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

- No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds
- No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights

As per current regulations, the following restrictions are applicable for investment by FIIs:

No single FII can hold more than 10% of the post-issue paid-up capital of our Company (i.e. 10% of 4,89,75,000 Equity Shares of Rs. 10 each). In respect of an FII investing in the Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital of the Company in case such sub-account is a foreign corporate or an individual

Bombay Rayon Fashions Limited

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of our Company's paid-up capital. The aggregate holdings of venture capital funds and foreign venture capital investors registered with SEBI could, however, go up to 100 % of our Company's paid-up equity capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter up to a maximum of Rs. 1,00,000. In case the Bid is for more than Rs. 1,00,000, the same would be considered for allocation under the Non-Institutional Bidders category.
- (b) **For Non-Institutional and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter. All Individual Bidders whose maximum Bid Amount exceeds Rs. 1,00,000 would be considered under this category. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them.
- (c) **For Employees of the Company:** The Bids must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter, with the maximum number of Equity Shares Bid for not exceeding 6,12,500 Equity Shares.

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 Category. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids, Bids by Non -Institutional Bidders who are eligible for allocation in the Retail Individual Bidder category would be considered for allocation under the Retail Portion.

Non-Institutional Bidders and QIB Bidders are not allowed to bid at "Cut off". A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

Information for the Bidders

- a. The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/ Issue Opening Date.
- b. The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated. This advertisement shall be in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement
- c. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to prospective investors.
- d. Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from the Head Office or from any of the BRLMs or Syndicate Members.
- e. Investors who are interested in subscribing for the Company's Equity Shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bid.
- f. The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Bidding Process

- a. The Bidding Period shall be open for at least 3 working days and not more than working 7 days. In case the price band is revised, the revised price band will be published in two widely circulated newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated and the Bidding period will be extended for a further period of three days, subject to the total Bidding period not exceeding 10 working days. During the bidding period, the Bidders may approach the Syndicate to submit their Bid. Every Member of the Syndicate shall accept Bids from all clients/ investors who place orders through them and shall have the right to vet the bids
- b. Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details kindly refer to the paragraph entitled “Bids at Different Price Levels” on page 139 below) 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
- c. The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum- Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page 142 of the Prospectus
- d. The BRLMs, and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Bidders should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate Member. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form
- e. During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- f. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into Escrow Account” on Page 140 of the Prospectus.

Bids at Different Price Levels

The Price Band has been fixed at Rs. 60 to Rs. 70 per Equity Share of Rs. 10 each, Rs. 60 being the Floor Price and Rs. 70 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1.

- a. The Company in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- b. In accordance with SEBI Guidelines, the Company, in consultation with the BRLMs, can revise the Price Band during the Bidding period, in which case the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially and as disclosed in the Red Herring Prospectus. In addition to this, the cap on the Price Band should not be more than 20% of the floor of the Price Band.
- c. 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 Reserved Categories 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 or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
- d. Retail Individual Bidders who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account.

Bombay Rayon Fashions Limited

- e. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band, with the 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 will be considered for allocation under the Non-Institutional Portion in terms of the Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder.
- f. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded.

Option to Subscribe

Equity Shares being issued through this Prospectus can be applied for in the dematerialized form only. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

Escrow Mechanism

The Company and members of the Syndicate shall jointly 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 Accounts. The Escrow Collection Banks will act in terms of the Prospectus and an Escrow Agreement. The monies in the Escrow Account 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 Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), the Company, the Registrar to the Issue and BRLMs and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and the Prospectus.

Terms of Payment and Payment into the Escrow Collection Account

Each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque/demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details kindly refer to the paragraph "Payment Instructions" on page 147 of the Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. 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.

The members of the Syndicate shall deposit the cheque or demand draft received from the Bidders with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders i.e. QIBs, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. For details of Margin Amount payable kindly refer to the section titled "Issue Structure" on page 134 of the Prospectus. 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 2 days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the 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 Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date.

Electronic Registration of Bids

- a. The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
- b. NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the members of Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- c. NSE and BSE will aggregate demand and price for Bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be assessed on BSE's website at 'www.bseindia.com' or on NSE's website at 'www.nseindia.com'.
- 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
 - Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund, etc.
 - Numbers of Equity Shares bid for
 - Bid price
 - Bid-cum-Application Form number
 - Whether payment is made upon submission of Bid-cum-Application Form
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder
- e. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
- f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- g. The members of the Syndicate have the right to review the Bid. Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and Reserved Categories, Bids shall not be rejected except on technical grounds listed on page 149 of the 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 the BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any scheme or project of our Company.
- i. It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that the Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build up of the Book and Revision of Bids

- a. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on an online basis.

Bombay Rayon Fashions Limited

- b. The Price Band can be revised during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three working 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 Price. Subject to compliance with the immediately preceding sentence, the Floor Price can move up or down to the extent of 20% of the Floor Price disclosed in the Prospectus.
- c. Any revision in the Price Band will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper and also indicating the change on the relevant websites and the terminals of the members of the Syndicate.
- d. The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- e. During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- f. Revisions can be made in both the desired 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 revised, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- g. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Forms.**
- h. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- i. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- j. In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs based on the records of physical book shall be final and binding to all concerned.

Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be duly disseminated by notification to BSE and NSE by issuing a press release and also by indicating the change on the web sites of the BRLMs and at the terminals of Members of the Syndicate.

Price Discovery and Allocation

- a. After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with the Company and us.
- b. The Company in consultation with the BRLMs shall finalise the "Issue Price", the number of Equity Shares to be allocated and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder determined broadly by the size, price and time of the Bid.
- c. The allocation for QIBs of up to 50% of the Net Issue to Public shall be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and 35% of the Net Issue to Public respectively and to the Employees of the Company of not more than 10% of Net Issue to Public shall be on proportionate basis, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- d. In terms of SEBI Guidelines, QIBs Bidders shall not be allowed to withdraw their bid after the Bid / Issue Closing Date.
- e. Undersubscription, 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 and BRLMs.
- f. Allocation to Eligible non residents, NRIs or FIIs applying on repatriation basis will be subject to the terms and conditions stipulated by the RBI while granting permission for Issue/ allocation of Equity Shares to them.

- g. The BRLMs 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.
- h. The Company in consultation with the BRLMs reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allocation.

Signing of Underwriting Agreement and RoC Filing

- a. The Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- b. After signing the Underwriting Agreement, we would 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.

Advertisement regarding Price Band and Red Herring Prospectus

A statutory advertisement will be issued by the Company after the filing of the Red Herring Prospectus with the RoC. This advertisement, in addition to the information (in the format and contain the disclosures specified in Part A of Schedule XX-A of the SEBI Guidelines), that has to be set out in the statutory advertisement shall indicate the Price Band along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of Draft Red Herring Prospectus and Red Herring Prospectus will be included in such statutory advertisement.²

Issuance of Confirmation of Allocation Note

- a. The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- b. The BRLMs or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed 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 into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- c. Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be Allotted to such Bidder.

Designated Date and Allotment of Equity Shares

- a. The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/ Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account Allotment of the Equity Shares to the allottees within two working days of the date of Allotment
- b. All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be offered only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.
- c. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, and the Company would ensure Allotment of the Equity Shares to the allottees within 2 days of the finalisation of the basis of allocation.
- d. Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to the Issue.

General Instructions

Do's:

- a. Check if you are eligible to apply;
- b. Ensure that the Bid is only within the Price Band;
- c. Read all the instructions carefully and complete the Resident Bid-cum-Application Form or Non-Resident Bid-cum-Application Form, as the case may be;

Bombay Rayon Fashions Limited

- d. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be Allotted in the dematerialized form only;
- e. Ensure that the DP account is activated;
- f. Investors must ensure that the name given in the bid cum application form is exactly the same as the Name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- g. Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- h. Ensure that you have been given a TRS for all your Bid options; and
- i. Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS.
- j. Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

Dont's:

- a. Do not Bid for lower than the minimum Bid size;
- b. Do not Bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the price band;
- c. Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- d. Do not pay the Bid Amount in cash;
- e. Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;
- f. Do not Bid at cut off price (for QIBs and non-institutional bidders);
- g. Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.

Instructions for completing the Bid-Cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs or Syndicate Members.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- a. Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (White colour for Resident Indians, Blue colour for eligible Non Residents, NRI or FII applying on repatriation basis and Pink colour marked "Employees" for Employees of the Company.
- b. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- c. The Bids from the Retail Individual Bidders must be for a minimum of 100 Equity Shares and in multiples of 100 thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- d. For Non-Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that no Bid from them exceeds the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- e. In single name or in joint names (not more than three).
- f. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Employees of the Company

1. Bids by Employees of BRFL shall be made only in the prescribed Bid-cum-Application Form or Revision Form, (i.e. Pink colour Bid-cum-Application Form marked "Employees").
2. The sole/first bidder should be Employee of the Company.
3. Only Employees of the Company as on the cut-off date, i.e., September 30, 2005 would be eligible to apply in the Issue under reservation for Employees of the Company on competitive basis. The number of Employees of our Company as on the cut-off date is 1354.
4. Employees of the Company will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
5. The maximum bid in this category can be 6,12,500 Equity Shares.
6. If the aggregate demand in this category is less than or equal to 6,12,500 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees of the Company to the extent of their demand. Undersubscription in this category would be added to any other category.
7. If the aggregate demand in this category is greater than 6,12,500 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 100 Equity Shares. For the method of proportionate basis of allotment, refer paragraph "Basis of Allocation" on page 152 of the Prospectus.

Vide an undertaking dated September 30, 2005 the Promoters have confirmed that the Promoters Directors and Promoter Group (relatives of the Promoters and Group Companies) shall not apply in the Issue in the Employee Reservation Portion.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs) may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

Applications from bodies corporate as mentioned above and specified intermediaries, which are not in compliance with the above regulations and any subsequent regulations / notifications / circulars/guidelines/ clarifications if any, issued by SEBI shall be liable to be rejected.

Bidders Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (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 and the Demographic Details given by Bidders in the Bid-cum-application Form would not be used for these purposes by the Registrar.

Bombay Rayon Fashions Limited

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

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.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by mutual fund registered with SEBI, Venture Capital Fund registered with SEBI and Foreign Venture Capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions that we and the BRLMs may deem fit.

Bids by NRIs, FIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

NRI, FIs and Foreign Venture Capita funds Bidders to comply with the following:

- a. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office or from members of the Syndicate or the Registrar to the Issue.
- b. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange through approved banking channels shall be considered for allotment.
- c. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid Cum Application form meant for Resident Indians (Blue in colour).

Bids and Revision to Bids must be made

- a. On the Bid-cum-Application Form or the Revision Form, as applicable and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

- b. In a single name or joint names (not more than three).
- c. **By NRIs:** For a minimum of 100 Equity Shares and in multiples of 100 thereafter subject to a maximum Bid amount of Rs 1,00,000 for the Bid to be considered as part of the Retail Portion. Bids for Bid Amount more than Rs 1,00,000 would be considered under Non Institutional Category for the purposes of allocation. For further details see “Maximum and Minimum Bid Size” on page 138 of the Prospectus.
- d. **By FIIs:** For a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter so that the Bid Amount exceeds Rs. 1,00,000. For further details see section titled “Maximum and Minimum Bid Size” on page 138 of the Prospectus.
- e. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees or OCB's.
- f. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money payable upon submission of the Bid cum Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/ speed post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Payment Instructions

The Company shall open an Escrow Account(s) with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payments into Escrow Account for the Issue:

- The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- In case no Margin Amount has been paid by the Bidders during the Bidding Period, on receipt of the CAN, an amount equal to Issue Price multiplied by the Equity Shares allocated to the Bidder, shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the Syndicate Member(s) by the BRLMs.
- The payment instruments for payment into the Escrow Account of the Company should be drawn in favour of:
 - In case of Resident Bidders: **“Escrow Account - BRFL IPO”**
 - In case of Non Resident Bidders: **“Escrow Account - BRFL IPO - NR.”**
 - In case of Employees of the Company: **“Escrow Account - BRFL IPO - Employees”**
- 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 (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.
- In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
- Where a Bidder has been allocated lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.

Bombay Rayon Fashions Limited

- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On or after the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreements into the Issue Account with the Bankers to the Issue.
- No later than 15 days from the Bid/ Issue Closing Date, the Escrow Banker shall refund all amounts payable to unsuccessful Bidder and also the excess amount paid by Bidding, if any, after adjusting for allocation to Bidders

Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money orders/ Postal orders will not be accepted

Payment by Stockinvest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003 the option to use the stock invest instruments in lieu of cheques or bank demand drafts for payment of bid money has been withdrawn.

Submission of Bid-Cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

Separate receipts shall not be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be despatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

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 Employee Reservation Portion as well as in the Net Issue to Public shall not be treated as multiple Bids. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

PAN or GIR Number

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the Income Tax Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the application form. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit

Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

Unique Identification Number – MAPIN

With effect from July 1, 2005, SEBI has decided to suspend all fresh registrations for obtaining Unique Identification Number (MAPIN) and the requirement to quote MAPIN under MAPIN Regulations/Circulars vide its circular MAPIN/Circular-13/2005.

Company's Right to Reject Bids

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company and the BRLMs have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on, among others, the following technical grounds:

1. Amount paid doesn't tally with the highest number of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given; Bid by minor; Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
4. PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
5. Bids for lower number of Equity Shares than specified for that category of investors;
6. Bids at a price less than lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at cut-off price by Non-Institutional and QIB Bidders;
9. Bids for number of Equity Shares, which are not in multiples of 100 Equity Shares;
10. Category not ticked;
11. Multiple bids as defined on page 148 of the Prospectus;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Signature of sole and / or joint bidders missing;
14. Bid-cum-Application Form does not have the stamp of the BRLMs or Syndicate Members;
15. Bid-cum-Application Form does not have Bidder's depository account details;
16. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Prospectus and as per the instructions in the Prospectus and the Bid-cum-Application Form; or
17. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For further details please kindly refer to the section titled "Terms of the Issue" on page 131 of the Prospectus.

Bombay Rayon Fashions Limited

18. Bids accompanied with Stockinvests;
19. Bids accompanied by money order/postal order/cash;
20. Bids by OCBs;
21. Bids by U.S. residents or U.S. persons;
22. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the sequence of names of joint holders), the depository participant's identity (DP ID).

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in the Issue shall be Allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two bipartite agreements have been signed between our Company and the Depositories:

1. an agreement dated August 3, 2004 with NSDL and Intime Spectrum Registry Limited
2. an agreement dated August 12, 2004 with CDSL and Intime Spectrum Registry Limited

All bidders can seek allocation only in dematerialised mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b. The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c. Equity shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e. Non-transferable allocation advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.
- f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i. The trading of the Equity Shares of the Company would be in dematerialised form only for all investors.
- j. As the Issue comprises of Issue by the existing shareholders of BRFL, investors are advised to instruct their Depository Participants to accept the Equity Shares that may be allocated to them pursuant to the Issue.

Communications

All future communications in connection with Bids made in the Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, draft number and issuing bank thereof.

The company has appointed Mr. A. R. Mundra, Executive Director (Finance) as the Compliance Officer. Compliance Officer can be contacted at Bombay Rayon Fashions Limited at D-1st Floor, Oberoi Garden Estates, Chandivali Farms Road, Chandivali, Andheri (East), Mumbai 400072 Telephone: + 91 22 56955566 Fax: + 91 22 28476992 Email: ipo@bombayrayon.com.

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

Procedure and Time Schedule for Allotment of Equity Shares and Disposal of Applications and Application Money

The Company reserves, at their absolute and uncontrolled discretion and without assigning any reason therefor, the right to accept or reject any Bid in whole or in part. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. The company shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not despatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, which is reproduced below:

“Any person who:

- a. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- b. otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years.”

Disposal of Applications and Applications Money

The Company shall ensure dispatch of allocation advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allocation to the Stock Exchanges within two working days of date of finalisation of allocation of Equity Shares. The Company shall dispatch refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by Registered Post or Speed Post at the sole or First Bidder's sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for allocation and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company further undertake that:

- Despatch refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15-day time prescribed above.
- Allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date.

The Company will provide adequate funds required for dispatch of refund orders or allocation advice to the Registrar to the Issue. Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by the Company as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of Excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of allotment or allocation

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.

Bombay Rayon Fashions Limited

- The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 45,01,875 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 45,01,875 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/ application size of 100 Equity Shares. For the method of proportionate basis of allotment, refer below.

For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 19,29,375 Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 19,29,375 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/ application size of 100 Equity Shares. For the method of proportionate basis of allotment refer below.

For QIBs

- Not more than 50% of the Net Issue to Public, i.e., 64,31,250 Equity Shares shall be allotted to QIBs
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- The Issue size less allotment to Non Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by the Company in consultation with the BRLMs and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.

The Company shall, in consultation with the BRLMs, would have the discretion for any allocation to QIBs.

For Bidders in Employee Reservation category

- Bids received from the Bidders in Employee Reservation category at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Bidders in Employee Reservation category will be made at the Issue Price.
- The Equity Shares under the Employee Reservation portion shall be available for allotment to Bidders who have bid in this category at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,12,500 Equity Shares at or above the Issue Price, full allotment shall be made to the Bidders in Employee Reservation category to the extent of their demand.
- If the aggregate demand in this category is greater than 6,12,500 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/ application size of 100 Equity Shares. For the method of proportionate basis of allotment, kindly refer to the paragraph on the following pages on method of proportionate basis of allotment.

Procedure and Time Schedule for Allotment of Equity Shares

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non- Institutional Bidders and Retail Individual Bidders, the Company has a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. The Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and the Company shall pay interest at the rate of 15% per annum (for any delay

beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by the company, in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner. The allocation shall be made in multiples of one share, on a proportionate basis as explained below subject to minimum allocation being equal to the 100 Equity Shares:

- a. The subscription in the Retail and the Non-Institutional portion will be computed separately.
- b. Bids which are eligible for pure proportionate allotment as provided in the SEBI (DIP) Guidelines shall be those which have applied for a minimum shares arrived at by multiplying the minimum shares to be allotted by the number of time the category is subscribed. Allotment to such bidders will be calculated as shares applied for divided by the number of time the category is subscribed.
- c. If the pure proportionate allotment to a Bidder is a number that is more than minimum allotment lot but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- d. The balance of the bids will be those, which will not be directly entitled for allotment of minimum shares. Such bidders will be allotted shares by a drawal of lots in a fair manner to ensure that each successful bidder (determined by drawal of lot) gets the minimum number of shares to be allotted.
- e. 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 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.

Interest in case of delay in Despatch of Allotment Letters/Refund Orders in case of Public Issues

The Company agrees that allotment of securities offered to the public shall be made not later than 15 days of the closure of the public issue. The Company further agrees that it shall pay interest at rate of 15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants within 15 days from the date of closure of the Issue.

Despatch of Refund Orders

The Company shall ensure despatch of refund orders of value over Rs. 1,500 by registered post or speed post only and refund orders of value up to Rs. 1,500 by under Certificate of Posting and adequate funds for the purpose shall be made available to the Registrar to the Issue by the Company.

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI (DIP) Guidelines.

Undertaking by the Company

The Company undertake as follows:

- that the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;

Bombay Rayon Fashions Limited

- that the funds required for despatch of refund orders or allocation advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allocation advice to the NRIs or FIIs shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue Proceeds

The Board of Directors of the Company Certify that:

- all monies received out of the Issue shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised; and
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The company shall not have recourse to the Issue proceeds until approval for trading of Equity Shares from all the stock exchanges where listing is sought is received.

Pending utilisation of net proceeds of the Fresh Issue as specified under the section "Objects of the Issue" the net proceeds will be invested by the Company in high quality interest bearing liquid instruments including but not limited to deposits with banks for the necessary duration.

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in equity shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI (FDI Policy) and by the RBI as per the provisions of FEMA and rules and regulations made thereunder. While the FDI Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules and regulations made thereunder regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but persons resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of GoI is required, the same may be obtained through the Foreign Investment Promotion Board (FIPB). **As per current foreign investment policies, foreign direct investment in the textile sector is allowed upto 100% under the automatic route.**

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to equity shares of an Indian Company in a public offer without RBI approval, so long as the price of equity shares to be issued is not less than the price at which equity shares are issued to resident Indians.

Subscription by NRIs/FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRIs and FIIs bidders will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations OCBs cannot participate in the Issue.

As the current regulations the following restrictions are applicable for investments by FIIs.

No single FII can hold more than 10% of the post issue paid-up capital of our Company (i.e. 10% of 4,89,75,000 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub account shall not exceed 10% of our total issued capital or 5% of total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

The above information is given for the benefit of the Bidders. Our company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bided for do not exceed the applicable limits under laws or regulations.

SECTION X

DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company. Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (DIP) Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and/or their consolidation/splitting are detailed below.

No regulations contained in Table 'A' of Schedule I to the Companies Act shall apply to the Company but the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration or of addition to, its regulations by special resolution, as prescribed by the Companies Act be such as are contained in these Articles of Association.

SHARE CAPITAL

Increase in capital

Article 4 provides as follows

The Authorised Share Capital of the Company is Rs.50,00,00,000 (Rupees fifty crores only) divided into 5,00,00,000 Equity Shares of Rs.10/- each, with the power to increase, consolidate, decrease or divide in accordance with the regulations of the company and the Legislative Provisions for the time being in force in that behalf and with power to divide the shares in the capital for the time being into equity share capital and to attach thereto respectively preferential, qualified or special rights, privileges or conditions.

Article 10 provides as follows

The Company may by special resolution reduce its share capital in any manner and with and subject to any incident and consent required by the Act.

Sub-Division Consolidation and Cancellation of Shares

Article 9 provides as follows

The Company by ordinary resolution may:

- a. Consolidate and divide all or any of its shares capital into shares of larger amount than its existing shares
- b. Sub-divide its shares or any of them into shares of smaller amount than is fixed by the MoA subject nevertheless to the provisions in Section 94(1) (d) of the Act
- c. Cancel any shares, which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Shares and certificates

Further issue of shares

Article 6 provides as follows

1. Where at the time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased shares capital then:
 - a. Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the company, in proportion, as near as the circumstances admit, to the capital paid up on those shares at the date
 - b. Such offer shall be made by a notice specifying the number of shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

Bombay Rayon Fashions Limited

- c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right, provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him
 - d. After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given than he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may, in their sole discretion think fit.
2. Notwithstanding anything contained in sub-clause (1) above, the further shares aforesaid may be offered to any person whether or not those person include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever:
 - 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, if the votes cast (whether on a show of hands or on poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.
3. Nothing in sub-clause (1)(c) above shall be deemed:
 - a. To extend the time within which the Issue should be accepted to
 - b. To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
 - a. To convert such debentures or loans into shares in the company; or
 - b. To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)

Provided that the terms of issue of such debentures or the terms of such loans include a term provided for such option and such term:

 - a. Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules; if any, made by, that Government in this behalf; and
 - b. In the case of debentures loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed but the Company in General Meeting before the issue of the debentures or raising of the loans.

Shares at the Disposal of the Directors

Article 6A provides as follows

Subject to the provision of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of or in lieu of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that the option or the right to make or call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

Preference Shares

Article 5 provides as follows

Without prejudice to the generality of the powers of the Company contained in Article (4) above the Company shall have power to issue Preference Shares carrying a right of redemption out of profits or out of the proceeds of a fresh issue of shares or liable to be redeemed otherwise at the option of the Company and the Directors may subject to the provisions of Section 80 of the Act exercise such power in any manner they may think fit.

Trusts not recognised

Article 14 provides as follows

Subject to Section 187 C of the Companies Act, 1956 except as required by law, no persons shall be recognised by the Company as holding any shares upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any shares or any interest in any fractional part of share (except only as by these articles or as ordered by the Court of competent Jurisdiction or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety competent jurisdiction thereof in the registered holder.

Dematerialisation of Securities

Article 17A provides as follows

1. Either the Company or the investor may exercise an option to issue, deal in, hold the securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialised, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereof, shall be governed by the provisions of the Depositories Act, 1996, as amended from time to time or any statutory modification thereof or re-enactment thereof
2. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depository and/or offer fresh securities in the dematerialised form pursuant to the Depositories Act and the rules framed thereunder, if any
3. Every person subscribing to or holding securities of the Company shall have the option to receive the security certificate or to hold the security with a Depository. The Company shall intimate such Depository about 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 and the Beneficial Owner of the security
4. All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153 B, 187 B, 187C, 372 and 372A of the Act shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owners
5.
 - a. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner
 - b. Save as otherwise provided in (v)(a) 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
 - c. Every person holding securities of the Company and whose name is entered as Beneficial Owner in the records of the Depository shall be deemed to be the member of the Company. The Beneficial Owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository
6. Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the register of members as holders of any share or where the name appears as Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except otherwise expressly provided by these Articles) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be at its sole discretion to register any share/security in the joint names of any two or more persons or the survivor or survivors of them

Bombay Rayon Fashions Limited

7. Nothing contained in Section 108 of the Act or these articles shall apply to a transfer of securities affected by a transfer or a transferee both of whom are entered as a beneficial owners in the records of a depository.
8. Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a Participant, the Company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly
9. If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be
10. Notwithstanding anything contained in the Act or these Articles to the contrary, the records of the beneficial ownership may be served by such Depository to the Company by means of electronic mode or by delivery of floppies or discs
11. Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on securities, forfeiture of securities and transfer and transmission of securities shall be applicable to securities held in Depository so far as they apply to securities held in physical form subject to the provisions of the Depository Act
12. Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities
13. The shares in the capital of the Company shall be numbered progressively according to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished
14. The Company shall cause to be kept a Register and index of Members and a Register and index of Debenture holders in accordance with Sections 150, 151 and 152 of the Act respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialised forms in any media as may be permitted by law including in any form of electronics media. The Register and index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act shall be deemed to be the Register and index of Members and Register and index of Debenture holders, as the case may be, for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of Members resident in that state or country.

Buy-Back of Shares and Securities

Article 8A provide as follows

Notwithstanding anything contained in these Articles and subject to the provisions of Section 77A, 77AA and 77B of the Act, the Board of Directors may, when and if thought fit, buy-back such of the Company's own shares or securities as it may consider appropriate subject to such limits, restrictions, terms and conditions, approvals as may be required under the provisions of Companies Act.

Modification of rights

Article 11 provides as follows

- i. If at any time the share capital is divided into different classes of shares, all or any of the rights, privileges attached to any class (unless otherwise provided by the terms of issue of the shares of the class) may, subject to the provisions of Section 106 and 107 of the Act and whether or not the company is being wound up be varied, modified, commuted, effected or abrogated with the consent in writing of the holders of three fourths of the issued shares of the class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class.
- ii. To every such separate meeting the provisions of these Articles relating to general meeting shall mutatis mutandis apply, so that the necessary quorum shall be five persons at least holding or representing by proxy one-third of the issued shares of the class in question.
- iii. This Article is not to derogate from any power, which the Company would have, if this Article were omitted. The rights conferred upon the holders of the shares (including preference, if any) of any class issued with preferred or other rights or privileges shall unless otherwise expressly provided by the terms of issue of shares of that class to be

deemed not to be modified, commuted effected, abrogated dealt with or varied by the creation or issue of further shares ranking pari passu therewith.

Article 12 provides as follows

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

Transfer and Transmission of Shares

Register of Transfer

Article 29A provides as follows

The Company shall keep a Register of Transfer and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.

Transfer of Shares

Article 30 provides as follows

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

Article 31 provides as follows

Every instrument of transfer shall be left at the office of the Company for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Directors may require to prove the title of the transferor and his rights to transfer the share and upon payment of the proper fee the transferee shall (subject to the Director's right to decline to register any transfer) be registered as a member in respect of such shares.

Execution of Transfer

Article 32 provides as follows

Every such instrument of transfer shall be duly stamped and shall be signed by or on behalf of both the transferor and transferee and the transferor shall remain the holder of such share until the name of the transferee is entered in the Register in respect thereof. The name, address and occupation, if any of the transferee shall be specified in the instrument of transfer. All joint transferors and joint transferees shall sign the instrument of transfer.

Application for Registration of Transfer

Article 33 provides as follows

An application for registration of a transfer of shares may be made either by the transferor or by the transferee; where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives to the transferee notice of transfer and within two weeks from the receipt of the notice the transferee has not objected to the transfer. For the purposes of this Article notice to the transferee shall be deemed to have been duly given if it is despatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered at the time at which it would have been delivered in the ordinary course of post.

Article 34 provides as follows

The Company shall subject to section 187 C of Act incur no liability or responsibility whatsoever in consequence of its registered or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the name notwithstanding that the Company may have had notice to such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound to or required or attend or give rights title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or transferred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Directors shall so think fit.

Bombay Rayon Fashions Limited

Boards Powers to refuse registration

Article 35 provides as follows

Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reason, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstance that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of 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 or any account whatsoever except when the company has a lien on the shares. However, no transfer of shares/debentures shall be refused on the ground of them not being held in marketable lots.

Demise of Member

Article 36 provides as follows

In the case of the death of any one or more of the persons named in the Register as the joint holders of any share, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the assets of the deceased joint holder from liability on the shares held by him jointly with any other person.

Legal representative of a deceased member

Article 37 provides as follows

The executors or administrators of deceased members or the holder of a succession certificate in respect of a deceased member (such deceased member not being one of several joint holders) shall be the only person recognised by the Company as having interest in or title to the shares registered in the names of such members and the Company shall not be bound to recognise such executors unless such executors shall have first obtained probate from a court in India having jurisdiction provided that in any case where the Directors in their absolute discretion think fit, they may dispense with the production of probate or letters of Administration or other legal representation upon such terms as to indemnity or otherwise as they may deem fit and under the next Article register the name of any person who claims to be absolutely entitled to the shares standing in the name of the deceased member as a member.

Transmission of shares

Article 38 provides as follows

Any person becoming entitled to shares in consequence of the death or insolvency of any member or by any lawful means, otherwise than by transfer in accordance with these presents, upon producing such evidence of his title as the Directors think sufficient, may with the consent of Directors (which they shall not be under any obligation to give) be registered as a member in respect of such shares or may, subject to the regulations as to transfer hereinbefore contained transfer such shares. This Article is hereinafter referred to as "The Transmission Article".

Article 39 provides as follows

The guardian of a minor entitled to shares and the committee of lunatic entitled to shares may upon producing to the Directors such evidence of their position as may be reasonably required by them be placed upon the Register in respect of the shares to which the minor or lunatic may be entitled as the case may be.

Article 40 provides as follows

Every transmission of a share shall be verified in such manner as the Directors may require and the Company may refuse to register any transmission until the same be so verified or until or unless an indemnity to given to the Company with regard to such registration, which the Directors at their discretion shall consider sufficient, provided nevertheless, that there shall not be any obligation on the company or the Directors to accept any indemnity. The Directors shall have the same right to refuse to register a person as member entitled by transmission to any shares or his nominee as if he was the transferee named in an ordinary transfer presented for registration.

No Fees for transfer and Transmission

Article 41 provides as follows

No fee shall be charged for registration of transfer, transmission, Probate, Succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document with the Company.

Transfer Books and Register of members when closed

Article 42 provides as follows

The transfer Book and the Register of members may be closed upon giving such notice as is required by section 154 of the Act during such time as the Directors think fit not exceeding in the aggregate forty five days in each year but not exceeding thirty days at any one time.

Board of Directors to make calls

Article 22 provides as follows

- i. The Board may, from time to time, make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times, provided that no call shall be payable not less than one month before, from the date fixed for the payable of the last preceding call.
- ii. Each member shall subject to receiving at least fourteen days notice specifying the time or times and place of payment pay to the company at the time or times so specified, the amount called on his shares.
- iii. A call may be revoked or postponed at the discretion of the Board.

Calls when deemed to be made

Article 23 provides as follows

A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid by instalments.

Call to carry interest

Articles 25 provides as follows

- i. If a sum called in respect of a share is not paid before or on the date appointed for payment thereof, the person from who the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment of 15% (fifteen percent) per annum or at such other rate as the Board may decide.
- ii. The Board shall be at liberty to waive payments of any such interest wholly or in part.

Articles 26 provides as follows

- i. Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date whether on account of the nominal value of the shares or by way of premium shall for the purpose of these regulations deemed to be a call duly made and shall be payable on the date on which by the terms of issue such sum becomes payable.
- ii. In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeitures or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Payment in Anticipation of Call may Carry Interest

Article 12A provides as follows

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the amount remaining unpaid or any shares held by him beyond the sums actually called for, and upon the amount so paid in advance, or so much thereof as from time to time exceed the amount of the call then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the money so paid by him until the same would but for such payment, become presently payable.

Bombay Rayon Fashions Limited

The provisions of these Articles shall *mutatis-mutandis* apply to the calls on debentures of the Company.

Company's Lien on Share/Debenture

Article 18 provides as follows

The Company shall have a first and paramount lien upon all the shares/ Debentures (other than fully paid-up shares/ debentures) registered in the name of such member (whether solely or jointly) with others and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/ debentures and no equitable interest in any shares shall be created except on the condition that this Article will have full effect. Such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debenture. Unless otherwise agreed the registration of a transfer of share/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provision of the clause.

Sale of shares on which Company has lien

Article 19 provides as follows

The Company may sell in such manner as the Board thinks fit any shares on which the Company has a lien provided that no sale shall be made:

- a. Unless a sum in respect of which the lien exists is presently payable or
- b. Until the expiration of fourteen days after a notice in writing demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share of the person entitled thereto by reason of his death or insolvency.

Validity of Sales in exercise of lien

Article 20 provides as follows

- a. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof.
- b. The purchaser shall be registered as the holder of shares comprised in any such transfer.
- c. The purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Application of sale proceeds

Article 21 provides as follows

- a. The proceeds of the sale shall be received by the Company if any applied in payment of such part of the amount in respect of which the lien exists as is presently payable.
- b. The 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 persons entitled to the shares at the date of the sale.

POWERS AND DUTIES OF DIRECTORS

General Powers

Article 72 provides as follows

The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act or any other Act or by the Memorandum and Articles of Association of the Company, required to be exercised by the Company in General Meeting, subject nevertheless to these Articles or to the provisions of the Act or any other Act and to such regulations or provisions, as may be prescribed by the Company in General Meeting, but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting:

1.
 - a. sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company or where the company owns more than one undertaking of the whole or substantially the whole, of any such undertaking
 - b. remit or give time for the repayment of any debt due by a Director

- c. Invest otherwise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it can not be carried on or can be carried on only with difficulty or only after a considerable time
 - d. Borrow moneys, where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purposes
 - e. Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will in any financial year, exceed Rs.50,000 (fifty thousand) Rupees or 5% (five percent) average net profits and determined in accordance with the provisions of Sections 349 and 350 during the three financial years immediately proceeding, whichever is greater.
2. The Directors shall have the power to enter into joint venture/partnership Trust or such other arrangement with any other party, person or Government or foreign or Indian Companies collaborators, as they may deem fit in the course of carrying of Company's business.

MEETING OF MEMBERS

Extra-Ordinary Meeting

Article 43 provides as follows

All general meeting other than Annual General Meetings shall be called Extra-Ordinary General Meetings.

When extra ordinary meeting to be called

Article 44 provides as follows

- a. The Board may whenever it thinks fit, call an extraordinary general Meeting.
- b. If at any time there are not within India Directors capable of acting who are sufficient in number to form a quorum any Directors or the members holding 1/10th of the paid up share capital of the Company may call an extra ordinary general meeting in the same manner as nearly as possible, as that in which such a meeting may be called by the Board.

Quorum at General Meeting

Article 45 provides as follows

- a. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.
- b. Subject to the provisions of the Act and save as herein otherwise provided, any five members present in person shall be a quorum.
- c. If within half-an-hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon such requisition as aforesaid shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such time and place as the Board may by notice appoint and if at such adjourned meeting a quorum be not present within half-an-hour from the time appointed for holding the meeting those members, who are present and not being less than two shall be a quorum and may transact the business for which the meeting was called.

Chairman of General Meeting

Article 46 provides as follows

The Chairman of the Board of Directors, if any shall be entitled to take the chair at every General Meeting or if there be no such Chairman or if at any meeting he shall not be present within fifteen minutes after that time appointed for holding such meeting or is unwilling to act, the members present shall choose another Director as Chairman and if the Director present or if all the Directors present decline to take the chair, then the members present shall choose one of their members to be Chairman.

Bombay Rayon Fashions Limited

Power to adjourn General Meeting

Article 47 provides as follows

- a. The Chairman may with the consent of any meeting at which quorum is present and shall if so directed by the meeting, adjourn the meeting from time to time and from the place to place.
- b. No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- c. When a meeting is adjourned for thirty days or more notice of the adjournment meeting shall be given as in the case of an original meeting.
- d. Save as aforesaid it shall not be necessary to give any notice of an adjournment of the business to be transacted at an adjourned meeting.

Votes of Members

Article 49 provides as follows

Subject to any rights or restrictions for the time being attached to any class or classes of shares:

- a. On a show of hands, every member present in person shall have one vote and;
- b. On a poll the voting right of members shall be one vote for each share held by them.

Vote of Joint Member

Article 50 provides as follows

In case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

Restriction on Voting

Article 52 Provides as follows

No member shall be entitled to vote at any general meeting unless all calls or their sums presently payable by him in respect of shares in the Company have been paid.

Voting by Proxy

Article 54 provides as follows

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 registered office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of a poll not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid.

Validity of Voting by proxy

Article 55 provides as follows

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given, provided no intimation in writing of the death or insanity or revocation or transfer of shares shall have been received by the Company at the office before the vote is given.

DIVIDENDS

The Company may in General Meeting declare a dividend

Article 108 provides as follows

The Company in general meeting may declare dividends but no dividends shall exceed the amount recommended by the Board and the Company may in the general meeting declare smaller dividend.

- a. Subject to the provisions of Section 205 of the Act, no dividend shall be declared and paid for any financial year except out of the profit of the Company or out of the moneys provided by the Central Government or State Government

for payment of dividend in pursuance of any guarantee given by such Government and no dividends shall carry interest as against the Company.

- b. Nothing contained in these Articles shall be deemed to affect in any manner the operation of Section 208 of the Act.

Interim Dividend

Article 109 provides as follows

The Board may, from time to time, pay to the members such interim dividends as appears to it to be justified by the profits of the Company.

Dividend in proportion to amount paid up

Article 111 provides as follows

- a. All dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of the shares in the Company, dividends may be declared and paid according to the amounts of the Shares.
- b. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any shares are issued on terms providing that they shall rank *Pari passu* for dividend as from a particular date such shares shall rank *Pari passu* for dividend accordingly.

Debt may be deducted from dividend

Article 112 provides as follows

Subject to Section 205-A of the Act, the Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

Dividend to be paid by post

Article 114 provides as follows

- a. Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through the post direct to the registered address of the holder or in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members or to such address as the holder or joint holder may in writing direct.
- b. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.
- c. Subject to Section 205-A of the Act, the Board may retain the dividend payable upon any shares in respect of which any person is under the Transmission Clause entitled to become a member or which any person under that clause is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.

Dividend to joint holders

Article 115 provides as follows

Any one or two or more joint holders of a share may give effectual receipts for any dividends, bonus or other moneys payable in respect of such share.

Notice of Dividend

Article 116 provides as follows

Notice of any dividend that may have been declared shall be given to the person entitled to share therein in the manner mentioned in the Act.

No interest on dividend

Article 117 provides as follows

No dividend shall bear interest against the Company.

Bombay Rayon Fashions Limited

Capitalisation of profits and Reserves

Article 119 provides as follows

1. The Company in general meeting may, upon the recommendation of the Board resolve:
 - a. That it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the Credit of the profit and loss account or otherwise available for distribution and;
 - b. That such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
2. The sum aforesaid shall not be paid in cash but shall be used either in or towards.
 - a. paying up any amounts for the time being unpaid on any shares held by such members respectively.
 - b. Paying up in full, in issued shares or debentures of company to be allotted and distributed credited as fully paid up to and amongst such member in the proportion aforesaid or;
 - c. Partly in the way as specified in sub-clause (i) and partly in that specified in sub-clause (ii).
 - d. A share premium account and a capital reduction reserve fund may, for the purpose of this regulation only be applied in the paying up of shares unissued to members of the Company as fully paid bonus shares.
3. The Board shall give effect to the resolution passed by the Company in pursuance of this resolution.

Article 120 provides as follows

Whenever such a resolution as aforesaid shall have been passed, the Board shall:

- a. make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issue of fully paid shares or debentures, if any and
- b. do all acts and things required to give effects thereto.

Winding Up

Article 133 provides as follows

- a. If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the member in specie or kind, the whole or any part of the assets of the Company whether they shall consider of property of the same kind or not.
- b. For the purpose aforesaid, the Liquidator may set aside value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the member of different classes of members.
- c. The liquidator, may with the like sanction vest any part of the assets of the Company in trustees upon such trust for the benefit of the contributories as he thinks fit but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

Indemnity

Articles 134 provides as follows

Every Officer or Agent for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgement is given in his favour or in connection with any application by the Court.

SECTION XI

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of the Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Prospectus have been delivered to the Registrar of Companies, Maharashtra, Mumbai, for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company, from 10.00 a.m. to 4.00 p.m. on working days from the date of the Prospectus until the date of closure of the Issue.

MATERIAL CONTRACTS

1. Letter of Engagement dated August 8, 2005 from the Company appointing UTI Bank Limited and Anand Rathi Securities Private Limited as BRLMs and their acceptance thereto.
2. Memorandum of Understanding dated August 9, 2005 and Addendum to the Memorandum of Understanding dated October 13, 2005 between the Company and the BRLMs.
3. Memorandum of Understanding dated August 10, 2005 between the Company and Intime Spectrum Registry Limited.
4. Escrow Agreement dated October 13, 2005 between the Company, BRLMs, Escrow Collection Bank and the Registrar to the Issue.
5. Underwriting Agreement dated November 21, 2005 between the Company, BRLMs, and the members of the Syndicate.
6. Syndicate Agreement dated October 13, 2005 between the Company, BRLMs, and the members of the Syndicate.
7. Tripartite Agreement between the Company, NSDL and Intime Spectrum Registry Limited dated August 3, 2004.
8. Tripartite Agreement between the Company, CDSL and Intime Spectrum Registry Limited dated August 12, 2004.

DOCUMENTS FOR INSPECTION

1. The Memorandum and Articles of Association of the Company, as amended from time to time.
2. Certificate of Incorporation of the Company dated May 21, 1992.
3. Certificate of change of name dated October 13, 1992.
4. Fresh certificate of incorporation consequent on change of name dated September 30, 2004.
5. Resolution of the Board of Directors of the Company passed at its meeting held on June 1, 2005 authorizing the Issue.
6. Resolution passed at the EGM dated June 27, 2005 authorizing the Issue.
7. The report of V. K. Beswal and Associates, the Statutory Auditors, dated October 7, 2005 prepared as per Indian GAAP and mentioned in the Prospectus together with copies of balance sheet and profit and loss account of the Company referred to therein.
8. Consent dated August 8, 2005 from V. K. Beswal and Associates for inclusion of their names as the Statutory Auditors and of their reports on accounts in the form and context in which they appear in the Prospectus.
9. The Tax Benefit Report dated August 1, 2005 from the Statutory Auditors.
10. Annual Report of the Company for last five financial years, viz, FY 2004-5, FY 2003-4, FY 2002-3, FY 2001-2 and FY 2000-1.
11. Following sanction letters for the debt portion of the Project Cost for the Expansion Project:
 - a. Sanction of Rs. 4,000.00 lacs by EXIM Bank vide their letter number OIF:EOU:557:169 dated June 30, 2005;
 - b. Sanction of Rs. 4,000.00 lacs by State Bank of India vide their letter number AGM/RM/066 dated August 5, 2005;
 - c. Sanction of Rs. 2,500.00 lacs by State Bank of Hyderabad vide their letter number ADV/BEFL/130 dated July 6, 2005;
 - d. Sanction of Rs. 772.00 lacs by UTI Bank Limited vide their letters UT/YD/RMD/1476/2005-05 RMD/YD/01625 dated July 4, 2005 and September 1, 2005 respectively;

Bombay Rayon Fashions Limited

- e. Sanction of Rs. 800.00 lacs by State Bank of Patiala vide their letters CBM.NSS.AMT 4240 and cbm.nss.amt4 dated July 22, 2005 and September 2, 2005 respectively;
- f. Sanction of Rs. 1,500.00 lacs by Punjab National Bank vide their letter dated July 16, 2005 and August 18, 2005.
- 12. Consent of Directors, Legal Advisor to the Issue, the Syndicate Members, Registrar to the Issue, Escrow Collection Bankers, Bankers to the Issue, Bankers to the Company, M/s Gherzi Eastern Limited and UTI Bank Limited for using their reports, the Compliance Officer and the Assistant Company Secretary and as referred to in their specific capacities.
- 13. General Power of Attorney executed by Directors of the Company in favour of person(s) for signing and making necessary changes to the Prospectus.
- 14. Resolution of the Members of BRFL passed at the Annual General Meeting held on September 29, 2005 appointing V. K. Beswal and Associates as statutory auditors for the year 2005-06.
- 15. Resolution of the meeting of the Board of Directors of the Company held on July 25, 2005 for the constitution of audit committee, Shareholders'/ Investor Grievance Committee and Remuneration Committee.
- 16. Resolution of meeting of the members of the Company passed at an EGM held on June 11, 2005 appointing Mr. Janardan Agrawal as the Non-Executive Chairman, Mr. Aman Agrawal as the Executive Vice-Chairman, Mr. Prashant Agarwal as the Managing Director and Mr. A. R. Mundra and Mr. Uday Mogre as the Executive Directors of the Company w.e.f. June 1, 2005 and approving their remuneration.
- 17. Due Diligence Certificate dated August 16, 2005 addressed to SEBI from UTI Bank Limited and Anand Rathi Securities Private Limited, SEBI observation Letter No. CFD/DIL/ISSUES/SC/51569/2005 dated October 10, 2005, in-seriatim reply dated October 13, 2005 and fresh Due Diligence Certificate dated November 10, 2005.
- 18. In-principle listing approvals dated September 26, 2005 issued by NSE and BSE.
- 19. Initial listing application for listing the Equity Shares at NSE and BSE.

Any of the contracts or documents mentioned in the Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION BY THE COMPANY

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 the Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules and regulations made thereunder or guidelines issued thereunder, as the case may be. We further certify that all the statements in the Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS

Mr. Janardan Agrawal,	<i>Non-Executive Chairman</i>
Mr. Aman Agrawal,	<i>Executive Vice Chairman</i>
Mr. Naseer Ahmed,*	<i>Joint Vice-Chairman</i>
Mr. Prashant Agarwal,	<i>Managing Director</i>
Mr. Uday Mogre,	<i>Executive Director (Corporate)</i>
Mr. A. R. Mundra,	<i>Executive Director (Finance)</i>
Dr. Pravin P. Shah,*	<i>Director (Independent)</i>
Mr. B. S. Bhesania,	<i>Director (Independent)</i>
Mr. S. B. Agarwal.	<i>Director (Independent)</i>

**Signed through their constituted attorney Mr. Prashant Agarwal*

SIGNED BY THE CHIEF FINANCIAL OFFICER AND COMPLIANCE OFFICER

Mr. A. R. Mundra,	<i>Executive Director (Finance)</i>
--------------------------	-------------------------------------

Date : November 22, 2005
Place : Mumbai

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK