

**PROSPECTUS**

Please read Section 60B of the Companies Act, 1956 Dated December 26, 2005

**100% Book Building Issue**



**CELEBRITY FASHIONS LIMITED**

(Incorporated as Celebrity Fashions Private Limited on April 28, 1988 at Madras under the Companies Act, 1956 with Incorporation No. 18-15655 and subsequently name changed to Celebrity Fashions Limited on September 12, 2005)

**Registered & Corporate office:** 107 - A, GST Road, Chrompet, Chennai - 600 044. **Tel.:** +91 44 5584 9200 **Fax:** +91 44 55849204

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**PUBLIC ISSUE OF 4,550,000 EQUITY SHARES OF FACE VALUE RS. 10/- EACH FOR CASH AT A PRICE OF RS. 180/- AGGREGATING TO RS. 819 MILLION (HEREINAFTER REFERRED TO AS THE "ISSUE"), INCLUDING EMPLOYEE RESERVATION OF 50,000 EQUITY SHARES OF FACE VALUE OF RS. 10/- EACH AT A PRICE OF RS. 180/- FOR CASH AGGREGATING TO RS. 9 MILLION AND NET ISSUE TO THE PUBLIC OF 4,500,000 EQUITY SHARES OF FACE VALUE OF RS. 10/- EACH AT A PRICE OF RS. 180/- FOR CASH AGGREGATING TO RS. 810 MILLION (HEREINAFTER REFERRED TO AS THE "NET ISSUE"). THE FACE VALUE OF THE EQUITY SHARES IS RS. 10/-. THE ISSUE WOULD CONSTITUTE 25.35% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

**ISSUE PRICE : Rs. 180 PER EQUITY SHARE OF FACE VALUE Rs. 10/-**

**THE FACE VALUE OF THE SHARES IS RS. 10/- AND THE ISSUE PRICE IS 18 TIMES OF THE FACE VALUE**

This Issue is being made through a 100% Book Building process wherein upto 50% of the net Issue shall be allocated on a proportionate basis to Qualified Institutional Bidders (QIBs), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only and the remaining shall be available for allocation on proportionate basis to QIBs and Mutual Funds subject to valid bids being received from them at or above the Issue price. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

**RISK 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 shares is Rs. 10/- and the Issue Price is 18 times' of face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Manager ("BRLM") on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company 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 this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and this Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Prospectus. Specific attention of the investors is invited to the statements in "Risk Factors" beginning on page no. vii of this Prospectus.

**COMPANY'S ABSOLUTE RESPONSIBILITY**

Celebrity Fashions Limited having made all reasonable inquiries, accept responsibility for and confirms that this Prospectus contains all information with regard to Celebrity Fashions Limited and this Issue, which is material in the context of this Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this 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 this Prospectus are proposed to be listed on Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. We have received in-principle approvals from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated November 21, 2005 and November 24, 2005 respectively. Bombay Stock Exchange Limited is the Designated Stock Exchange.

<p><b>BOOK RUNNING LEAD MANAGER</b></p>  <p><b>IL&amp;FS Investsmart Limited</b> The IL&amp;FS Financial Centre, Plot C - 22, G - Block, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051. Tel: +91 22 2653 3333 Fax: +91 22 5693 1862 / +91 22 2653 3075 Website: www.investsmartindia.com E-mail: celebrity.ipo@investsmartindia.com</p>	<p><b>REGISTRAR TO THE ISSUE</b></p>  <p><b>INTIME SPECTRUM REGISTRY LIMITED Intime Spectrum Registry Limited</b> C - 13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai - 400 078. Tel.: +91 22 5555 5491-94 Fax: +91 22 5555 5499 Website: www.intimespectrum.com E-mail: celebrityfashions@intimespectrum.com</p>
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**ISSUE PROGRAMME**

**BID / ISSUE OPENED ON : MONDAY DECEMBER 19, 2005**

**BID / ISSUE CLOSED ON : THURSDAY DECEMBER 22, 2005**

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**SECTION I**  
**DEFINITIONS AND ABBREVIATIONS**

<b>Term</b>	<b>Description</b>
“Celebrity Fashions Limited”, “Celebrity”, “our Company”, “we”, “us” and “our”	Unless the context otherwise requires, refers to, Celebrity Fashions Limited, a public limited company incorporated under the Companies Act, 1956.
Promoter(s)	Unless the context otherwise requires, refers to our core Promoters, Mr. V. Rajagopal and Mrs. Rama Rajagopal

**Conventional/General Terms**

<b>Term</b>	<b>Description</b>
Articles/ Articles of Association	Articles of Association of our Company, i.e., Celebrity Fashions Limited.
Auditors	The statutory auditors of our Company, being M/s. Anil Nair & Associates, Chartered Accountants and M/s. CNGSN & Associates, Chartered Accountants.
Board of Directors	The Board of Directors of our Company or a committee thereof.
Companies Act	The Companies Act, 1956, as amended from time to time.
Director(s)	Director(s) of our Company unless otherwise specified.
Equity Shares	Equity Shares of our Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed thereunder.
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India.
Indian GAAP	Generally Accepted Accounting Principles in India.
Insurance Act	Insurance Act, 1938, as amended from time to time.
I. T. Act	The Income Tax Act, 1961, as amended from time to time.
I. T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
Non Resident	A person who is not an NRI or an FII and is not a person resident in India.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Deposit) Regulations, 2000.
NRE Account	Non Resident External Account
NRO Account	Non-Resident Ordinary Account
RBI	Reserve Bank of India constituted under the RBI Act.



RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time.
Registered Office of the Company	107 – A, GST Road, Chrompet, Chennai – 600 044
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.

#### Issue related Terms and Abbreviations

Term	Description
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue.
Banker(s) to this Issue	HDFC Bank Limited , Kotak Mahindra Bank Limited, Standard Chartered Bank and Citibank N.A.
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid for this Issue.
Bid/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for allotment in terms of the Red Herring Prospectus.
Bid/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus.
Issue Period	The period between the 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 mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM	Book Running Lead Manager to this Issue, in this case being IL&FS Investsmart Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.



Cut-off	The Issue Price finalised by the Company in consultation with the BRLM and it shall be any price within the Price Band. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Tamil Nadu, following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	In this case being the Bombay Stock Exchange Limited.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the Registrar of Companies, Tamil Nadu at least three days before the opening of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Tamil Nadu, after pricing and allocation.
Employee/ Employees	All or any of the following: a) A permanent employee of the Company; b) Director of the Company except for the directors who are part of the Promoter group.
Employee Reservation Portion	The portion of the Issue being a maximum of 50,000 Equity Shares available for allocation to Employees.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst the Company, the Registrar to this Issue, the Escrow Collection Banks and the BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks which are registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened, in this case being HDFC Bank Limited, Kotak Mahindra Bank Limited, Standard Chartered Bank and Citibank N.A..
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Issue	The issue of 4,550,000 Equity Shares of Rs. 10/- each fully paid up at the Issue Price aggregating to Rs. 819 million.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount.



Mutual Funds	Mutual Funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Net Issue	The net issue of 4,500,000 Equity Shares of Rs. 10/- each fully paid up at the Issue Price aggregating to Rs. 810 million.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000/-.
Non Institutional Portion	The portion of this Issue being at least 15% of the Net Issue i.e. <b>675,000</b> Equity Shares of Rs. 10 each aggregating to Rs. 121.50 million available for allocation to Non Institutional Bidders.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% Margin Amount at the time of bidding, as applicable.
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is more than 10% and is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	Being the price band of a minimum price ("Floor Price") of Rs. 160 and the maximum price ("Cap Price") of Rs. 180 and includes revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price.
Prospectus	The Prospectus, filed with the Registrar of Companies, Chennai, Tamil Nadu containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	Account opened with the Banker to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with IRDA, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
QIB Portion	The portion of this Issue being a minimum of 50% of the Net Issue, i.e., <b>2,250,000</b> Equity Shares of Rs. 10 each aggregating to Rs. 405.00 million available for allocation to QIB's, of which 5% shall be reserved for Mutual Funds.
Red Herring Prospectus	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the Registrar of Companies, Tamil Nadu at least three days before the opening of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Tamil Nadu, after pricing and allocation.
Registrar/ Registrar to this Issue	Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have not Bid for an amount more than or equal to Rs. 100,000 in any of the bidding options in this Issue.
Retail Portion	The portion of this Issue being at least 35% of the Net Issue i.e. <b>1,575,000</b> Equity Shares of Rs. 10 each aggregating to Rs. 283.50 million 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).
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, including instructions and clarifications issued by SEBI from time to time.
Stock Exchanges	Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.
Syndicate	The BRLM and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Member is appointed by the BRLM.
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Member to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Members.
Underwriting Agreement	The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.

#### Company/Industry-related terms

Term	Description
ATC	Agreement on Textile and Clothing
CAD	Computer Aided Designing
CAT 340	Quota Category to Export men's cotton shirt to USA.
ERP	Enterprise Resource Planning
GATT	General Agreement on Tarriff and Trade
Gold Seal Sample	Approved sample garment to be referred while manufacturing the garments at the factory.
ISD	Information System Department
MBO	Multi Brand Outlets
MFA	Multi Fibre Agreement
NSC	National Store Chain
PPM	Pre Production Meeting
QA	Quality Assurance
SIMA	South India Mills Association
TUFS	Technology Upgradation Fund Scheme
WGSN	Worth Global Style Network
WTO	World Trade Organisation



## Abbreviations

Abbreviation	Full Form
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BCCL	Bennett, Coleman & Co. Limited
BSE	Bombay Stock Exchange Limited
BG/LC	Bank Guarantee/ Letter of Credit
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services Limited
ECS	Electronic Clearing System
EGM	Extra Ordinary General Meeting
EPS	Earnings Per Equity Share
ESOP	Employee Stock Option Plan
FIs	Financial Institutions
FY/ Fiscal	A period of twelve months ending March 31
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GoI/ Government	Government of India
HUF	Hindu Undivided Family
IPO	Initial Public Offer
INR	Indian Rupees, the legal currency of the Republic of India
NAV	Net Asset Value
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
NVB	New Vernon Bharat Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RBI	Reserve Bank of India
RCL	Reliance Capital Limited
ROC	Registrar of Companies, Chennai
RONW	Return of Network
Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India
SEBI	Securities and Exchange Board of India
USD/ \$/ US\$	United States Dollar being the legal currency of the United States of America
UIN	Unique Identification Number issued in terms of SEBI (Central Database of Market Participants) Regulations, 2003



## SECTION II – RISK FACTORS

### **CERTAIN CONVENTIONS: USE OF MARKET DATA**

In this Prospectus, the terms “Celebrity Fashions Limited”, “our Company”, “we”, “us” and “our”, unless the context otherwise indicates or implies, refers to Celebrity Fashions Limited, a public limited company incorporated under the Companies Act.

In this Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word “lac” means “one hundred thousand”, the word “million (mn)” means “ten lac”, the word “crore” means “ten million” and the word “billion (bn)” means “one hundred crore”. In this Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off. Throughout this Prospectus, currency figures have been expressed in Rs. millions.

For additional definitions used in this Prospectus, see the section titled “Definitions and Abbreviations” on page no. i of this Prospectus. In the section titled “Main Provisions of Articles of Association of our Company on page no. 160 of this Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Prospectus was 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 we believe market data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

Unless stated otherwise, the financial data in this Prospectus is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP and audited by our statutory Auditors M/s. Anil Nair & Associates and CNGSN & Associates and unaudited consolidated proforma restated accounts for the fiscal years 2000-01 to 2004-05 and for the six months period ended Septemeber 30, 2005. Unless stated otherwise, references to consolidated financial information is to the consolidated financial information under Indian GAAP. Our fiscal year commences on April 1 and ends on March 31.

All references to “India” contained in this 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.

The exchange rates used for the purpose of converting US Dollars into Indian Rupees in this Prospectus is USD 1.00 = Rs. 44.89 as per the Reserve Bank of India reference rate on October 14, 2005.



## FORWARD-LOOKING STATEMENTS

We have included statements in this Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “propose”, “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, 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 interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the industry.

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

- General economic and business conditions in India;
- Our ability to successfully implement our growth strategy and expansion plans, and to successfully launch various projects for which funds are being raised through this Issue;
- Prices of raw materials we consume and the products we produce.
- Changes in laws and regulations relating to the industry in which we operate;
- Changes in political and social conditions in India;
- Any adverse outcome in the legal proceedings in which our Company is involved; and
- The loss or shutdown of operations of our Company at any times due to strike or labour unrest.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” beginning on page vii of this 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 Syndicate Members, 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 BRLM 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 this Prospectus, including the risks and uncertainties described below, before making an investment in our Company's 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.***

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

### INTERNAL TO THE COMPANY

**We have recently entered into an Memorandum of Understanding (MOU) with Ambattur Clothing Limited (ACL) for the acquisition of its undertaking. We have earmarked Rs. 462.6 million out of net proceeds of the issue to finance this proposed acquisition. The acquisition is subject to satisfactory completion of financial and legal due diligence. In the event this proposed acquisition is not completed, we may be subject to financial losses on account of non performance and also on account of an increase in the gestation period in setting up new facilities.**

We have recently entered into a Memorandum of Understanding (MOU) with Ambattur Clothing Limited (ACL) on December 02, 2005 for the acquisition of its undertaking engaged in the manufacturing of readymade garments, specialized in the production of all types of trousers (dress pants, casual and denim) and located at MEPZ-SEZ, Chennai. This acquisition will add 2000 machine and production capacity of the factory is 6 million trousers per annum working on a double shift basis. The parties to MoU have agreed that the acquisition will be completed as on April 1, 2006.

In the event that above mentioned acquisition is not completed on account of legal and financial due diligence or otherwise, we will set up two additional factories with 1400 machines for total cost of approximately Rs 300 mn. These factories are expected to commence commercial production only in last quarter of FY 2007. This delay in commercial production will adversely impact cash flow and profitability of our Company.

On completion of the legal and financial due diligence, in terms of the MOU, the parties have agreed to deposit Rs.50 mn each into an escrow account on or before January 31, 2006. In the event of either party not fulfilling its obligations, the defaulting party will have to forfeit the deposit. If the default is on our account, we stand risk of losing Rs. 50 mn deposited in Escrow Account.

**The proposed acquisition of the undertaking from Ambattur Clothing Limited will increased our production capacity from 4.5 mn garments per annum to 10.5 million garments per annum. However, we face the risk of not successfully completing the integration of this new acquisition with our existing operations.**

We are in the process of acquiring 2000 machine facility from Ambattur Clothing Limited. This acquisition will increase our capacity of garment manufacturing from 4.5 mn pieces to 10.5 mn pieces. There can be no assurance that we will successfully integrate the acquired facility with our own. In addition, acquisitions may involve a number of other risks, including, but not limited to:

- adverse short-term effects on our reported operating results;
- diversion of management's attention;
- unanticipated liabilities or contingencies relating to the acquired facility.

***We have made applications for regularising two of our manufacturing units, one located at 72/1, 72/2 Poonamallee By Pass Road, Seenerkuppam village and the other located in 70/2 & 70/3A, Selaiyur Agaram Road, Thiruvanchery, Chennai 600 073 to the Chennai Metropolitan Development Authority (CMDA).***



We have made applications to the CMDA for regularisation of our manufacturing unit at 70/2 & 70/3 A, Selaiyur Agaram Road and 72/1, 72/2 Poonamallee By Pass Road, Seenerkuppamvillage, which was transferred from Span Eicher Designs Limited, for which the application was also made by Span Eicher Designs Limited. Refusal by CMDA to grant the regularisation approval for two manufacturing units can adversely affect our business and may also lead to shut down of these two manufacturing units.

***We are dependent on a limited number of buyers for our revenues.***

#### **Management Perception**

We have derived and believe that we will continue to derive a substantial portion of our revenues from a limited number of clients. There are a number of factors, other than our performance, which may not be predictable that could cause the loss of a client. Any significant reduction in demand for our product from our key clients, any requirement to lower the prices offered to these clients or any loss or financial difficulties caused to any of these clients could have a material adverse effect on our business, results of operations, financial condition and cash flow.

***Most of the lease deeds that we have entered into for various properties have not been adequately stamped.***

Most of the lease deeds that we have entered into with respect to properties that we have leased out from third parties have not been adequately stamped under the Tamil Nadu Stamp Rules, u/s 76A of the Indian Stamp Act 1899. The approximate total amount of liability that our Company will have to bear for duly stamping the lease deeds would arise to Rs. 1,500,000 (Rupees One million five hundred thousand only) excluding nominal costs for penalty and registration charges.

***We have made applications to various authorities for renewing our licenses and we have not obtained licenses for our new projects.***

We have made application to various statutory authorities for renewal of our existing licenses, which are pending renewal and we have also not obtained licenses for our projects. Any delay or inability to obtain these licenses could cause undue delays or inability in the continuation of our business and the commencement of the projects. For more details, please refer to the section titled “Government/Statutory and Business Approvals” on page 127 of this Prospectus.

***Some of our trademarks and copy rights have not been registered.***

We have filed applications for registration of our trademarks and copy rights and these applications are pending with the relevant authorities. For a list of the applications made by us please see the section titled “Government/Statutory and Business Approvals” beginning on page 127 of this Prospectus. In the event we are not able to obtain registrations in respect of the trademark applications filed by us we may not obtain statutory protections available in respect of a registered trademark.

***With the opening up of international markets after removal of quotas, we may face price pressures on our products.***

#### **Management Perception**

The end of Multi Fibre Agreement (MFA) quota restrictions on textile products has resulted in price competition among suppliers from low cost economies. Our Company could further face pricing pressure as various suppliers who were hitherto restrained by quotas will start competing for the same orders in the international market.



***Our ability to export garment, especially to the European Union and the United States, may be adversely affected by the imposition of, or increase in the rate of, anti-subsidy and anti-dumping duties.***

Our current ability to export garments to the EU & USA without imposition of anti-dumping duties gives us an advantage over those of our competitors who are liable to pay anti-dumping duties. Any change in the duty structure that reduces our relative advantage *vis-à-vis* such competitors could result in our exports to the EU & USA, and therefore our revenue, being adversely affected.

***Our company entered into Share subscription and Shareholders Agreement with Bennett Coleman & Company Limited.***

The Share subscription and Shareholders Agreement between Celebrity Fashions Private Limited and Bennett Coleman & Company Limited and Mr. V. Rajagopal was entered into on January 20, 2005 with the objective of BCCL offering special advertisement rates as support to our Company for our ad campaign and by BCCL accepting equity shares of our Company against its invoice for advertisements in its various publications, over a period of three years (to a maximum until September 30, 2008), where we propose to launch an ad campaign through the print media and other advertisement media for an amount of Rs. 210 million through BCCL, whereby BCCL will provide a 25% discount on its then prevailing card rates.

The Supplementary Agreement between Celebrity Fashions Private Limited and Bennett Coleman & Company Limited and Mr. V. Rajagopal dated September 27, 2005 was entered into, to modify and amend the Share Subscription and Shareholders' Agreement dated January 20, 2005 wherein, the total investment amount of Rs. 210 million was substituted by Rs. 193.1 million (with a discount amounting to Rs. 144.8 million) and the total number of shares that were to be allotted to BCCL was changed from 715,909 (pre-bonus issue) to 658,409 Equity Shares. Further the parties has vide this Supplementary Agreement agreed that BCCL shall pay and subscribe for a total number of 907,728 Equity Shares of the Company (post bonus issue) at a price of Rs. 110 per Equity Shares by paying a bankers cheque. BCCL shall release order for the advertisements to be released in the calendar years 2006 and 2007 for an amount of Rs. 99.85 million and shall pay the advance through a banker's cheque immediately upon receiving the subscription amount from BCCL. The period for advertising was extended from September 30, 2008 to December 31, 2008. Further BCCL shall extend an additional incentive of 7% by way of space banking on the net value of advertisements released and the space banking could be redeemed by our Company at the end of each calendar year of the 3 year agreement. For further details please refer section "History and Other Corporate Matters" on page 68 of this Prospectus.

***Rights of the Private Equity Investors under the Share Purchase, Subscription and Shareholders agreement entered with Reliance Capital Limited and New Vernon Bharat Limited can adversely affect the interest of other shareholders.***

We have entered into a Share Purchase, Subscription and Shareholders' Agreements with the Private Equity Investors. The Agreement provides that, subsequent to the listing of the Equity Shares of our Company on the Stock Exchange certain items of business shall require affirmative vote of each of the Private Equity Investors in any general meeting of our Company and/or the consent of all the nominee director(s) of the Investors or written consent of the Investors, as the case may be, at any meeting of the Board of Directors or Committee thereof as the case may be. For details on rights available to Private Equity Investors refer to section "Main Provisions of Articles of Association of Our Company" on page 160 of this Prospectus.

***Covenants with lenders may restrict our operations, our capacity to expand, distribute dividends, etc.***

Certain covenants in our financing agreements require us to obtain approval from the financial institutions *inter alia* before undertaking new projects or expansion of the existing facilities, making any new investments, issuing new security (debt or equity) including shares being issued in this Issue, making changes to our capital structure, distributing dividends to our shareholders. For details see section titled "Capital Structure" on page 13 of this Prospectus.



***Our inability to identify evolving fashion trends and create new designs may adversely affect our business.***

Our Company is in the business of designing, manufacturing and selling apparels. Any failure on our part to keep updated with the latest trends in the fashion industry may adversely affect the competitiveness and ability to deliver newer products to the target segment.

***We may not be fully insured for losses we may incur.***

**Management Perception**

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions, the limitations of liability set forth in our contracts may not be enforceable in all instances or may not protect us from liability for damages. In addition, certain liabilities, such as claims by third parties for which we may be required to indemnify our clients, are generally not limited under those agreements. Although we have general liability insurance coverage for certain clients, that coverage may not continue to be available on reasonable terms or be available in sufficient amounts to cover one or more large claims and our insurers may disclaim coverage as to any future claim. Please refer to the section titled “Insurance” on page 61 of this Prospectus. The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our results of operations, financial condition and cash flows.

***We are dependent on few suppliers for our raw material.***

We depend on few suppliers for our raw material specially Fabric which is our main raw material input. Any delay on availability of required raw material or any other item of production in appropriate quantity and right quality at the right time may lead to cancellation of orders. Further any delays or non conformance to quality requirements by our suppliers can impact our ability to meet our customer’s requirements and thus impact our business continuity in the long term.

***Our cost plus contracts may expose us to additional risks, many of which are beyond our control, which could reduce our profitability.***

We enter into cost plus contracts with some of our clients, which may subject us to the risk that our expenses with respect to a particular client engagement could be higher than we estimated at the time of entering into the contract. If we fail to anticipate our costs when entering a cost plus contract, our margins could be reduced and our results of operations may be adversely affected.

***Our proposed manufacturing facility are being setup as 100% EOUs / SEZ which will have certain tax benefits, which may not be available in the future.***

We are setting up Irungattukottai Apparel park factory as a 100% EOU, which qualifies for Income Tax benefit U/S 10 B of the Income Tax Act, 1961, which may not be available after April 01, 2009. Proposed Acquisition is in SEZ shall be entitled for Income Tax benefit U/S 10 AA of the Income Tax Act 1961. The loss or unavailability of these benefits in future would increase our income tax obligations and have a material adverse effect on our after tax profits and cash flow.

***We do not have long-term contracts with our buyers***

Purchases by our customers are mainly through purchase orders on an annual basis or on a fixed delivery basis. We do not have any long term contracts with any of our customers and there is no assured guarantee that our present customers will continue to procure orders from us. Any loss of our major customers arising out of competition or from cheaper sources can lead to a reduced margins and our results of operations may be affected.



***Our buyers prescribe various standards which we are required to comply with and they conduct regular audits to check customer regulatory compliance.***

Most of our exports are to customers in the United States of America and United Kingdom, where they have strict environmental, manufacturing, employee and other legislations which govern their sourcing of equipments from third world countries. Any non-compliance on our behalf with respect to such customer requirements and dissatisfaction by customers during their audit checks can lead to loss of customers and thus result in losses and affect our future results of operation.

***All our stores present and proposed are not on ownership basis but taken on contractual agreement basis which are in the nature of leave and license agreements or lease. Any deficiency in the title/ownership rights/development rights of the owners leading to disputes may impede the operation of our stores.***

All our stores are presently on lease or leave and license from third parties. Any deficiency in title of such third parties may lead to legal implications which can result in us having to vacate the premises or increase our cost of operation thus affecting our profits

***We may face risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including whether we can identify opportunities, complete the transactions and integration of the target companies into our business.***

#### **Management Perception**

Our proposed growth strategy involves entering into strategic partnerships with other garment manufactures with presence in different product category i.e Outer Wear and Women's Wear ,where we are currently under-represented and, evaluating on a case-by-case basis potential acquisition targets that offer an opportunity to grow our business and/or expand our capabilities or geographical reach. We may also have discussions with certain companies regarding our acquiring, investing in or partnering with their businesses, products, services or technologies. We may not be able to identify and fully evaluate a suitable acquisition, investment or strategic partnership, which may place us at a disadvantage if our competitors are able to grow their market share through acquisitions. If we do identify suitable candidates, we may not be able to complete those transactions on commercially acceptable terms or at all, or such acquisitions may result in the incurrence of indebtedness or the issuance of additional equity securities. If we acquire another company, we could have difficulty in integrating that company's personnel, products, operations and technology. In addition, the key personnel of the acquired company may decide not to work for us and its key clients may decide to terminate their agreements with us or reduce the volume of their purchases. These difficulties could disrupt our ongoing business, distract our management and employees and adversely affect our results of operations. For more details, please refer to the section titled "Objects of the Issue" beginning on page 20 of this Prospectus.

***Our inability to effectively manage our rapid infrastructure and personnel growth could have a material adverse effect on our business, results of operations and financial condition.***

Since we commenced commercial operations in 1989, we have experienced rapid growth and significantly expanded our operations. We presently have eight production facilities in Chennai, aggregating 4283 machines. In addition, we propose to acquire a trouser manufacturing facility and set up one facility for manufacturing tops , aggregating 2235 machines in Chennai. As of September 30, 2005, we have engaged 5002 employees and expect to aggregate over 12500 employees by the end of March 2007. Our inability to manage such rapid expansion effectively or to ensure the continued adequacy of our current systems could have a material adverse effect on our business, results of operations, financial condition and cash flows.



***Our success depends largely on our senior management and our ability to attract and retain our key personnel.***

Our success depends on the continued services and performance of the members of our management team and other key employees. Competition for senior management in the industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. The loss of the services of our Promoters could seriously impair our ability to continue to manage and expand our business. Further, the loss of any other member of our senior management or other key personnel may adversely affect our business, results of operations and financial condition. We do not maintain 'key man' life insurance for our Promoters, senior members of our management team or other key personnel.

***We may continue to be controlled by our Promoters following this Issue and our other shareholders may not be able to affect the outcome of shareholding voting.***

After the completion of this Issue, our Promoters will collectively hold approximately 42.25% of the outstanding Equity Shares. Consequently, our Promoters may exercise substantial control over us and inter alia may have the power to elect our Directors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions/joint ventures. Although, our Promoters currently collectively hold 7,581,600 Equity Shares, they are restricted from transferring certain shares for a period of three years and the remaining shares for a period of one year, in accordance with the SEBI DIP Guidelines.

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

Our principal manufacturing facilities at Chennai are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs continued availability of services of our external contractors, earthquakes and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. We carry out planned shutdowns of our plants for maintenance.

Although we take precautions to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above.

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

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any future issuance of Equity Shares, whether through the exercise of options or otherwise, will dilute the position of existing shareholders and could adversely affect the market price of the Equity Shares. We have adopted an Employee Stock Option Scheme as a means to reward and motivate our employees. As on December 12, 2005, 150,000 options have been granted, being 0.84% of our post-Issue equity share capital. None of the options granted have been exercised till date. In addition, sales of a large number of Equity Shares by the Promoters or our other shareholders after the expiry of the lock-in periods could adversely affect the market price of the Equity Shares. For further details on the Equity Shares locked in, please refer to the section titled "History and Other Corporate Matters" beginning on page 68 of this Prospectus.



**We do not have a track record for consistent payment of dividends on Equity Shares.**

We have not declared or paid any cash dividends on the Equity shares since inception except for the financial year 2004-05. The future payment of dividend, if any would be based on the then available distributable profits and the recommendations of our Board of Directors.

**Foreign Currency Risk**

Approximately 80% of revenue is from export of apparels. Since our buyers compare our product with that of our competitor in USD denominated rate, appreciation of India Rupee vis-à-vis USD would weaken our competitive position.

Further, for the expansion project we are proposing to import 86.50% of the machinery which would have foreign currency price fluctuation.

**We face significant competition from a number of sources.**

The market for textiles is intensely competitive. Important factors in our industry affecting competition in our industry include reliability, product quality, technology, price and scope and quality of services and training offered to our employees and customer satisfaction. Some of our key competitors in the industry are listed in the section titled “Our Business” on page 49 of this Prospectus.

**Most of our facilities are geographically located in one area.**

We are a Chennai based company with all our factories and offices based in and around Chennai. As a result, if there is any localised social unrest, natural disaster or breakdown of services and utilities in Chennai, it may affect our business adversely.

**Legal**

***There are legal and regulatory proceedings that have been initiated against us, which if determined against us can have a material adverse impact on us.***

**Metropolitan Trading Company Vs. Celebrity Fashions Private Limited**

Metropolitan Trading Company, a partnership firm has filed a civil suit against us in the High Court of Calcutta for alleged infringement of copyright of their registered design of the ‘three hole button’ which our Company has used for the manufacturing of shirts. The Petitioners in this case have prayed for temporary injunctions restraining us from further infringement, further manufacturing or using these buttons in our articles in our shirts or other materials which are manufactured by us and also our sales and revenues from selling materials or shirts using these buttons.

***Notice issued under section 148 of the Income Tax Act, 1961.***

The office of the Deputy Commissioner of Income Tax, Company Circle – I (3), Chennai has issued a notice to the Company dated March 31, 2005 stating that the income chargeable to tax for the assessment year 1998 – 1999 has escaped the assessment within the meaning of section 147 of the Income Tax Act, 1961 and therefore proposes to assess / re-assess the income for the said assessment year and has asked the Company to deliver a return in the prescribed form of the Company’s income for the said assessment year. Our Company has filed the necessary documents and has requested the Assistant Commissioner of Income Tax to provide reasons for the said notice issued to our Company.

***Notice issued under section 142 (1) of the Income Tax Act, 1961.***

The office of the Assistant Commissioner of Income Tax, Company Circle – I (3), Chennai has issued a notice under section 142 (1) of Income Tax Act, 1961 to the Company dated September 6, 2005 to furnish in writing and verified in the prescribed manner information called for as per annexures which include *inter alia* details of additions to fixed assets; show cause why deduction of Rs. 2,895,712 under section 80 HHC claimed by our Company should not be



dissallowed; confirmation letters for the balance outstanding secured loans as on March 31, 2003; details of assets taken on hire purchase; explanation as to why stock in transit worth Rs. 11,114,157 has not been shown to the credit side of Profit and Loss account; break up and details of advances; break up of sundry creditors and other current liabilities; details of fabric and garment processing charges; details of expenses; explanation as to why software expenses claimed of Rs. 744,611 should not be capitalised and details of claims of Rs.2,135,371 debited under head selling expenses. We have filed a reply on the same with the Assistant Commissioner of Income Tax vide our letter dated September 19, 2005 and await their reply on the same.

### **Risks in relation to our new projects**

#### ***We are expanding our capacity without client agreements in place to utilise this capacity.***

We are setting up one new factory and acquiring a trouser manufacturing plant with a total capacity of 2235 machines. We do not have client contracts in place to utilise this expanded capacity. The existing clients of the trouser manufacturing plant may not want to continue to do business with us. If we are unsuccessful in increasing the demand for our product to match our increased capacity, our expenses will increase as a percentage of our revenues, which may have an adverse effect on our results of operations and cash flows.

#### ***The project has not been appraised by any Bank/Financial Institution.***

We have estimated our total fund requirement internally and the project has not been appraised by any Bank/Financial Institution. Deployment of funds towards the project is also at our discretion and is not subject to monitoring by any independent agency.

#### ***We have not placed orders or entered into agreements for substantial portions of our planned investments from the net proceeds of the issue.***

We are yet to place orders for some of the equipments/machinery for Rs. 42.24 mn constituting 78.81% of the estimated cost of the machinery. For some machineries, we are yet to receive quotations and the cost estimates are based on management estimates. Please refer to the section titled "Objects of the Issue" beginning on page 20 of this Prospectus for details of proposed capital expenditure on plant & machinery. Pending any use of the proceeds of the Issue we intend to invest the funds in liquid instruments. We intend to rely on our internal systems and controls to monitor the use of such proceeds.

### **EXTERNAL TO THE COMPANY**

#### ***There may be changes in the regulatory framework that could adversely affect us.***

The statutory and regulatory framework for the Indian fashion industry may see changes in the next few years. We presently do not know what the nature or extent of the changes will be and cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations. For a discussion on the regulatory framework of the textile industry in India, see the section titled 'Regulations and Policies' on page 66 of this Prospectus.

#### ***Political, economic and social developments in India could adversely affect our business.***

All our facilities and other assets are located in India and most of our officers and Directors are resident in India. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other developments in or affecting India.

India has also witnessed civil disturbances in recent years. While these civil disturbances did not directly affect our operations, it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us.



***You will not receive the Equity Shares you purchase in this Issue until several days after you pay for them, which will subject you to market risk.***

The Equity Shares you purchase in this Issue will not be credited to your demat account with depository participants until approximately 15 working days from the Bid/ Issue Closing Date. You can start trading your Equity Shares only after receipt of listing and trading approvals in respect of these Equity Shares which will require additional time after the credit of Equity Shares into your demat accounts. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the time periods specified above.

***An active market for the Equity Shares may not develop, which may cause the price of the Equity Shares to fall and may limit your ability to sell the Equity Shares.***

The Equity Shares are new issues of securities for which there is currently no trading market. Applications have been made to the BSE and NSE for the Equity Shares to be admitted to trading on the BSE and NSE. No assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

***The market value of the Equity Shares may fluctuate due to the volatility of the securities markets.***

The securities markets are volatile and stock exchanges have in the past, experienced substantial fluctuations in the prices of listed securities. The stock exchanges have experienced problems, which, if these were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included broker defaults and settlement delays. In addition, the governing bodies of the various Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on the market sentiment.

***Shareholders will bear the risk of fluctuation in the price of Equity Shares.***

The market price of the Equity Shares may be affected by fluctuations in the share markets and it is impossible to predict whether the price of the Equity Shares will rise or fall. Trading prices of the Equity Shares will be influenced by, among other things, our financial position, the results of operations and political, economic, financial and other factors.

***Future issues or sales of our Equity Shares may significantly affect the trading price of our Equity Shares.***

Future issue of Equity Shares /convertible instruments by us or the disposal of Equity Shares by any of the major shareholders or the perception that such issues or sales may occur may significantly affect trading price of our Equity Shares. Other than the lock-in of pre-issue capital as prescribed under SEBI Guidelines, none of our shareholders except BCCL are subject to any lock-up arrangements restricting their ability to issue Equity Shares or the Shareholders' ability to dispose of their Equity Shares, and there can be no assurance that any shareholder will not dispose of, encumber, or pledge, its shares.



## Notes to Risk Factors

1. Public Issue of 4,550,000 Equity Shares of Rs. 10 each at a price of Rs. 180 for cash aggregating to Rs. 819 million (hereinafter referred to as “this Issue”).
2. The net worth of our Company as on March 31, 2005 is Rs. 306.09 million and as on September 30, 2005 is Rs. 642.41 million.
3. The average cost of acquisition of Equity Shares by our Promoters, Mr. V. Rajagopal and Mrs. Rama Rajagopal is Rs. 3.89 and Rs. 3.92 per equity share respectively.
4. Book value of the Equity Shares of our Company as on March 31, 2005 is Rs. 72.63 per Equity Share and as on September 30, 2005 is Rs. 56.71 per Equity Shares.
5. For details on Related Party Transactions refer to the section titled “Related Party Transactions” on page 84 of this Prospectus.
6. Investors are free to contact the BRLM for any complaints / information / clarification pertaining to this Issue. For contact details of the BRLM, please refer to the cover page of this Prospectus.
7. All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
8. Investors are advised to refer the paragraph on “Basis of Issue Price” on page no. 35 of this Prospectus before making an investment in this Issue.
9. The Issue is being made through a 100% Book Building Process wherein a up to 50% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”), of which 5% shall be reserved for Mutual Funds. Further, at least 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
10. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Qualified Institutional Bidders, Retail Individual Bidders and Non-Institutional Bidders (Refer to the section titled “Issue Procedure” on page 141 of this Prospectus).



## SECTION III: INTRODUCTION

### SUMMARY

**This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read this entire Prospectus, including the information on “Risk Factors” and the section titled “Financial Statements” and related notes beginning on page 86 of this Prospectus before deciding to invest on our Equity Shares.**

#### Overview

Our company is engaged in the business of designing, manufacturing and selling of men’s garments and was set up in the year 1988 as a small 50 machine factory and 72 people venture in Chennai. We cater to the demand of leading international brands and also to the domestic market through our own brand “Indian Terrain”. We have over the last two decades grown to 8 factories (4283machines), housed over 300,000 sq. ft. employing over 5000 employees.

We started our operations with a focus on exports of shirts when quota restrictions were still prevalent. Over the last two decades we have achieved the status of one of the leading exporters of men’s shirts from India and have acquired the status of two star export house. Several international brands source their requirement of shirts from us. We have among our customers, top international brands both from America and Europe. Some of our regular customers are Kohl’s Corporation- USA, Timberland – USA, Eddiebauer – USA, Diesel – Europe, Marlboro Classics-Europe and Armani – Europe. Our export sales recorded a compounded annual growth of 15.18% during the last 5 years increasing from Rs 523.36 mn in 2000-2001 to Rs 1060.70 mn in 2004-2005.

Celebrity launched its foray into the domestic branded ready to wear men’s garment market in the year 2000 under the brand name “Indian Terrain”. The brand “Indian Terrain” has in a short span of five years established itself and has earned an image for quality and Style . The Indian Terrain Brand products are sold through various channels – five of its own stores and retailed through 276 National Store Chains (NSC) / Multi Brand Outlets (MBO). Our domestic sales of branded apparel recorded a compounded annual growth of 90.73% during the last 5 years increasing from Rs 10.57 mn in 2000-2001 to Rs 266.78 mn in 2004-2005.

As per our proforma consolidated financial statement, our total sales grew at a CAGR of 15.44% from Rs 654.09 mn in 2000-01 to Rs 1,341.04 mn in 2004-05. EBITDA grew at a CAGR of 27.34% from Rs 38.07 mn in 2000- 01 to Rs 127.46 mn in 2004-05. Profit after tax grew at a CAGR of 93.66% from Rs 2.13 mn in 2000-2001 to Rs. 58.02 mn in 2004-05.

#### Our Strengths

We believe that the following are our principal competitive strengths, which differentiate us from other players in the garment industry:

##### **Strong Management Team and Motivated and Efficient Work Force.**

Our Company is managed by a team of experienced and professional managers exclusively focused on different aspects of the garment industry including design, merchandising, manufacturing, sourcing, marketing, quality control and finance. Our promoters and management have a substantial experience in garment industry. Our team of senior management is being constantly trained to ensure that their work methods remain effective at all times and the approach leads to understanding of the interdependency between teams and lays the road map to optimize the working between them. We have also successfully built a second layer of key executives who are capable of creating and facing the challenges of growth within our Company. Our Company’s human resource policy revolves around a commitment to create an organisation that nurtures talents and motivate and empowers its work force.

##### **Experienced Team with Industry Specific Knowledge**

Our extensive experience in designing, sourcing, marketing and merchandising, allows us to deliver end to end solution and effectively addressing customer product requirements. Our design team supported by our marketing and sourcing team is able to meet challenges of client specific design requirements. We are among the few Indian garment exporter who have subscribed to the Worth Global Style Network, an organization which is the world’s leading online research trend analysis and news service for the fashion and style industry. Design outsourcing is the next key phase in the garment manufacturing industry and our design team well equipped to take advantage of this opportunity.

##### **Strong Infrastructure Set-up**

We have successfully managed our growth by investing in infrastructure, including human and IT infrastructure. From 50 machines and 72 people small venture we have grown to 8 factories and 5000 people organization supported by a competent



ERP system developed over the last 7 years. The ERP functions as a platform on which the production and marketing activities of Celebrity are coordinated and has laid a platform to adapt to technological advances. We have in-house laundry facility capable of processing garments to different washes such as silicon wash, enzyme wash, golf ball wash and numerous other treatments making us a complete solution provider.

#### **Experience with cost- plus engagement models**

We have demonstrated the ability to successfully deliver services on cost-plus and time-and-material driven engagement models. Majority of our export contracts are based on cost plus working model. Our ability to source fabric from the most appropriate destinations in the world is an advantage in our ability to manage cost. Our ability to manage cost in exports helps us in offering value for money proposition to our Indian Terrain customers.

#### **Delivery Capabilities.**

We believe that timely delivery is most important factor, as garment industry face high fashion risk. Our ability to provide end to end solution from design to delivery supported by global sourcing capabilities and owned manufacturing and processing facilities, allows us to consistently deliver on time, maintain a high level of client satisfaction.

#### **Commitment to Quality**

We at Celebrity Fashions, emphasis on delivering quality products. Our quality management system is aligned with the business objectives of continuously benchmarking and delivering quality products to customers, which meet client expectations, resulting in end customer satisfaction. Our departments are equipped to monitor quality of all inputs; fabric and accessories that goes into production and also of finished goods at every stage of garment manufacturing process.

#### **A de-risked Business Model**

We have established our presence in both the international and the domestic market. We had launched the “Indian Terrain” Brand in 2000 with the dual objective of tapping the huge opportunity in branded apparels for Indian Men and to de-risk our business model in exports in the quota free regime. We have built a natural hedge within our Company to weather any risk arising out of the Chinese domination of the global textile space. Our Indian Terrain brand has since grown at CAGR 90.73% and contributed 19.89% of total FY 2005 income .

#### **Strong Customer Base**

We continuously have received repeat orders from all our customers and have not lost a single customer since inception. This customer trust has been built on the foundation of our commitment to quality, providing end to end solution from design to delivery and good human resource practices. Our relationships with key customers span over the last 7-10 years. Our top five customers have remained with us and have consistently increased their business requirement. Sales to the top five customers have increased at a CAGR of 34.21% from Rs 422.08 mn in 2002-03 to Rs 760.28 mn in 2004-05.

#### **Our Strategy**

##### **Expansion of Business**

We intend to expand, strengthen and consolidate our current position in the domestic and global market. We propose to expand our product range and increase product reach in the Indian branded apparel market and the international outsourced garment business.

##### **Expansion of Product range**

In the past we have been concentrating on export of shirts on account of quota restrictions. With the removal of quota restrictions, we propose to expand our product portfolio to men’s trousers /bottoms, outer wear / jackets and women’s wear. Similarly in domestic market our product portfolio currently include only ready-to-wear men’s garments. We intend to expand our product offering to include women’s western / office wear and knit wear.

##### **Enhance our Customer Reach**

We intend to set up marketing office in New York to cater to wider client base through quick response to customer requirement. We plan to build a chain of twenty five own Indian Terrain Brand outlets, twenty of which will set up from part of the Issue proceeds. We will also increase our customer reach by partnering with the expansion plans of National Store Chains.



### **Maintain Our Focus on Long-term Relationships**

We expect to maintain our focus on client relationships. We believe that there are significant business opportunities for additional growth with our existing clients as we diversify our product portfolio and build upon these existing relationships.. This strategy increases our in-depth client specific knowledge to provide them end to end solution of their requirement and develop closer relationships with our clients.

### **Continue to invest in infrastructure**

We believe that we have managed growth on the back of our own infrastructure, which ensured quality and timely delivery. We will continue to invest in infrastructure, including human resources, to meet our growing needs. We plan to maintain the quality of our human resources and to continuously upgrade and benchmark our HR practices. We also plan to further strengthen IT support by installing software called Fast React authored by a professional in garments in UK.

### **Strengthening our brands**

We intend to invest in developing and enhancing recognition of our brands, through brand building efforts, communication and promotional initiatives such as advertisements in print media, hoardings, televisions organizing events, participation in industry events, public relations and investor relations efforts. We have entered into a long term agreement with Bennett, Coleman & Co. Limited to use space in their publications to enhance the visibility of our brands and strengthen our recognition in the Indian garment industry.

### **Pursue Strategic Relationships and Acquisitions**

Over and above our organic growth strategies, we propose to enhance our capabilities through strategic investments/joint ventures in the areas that are related to our key strengths, are synergistic and in our assessment, have manageable integration risks, in order to expand our existing client base, increase our horizontal skill-sets and to provide scalability of our product offerings.



## THE ISSUE

<b>Equity Shares offered:</b>	
Issue by the Company	4,550,000 Equity Shares of face value of Rs. 10 each aggregating to Rs. 819 million.
<b>Less</b>	
Employees Reservation Portion <sup>(1)</sup>	50,000 Equity Shares of face value of Rs. 10 each aggregating to Rs. 9 million.
<b>Net Issue to the Public</b>	4,500,000 Equity Shares of face value of Rs. 10 each aggregating to Rs. 810 million.
Of which	
A) Qualified Institutional Buyers portion (QIBs)	Upto 2,250,000 Equity Shares of face value of Rs. 10/- each aggregating to Rs. 405.00 million constituting at the minimum 50% of the Issue <b>(Allocation on a proportionate basis, of which 5% shall be reserved for Mutual Funds)</b>
B) Non-Institutional Portion <sup>(2)</sup>	At least 675,000 Equity Shares of face value of Rs 10/-, aggregating to Rs. 121.50 million constituting at least 15% of the Issue <b>(Allocation on a proportionate basis)</b>
C) Retail Portion <sup>(2)</sup>	At least 1,575,000 Equity Shares of face value of Rs 10/-, aggregating to Rs. 283.50 million constituting at least 35% of the Issue <b>(Allocation on a proportionate basis)</b>
Equity Shares outstanding prior to the Issue	13,246,218 Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after the Issue	17,796,218 Equity Shares of face value of Rs. 10 each
Use of Issue proceeds	Please refer to section titled "Objects of the Issue" on page no. 20 of this Prospectus for additional information.

<sup>(1)</sup> Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.

<sup>(2)</sup> Under-subscription, if any, in any of the above categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company and BRLM



## SUMMARY FINANCIAL DATA

The statutory financial statements of the Company prepared in accordance with Indian GAAP for the Financial Years ended March 31, 2001, 2002, 2003, 2004, 2005 and 6 months period ended September 30, 2005. The financial statements were audited and certified by M/s. Anil Nair & Associates, Chartered Accountants upto the financial year 2002-2003. From the financial year 2003-04, the financial statements were audited and certified jointly by M/s Anil Nair & Associates and M/s. CNGSN & Associates, Chartered Accountants.

### Statement of Profits & Losses, as Restated

Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
<b>INCOME</b>						
Sales of Manufactured Goods	864.19	1,274.85	933.44	406.16	346.17	267.06
Sales of Traded Goods	10.09	52.63	56.90			
Total Sales	874.28	1,327.48	990.34	406.16	346.17	267.06
Export Incentives	5.73	6.95	14.21	42.50	40.44	41.65
Total	880.01	1,334.43	1,004.55	448.66	386.61	308.71
Other Income	3.87	2.31	1.81	4.49	1.19	2.20
Increase / (Decrease) In Stock	19.17	4.30	21.35	14.82	(3.98)	7.66
<b>Total</b>	<b>903.05</b>	<b>1,341.04</b>	<b>1,027.71</b>	<b>467.97</b>	<b>383.82</b>	<b>318.56</b>
<b>EXPENDITURE</b>						
Raw Materials Consumed	428.41	662.93	540.82	251.39	201.58	156.46
Employees Costs	128.92	162.57	119.18	67.11	59.77	43.82
Other Manufacturing Costs	97.28	149.29	110.04	45.62	35.72	28.13
Administrative & Other Costs	53.19	87.53	62.71	29.73	23.62	24.70
Selling & Distribution Costs	67.00	106.06	71.38	19.13	17.02	17.53
Interest & Other Finance Costs	28.47	45.04	40.16	21.65	18.17	15.61
Preliminary Expenses Written Off		0.17	0.17			
<b>Total</b>	<b>803.26</b>	<b>1,213.59</b>	<b>944.46</b>	<b>434.63</b>	<b>355.87</b>	<b>286.23</b>
<b>Net Profit Before Depr., Tax &amp; Extraordinary Items</b>	<b>99.79</b>	<b>127.45</b>	<b>83.25</b>	<b>33.33</b>	<b>27.95</b>	<b>32.33</b>
Less: Depreciation	20.06	32.55	29.41	17.65	17.18	17.67
<b>Net Profit before Tax &amp; Extraordinary Items</b>	<b>79.73</b>	<b>94.91</b>	<b>53.83</b>	<b>15.68</b>	<b>10.77</b>	<b>14.66</b>
Less: Taxation						
- Provision for Current Tax	26.02	32.15	3.48	3.10	0.91	1.46
- Provision for Deferred Tax	1.26	4.74	1.93	1.54		
<b>Net Profit before Extraordinary Items</b>	<b>52.45</b>	<b>58.01</b>	<b>48.43</b>	<b>11.04</b>	<b>9.86</b>	<b>13.20</b>
Extraordinary Items						
<b>Net Profit after Extraordinary Items</b>	<b>52.45</b>	<b>58.01</b>	<b>48.43</b>	<b>11.04</b>	<b>9.86</b>	<b>13.20</b>
Impact on account of adjustments required by Paragraph 6.18.7 (b) of Chapter VI of the Guidelines (Ref Note # II (6))			(7.55)		(0.52)	(5.07)
<b>Adjusted Profits for the year/period</b>	<b>52.45</b>	<b>58.01</b>	<b>40.88</b>	<b>11.04</b>	<b>9.34</b>	<b>8.14</b>
Accumulated Profits from Previous Years	200.32	156.26	113.40	102.37	93.03	84.89
<b>Add: Accumulated Profits of Transferor Company upon Merger</b>			1.98			
<b>Less: Appropriations</b>						
Dividend and Corporate Dividend Tax		(9.60)				
Transfer to General Reserve		(4.35)				
Amount utilized for issuing Bonus Shares	(56.64)					
<b>Balance Carried to Statement of Restated Assets and Liabilities</b>	<b>196.12</b>	<b>200.32</b>	<b>156.26</b>	<b>113.40</b>	<b>102.37</b>	<b>93.03</b>



**Statement of Assets and Liabilities, as Restated**

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
<b>A) Fixed Assets:</b>						
Gross Block	499.02	422.06	335.13	216.34	176.63	167.72
Less: Depreciation	182.93	166.43	146.99	85.95	71.36	55.77
Net Block	<b>316.09</b>	<b>255.63</b>	<b>188.14</b>	<b>130.39</b>	<b>105.27</b>	<b>111.95</b>
<b>Less: Revaluation Reserves</b>						
<b>Net Block after adjustment for Revaluation Reserves</b>	<b>316.09</b>	<b>255.63</b>	<b>188.14</b>	<b>130.39</b>	<b>105.27</b>	<b>111.95</b>
<b>B) Investments</b>			<b>1.40</b>	<b>19.70</b>	<b>19.70</b>	<b>12.20</b>
<b>C) Current Assets, Loans and Advances:</b>						
Inventories	533.56	411.61	304.67	133.81	69.57	71.56
Sundry Debtors	304.61	224.16	223.76	71.77	51.03	52.60
Cash and Bank Balances	247.00	84.76	31.67	5.68	9.60	21.74
Loans & Advances	176.07	62.54	44.10	49.39	20.62	25.60
Other Current Assets	28.94	28.92	47.12	5.78	15.20	18.15
	<b>1,290.18</b>	<b>811.99</b>	<b>651.32</b>	<b>266.43</b>	<b>166.02</b>	<b>189.65</b>
<b>D) Liabilities and Provisions:</b>						
Secured Loans	667.25	487.13	381.48	181.78	85.99	137.68
Unsecured Loans		10.49				
Current Liabilities and Provisions	279.24	247.81	191.55	84.21	67.05	48.02
Deferred Tax Liability	17.36	16.11	11.36	7.12	5.58	5.07
	<b>963.86</b>	<b>761.53</b>	<b>584.39</b>	<b>273.12</b>	<b>158.62</b>	<b>190.77</b>
<b>E) Networth</b>	<b>642.41</b>	<b>306.09</b>	<b>256.47</b>	<b>143.40</b>	<b>132.37</b>	<b>123.03</b>
<b>F) Represented by</b>						
1. Share Capital	113.28	42.14	42.10	30.00	30.00	30.00
2. Reserves	333.00	63.62	58.28			
<b>Add: Balance in Profit &amp; Loss a/c (As Restated)</b>	196.12	200.32	156.26	113.40	102.37	93.03
Less: Revaluation Reserves						
Reserves (Net off Revaluation Reserves)	529.12	263.94	214.54	113.40	102.37	93.03
<b>Total</b>	<b>642.41</b>	<b>306.09</b>	<b>256.64</b>	<b>143.40</b>	<b>132.37</b>	<b>123.03</b>
<b>G) Miscellaneous Expenditure to the Extent Not Written Off or Adjusted</b>			<b>0.17</b>			
<b>H) Networth [(F) - (G)]</b>	<b>642.41</b>	<b>306.09</b>	<b>256.47</b>	<b>143.40</b>	<b>132.37</b>	<b>123.03</b>



## GENERAL INFORMATION

### Registered & Corporate Office of our Company

#### Celebrity Fashions Limited

107 – A, GST Road,  
Chrompet,  
Chennai – 600 044.  
Tel.: +91 44 5584 9200 / +91 44 55849100  
Fax: +91 44 55849204

#### Registration Number: 18-15655

Our Company is registered with the Registrar of Companies, Tamil Nadu situated at Shastri Bhavan, II Floor, 26, Haddows Road, Chennai – 600 006.

#### Board of Directors

- |                           |                                |
|---------------------------|--------------------------------|
| 1. Mr. V. Rajagopal       | Managing Director and Chairman |
| 2. Mrs. Rama Rajagopal    | Executive Director             |
| 3. Mr. S. Surya Narayanan | Executive Director             |
| 4. Ms. Nidhi Reddy        | Independent Director           |
| 5. Mr. P S Raman          | Independent Director           |
| 6. Mr. N K Ranganath      | Independent Director           |

For further details of our Chairperson, our Managing Director and whole time Directors, refer to the section titled “Our Management” on page 73 of this Prospectus.

#### Company Secretary and Compliance Officer

##### Mr. V.V. Naresh

Celebrity Fashions Limited  
15, Patanjali Plaza  
3<sup>rd</sup> Floor  
Old Trunk Road  
Pallavaram  
Chennai – 600 043  
Tel: +91 44 2345 0232 / +91 44 2345 0233;  
Fax: +91 44 2345 0234;  
Email: investor@celebritygroup.com

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

#### Legal Advisors to the Company

##### M/s. Dua Associates

Palani Centre, 32, Venkatanarayana Road,  
T. Nagar  
Chennai – 600 017  
Tel.: +91 44 2431 4304 / +91 44 2431 4305  
Fax no.: +91 44 2431 4308  
E-mail: duachennai@duaassociates.com

#### Legal Advisors to the Issue

##### M/s. Crawford Bayley & Co.

State Bank Buildings, 4th floor  
N. G. N. Vaidya Marg  
Fort, Mumbai - 400 023  
Tel.: +91 22 2266 3713  
Fax no.: +91 22 2266 0355  
E-mail: sanjay.asher@crawfordbayley.com



### **Bankers to the Company**

#### **State Bank of India**

86/21, Rajaji Salai  
Chennai – 600 001.  
Tel No. : +91 44 2522 5902  
Fax : +91 44 2522 5902  
E-mail : sarathy.a@sbi.co.in

#### **CITI Bank N.A.**

2, Club House Road,  
Chennai – 600 002.  
Tel No. : +91 44 2846 1776  
Fax : +91 44 2846 1776  
E-mail : suresh.ramanujam@citicorp.com

#### **HDFC Bank Limited**

751 – B, Anna Salai,  
Chennai – 600 002.  
Tel. No.: +91 44 2851 7474  
Fax: +91 44 2851 3547  
E-mail: harsh.dugar@hdfcbank.com

#### **Book Running Lead Manager (BRLM)**

#### **IL&FS Investsmart Limited**

The IL&FS Financial Centre,  
Plot C-22, G-Block,  
Bandra Kurla Complex, Bandra (E)  
Mumbai – 400 051.  
Tel: +91 22 2653 3333  
Fax: +91 22 5692 1862 / +91 22 2653 3075  
E-mail: celebrity.ipo@investsmartindia.com  
Contact Person: Ms. Poorna Pikle  
Website: www.investsmartindia.com

#### **Registrar to this Issue**

#### **Intime Spectrum Registry Limited**

C – 13, Pannalal Silk Mills Compound,  
L. B. S. Marg,  
Bhandup (W),  
Mumbai – 400 078.  
Tel.: +91 22 5555 5491-94  
Fax: +91 22 5555 5499  
E-mail: celebrityfashions@intimespectrum.com  
Contact Person: Mr. Vishwas Attavar  
Website: www.intimespectrum.com

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

#### **HDFC Bank Limited**

Maneekji Wadi Building, Ground Floor,  
Nanik Motwani Marg Mumbai 400 001  
Tel : +91 22 2856 9009  
Fax: +91 22 2856 9256  
Contact person: Mr. Clayton Mendonca  
Email: Clayton.Mendonca@hdfcbank.com  
Website: www.hdfcbank.com

#### **ABN Amro Bank**

18, Haddows Road,  
Chennai – 600 006.  
Tel No. : +91 44 2821 7171  
Fax : +91 44 2823 4688  
E-mail : karthiyani.ranjan@in.abnamro.com

#### **Standard Chartered Bank**

19, Rajaji Salai, 5th Floor,  
Chennai – 600 001.  
Tel No. : +91 44 2534 2935  
Fax : +91 44 2534 0877  
E-mail : mahesh.chandersekaran@in.standardchartered.com

#### **Kotak Mahindra Bank Limited**

5<sup>th</sup> Floor, Vinaya Bhavya Complex,  
C S T Road, Santacruz (East), Mumbai 400 098  
Tel: +91 22 5648 2637/36/32  
Fax: +91 22 5648 2710  
Contact person : Mr. Ibrahim Sharief  
Email : ibrahim.sharief@kotak.com  
Website : www.kotak.com

**Standard Chartered Bank Limited**

270, D. N. Road, Fort,  
Mumbai – 400 001  
Tel : + 91 22 2268 3965  
Fax : + 91 22 2209 6069  
Contact Person : Mr. Banhind Bhattacharya  
E-mail: Banhind.Bhattacharya@in.standardchartered.com  
Website: www.standardchartered.co.in

**Citibank N. A.**

Citigroup Centre, 6<sup>th</sup> Floor, Bandra Kurla Complex,  
Bandra (East), Mumbai – 400 051  
Tel : + 91 22 5001 5757  
Fax : + 91 22 2653 5824  
Contact Person : Mr. Divyesh Dalal  
E-mail: divyesh.dalal@citigroup.com  
Website: www.citigroup.com

**Statutory Auditors****M/s. Anil Nair & Associates**

Chartered Accountants,  
No.6, Casa Blanca, Casa Major Road,  
Egmore, Chennai-600 008  
Tel: +91 44 2819 1227  
Fax: +91 44 2819 4651  
E-mail: anil@anaindia.com  
Contact Person: Mr. Anil Nair

**M/s. CNGSN & Associates**

Chartered Accountants,  
Agastyar Manor,  
20/13, Raja Street,  
T. Nagar, Chennai 600 017  
Tel: +91 44 2431 1480  
Fax: +91 44 2431 1485  
E-mail: krishna@cngsn.com  
Contact Person: Mr. Chella Krishna

**Internal Auditors****M/s R. Venkatakrishnan & Associates**

1/4, "Rangas", 4th Main Road,  
R. A. Puram  
Chennai 600 028  
Tel : +91 44 2461 7653  
Fax : +91 44 2461 8778  
Email: rvk@rvkassociates.com  
Contact person: Mr. R. Venkatakrishnan

**Management Advisor to the Company****Aventus Advisors Pvt. Ltd**

IL&FS Financial Center  
West Quadrant, 2<sup>nd</sup> Floor,  
Bandra Kurla Complex  
Bandra (East), Mumbai 400 051  
Tel : +91 22 5648 0050  
Fax: +91 22 5648 0040  
Email: gaurav.deepak@avendus.com  
Contact person: Mr. Gaurav Deepak



## STATEMENT OF RESPONSIBILITIES FOR THE ISSUE

SR. NO.	ACTIVITIES	RESPONSIBILITY & CO-ORDINATOR
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	IIL
2.	Due diligence of the Company's operations / management / business plans/legal etc.	IIL
3.	Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	IIL
4.	Drafting and approval of Offer and statutory publicity material, etc.	IIL
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material.	IIL
6.	Appointment of Ad agency	IIL
7.	Appointment of Registrar, Bankers and Printer	IIL
8.	Marketing of the Offer, which will cover inter alia, Formulating marketing strategies, preparation of publicity budget Finalize Media & PR strategy. Finalizing centers for holding conferences for brokers, etc. Finalize collection centers. Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material	IIL
9.	Finalizing the list of QIBs, Divisions of QIBs for one to one meetings, road show related activities and order procurement	IIL
10.	Finalizing of Pricing & Allocation	IIL
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	IIL
12.	The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	IIL

### Credit Rating

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

### Trustees

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

### Monitoring Agency

State Bank of India, Overseas Branch, Textiles Division, Chennai 600 001 will monitor the utilization of the proceeds from the issue.

### Book Building Process

Book Building refers to the process of collection of bids from investors, on the basis of this Prospectus including the Price Band. This Issue Price is fixed after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- (1) Our Company;
- (2) Book Running Lead Manager and Syndicate Member who is an intermediary registered with SEBI or registered as broker with BSE/NSE and eligible to act as underwriter, in this case being IL&FS Investsmart Limited;
- (3) Registrars to the Issue, in this case being Intime Spectrum Registry Limited.

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein up to 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs), of which



5% shall be reserved for Mutual Funds. Further, at least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Our Company will comply with these guidelines for this Issue. In this regard, our Company has appointed the BRLM to procure subscriptions to the Issue.

The process of book building, under SEBI Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue.

QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. For details see the section titled “Terms of the Issue” on page 139 in this Prospectus.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Bidder necessarily needs to have a demat account;
- Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form; and
- Ensure that the Bid cum Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. For details please refer to our Section titled “Issue Procedure” on page 141 of this Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected.

**Illustration of Book Building and Price Discovery Process** *(Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 20 to Rs. 24 per share, issue size of 1,800 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE ([www.bseindia.com](http://www.bseindia.com)) and NSE ([www.nseindia.com](http://www.nseindia.com)) during the bidding period. The illustrative book as shown below shows the demand for the shares of our Company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	166.67%
2000	21	5000	277.78%
2500	20	7500	416.67%

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

**The process of Book Building under SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue. Pursuant to the recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after Bid/ Issue Closing Date.**

#### **Underwriting Agreement**

After the determination of this Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with Registrar of Companies, Tamil Nadu, we will enter into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be issued through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount as per the underwriting obligations.



**The Underwriter has indicated their intention to underwrite the following number of Equity Shares:**

*(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with Registrar of Companies, Chennai, Tamil Nadu)*

<b>Name and Address of the Underwriters</b>	<b>Indicated Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten (Rs. million)</b>
IL&FS Investsmart Limited The IL&FS Financial Centre, Plot C-22, G-Block, Bandra Kurla Complex, Bandra (E)Mumbai – 400 051.	<b>4,550,000</b>	<b>819.00</b>

The above-mentioned amount is indicative underwriting and would be finalized after pricing and actual allocation. The above underwriting agreement is dated December 23, 2005.

In the opinion of the Board of Directors of the Company (based on a certificate given by the Underwriter), the resources of the above mentioned Underwriter is sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriter is registered with SEBI under Section 12(1) of the SEBI Act.

Notwithstanding the above table, the BRLM/the Syndicate Member shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allocation to QIBs is proportionate as per the terms of this Prospectus. For further details about allocation please refer to “Other Regulatory and Statutory Disclosures” on page 133 of this Prospectus.



## CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Prospectus with RoC is as set forth below.

(Rs. in Million)

		Aggregate nominal Value	Aggregate value at Issue Price
<b>A. Authorised Capital</b>			
	20,000,000 Equity Shares of Rs. 10 each	200.00	
<b>B. Issued, Subscribed And Paid-Up Capital before the Issue</b>			
	13,246,218 Equity Shares of Rs. 10 each fully paid-up	132.46	–
<b>C. Present Issue to the public in terms of the Red Herring Prospectus</b>			
	4,550,000 Equity Shares of Rs. 10/- each	45.50	–
	Out of which:		
	(I) 50,000 Equity Shares of Rs. 10/- each are reserved for the Employees	0.50	–
	(II) 4,500,000 Equity Shares of Rs. 10/- each as Net Issue to the Public	45.00	–
<b>D. Paid-up Equity Capital after the Issue</b>			
	17,796,218 Equity Shares of Rs. 10 each fully paid-up	177.96	–
<b>E. Share Premium Account</b>			
	Before the Issue	455.71	
	After the Issue	1229.21	

For details of increase in authorized capital please refer to our section titled “History and Other Corporate Matters” on page 68 of this Prospectus.

### Notes to Capital Structure

#### 1. Share Capital History of the Company

Date of allotment/ Fully paid-up / Buy-back	No. of Equity Shares	Cumulative number of Equity shares	Face Value (Rs.)	Issue Price	Share Premium	Nature of payment of Consideration	Cumulative Share Premium (Rs. Mn)
April 19, 1988	200	200	10	10	NIL	Subscribers to the MOA	
March 31, 1994	187,500	187,700	10	10	NIL	Cash at par	
October 1, 1994	250,000	437,700	10	10	NIL	Cash at par	
March 27, 1997	875,400	1,313,100	10	NIL	NIL	Bonus shares (2:1)	
March 27, 1997	1,100,000	2,413,100	10	10	NIL	Cash at par	
March 31, 1998	586,900	3,000,000	10	10	NIL	Cash at par	
October 20, 2004	1,209,700	4,209,700	10	Share swap@	NIL	Shares allotted for a consideration other than cash consequent to the merger order of the High Court of Madras	
March 2, 2005	4,710	4,214,410	10	220	210	Allotted to Bennett Coleman Company Limited for cash	0.99



Date of allotment/ Fully paid-up / Buy-back	No. of Equity Shares	Cumulative number of Equity shares	Face Value (Rs.)	Issue Price	Share Premium	Nature of payment of Consideration	Cumulative Share Premium (Rs. Mn)
April 29, 2005	199,835	4,414,245	10	220	210	Allotted to Bennett Coleman Company Limited for consideration other than cash towards cost of advertisements	42.95
May 23, 2005	1,250,000	5,664,245	10	200	190	Allotted to New Vernon Bharat Limited for cash	272.93*
August 19, 2005	5,664,245	11,328,490	10	NIL	NIL	Bonus Shares (1:1)	272.93
October 4, 2005	907,728	12,346,218	10	110	100	Allotted to BCCL for cash	363.71
October 14, 2005	110,000	11,438,490	10	110	100	Allotted to Reliance Capital Limited for cash	374.71
October 28, 2005	900,000	13,246,218	10	100	90	Allotted to New Vernon Bharat Ltd in lieu of outstanding warrants for cash	455.71

@ Pursuant to order of the High Court of Madras dated October 14, 2004 , for merger of Celebrity Designs (India) Private Limited and Indian Terrain Clothing Private Limited with our company. Shareholders of Celebrity Designs (India) Private Limited received 100 equity shares of our company for every 625 equity shares held in Celebrity Designs (India) Private Limited or 625, 15% redeemable preference shares in Celebrity Design (India) Private Limited and Shareholders' of Indian Terrain Clothing Private Limited Received 100 equity shares of our company for every 550 equity shares held in Indian Terrain clothing Private Limited.

\* Share Premium is Net of Issue Expenses of Rs. 7.52 million

## 2. Promoters Contribution and Lock-In

Name of the Promoter	Date on which Equity Shares were allotted/ transferred and made fully paid up*	Number of Equity Shares	Face Value (in Rs)	Issue/ Transfer price in Rs.	Consideration (cash, bonus, consideration other than cash)	Percentage of pre-Issue paid-up capital	Percentage of post-Issue paid-up capital #	Eligible for Lock-in Period of
Mr. V. Rajagopal	August 19,2005	1,805,394	10	Nil	Bonus	13.63%	10. 06%	3 years
Mrs. Rama Rajagopal	August 19,2005	1,783,851	10	Nil	Bonus	13.47%	9.94%	3 years
	<b>Sub Total</b>	<b>3,589,245</b>				<b>27.10%</b>	<b>20.00%</b>	
Mr. V. Rajagopal	August 19,2005	207,506	10	Nil	Bonus	1.56%	1.15%	1 year
Mrs. Rama Rajagopal	August 19,2005	206,249	10	Nil	Bonus	1.55%	1.14%	1 year
Mr. V Rajagopal	October 20, 2004	501,650	10	Nil	Merger Scheme	3.78%	2.79%	1 year
Mrs. Rama Rajagopal	October 20, 2004	501,650	10	Nil	Merger Scheme	3.78%	2.79%	1 year
Mr. V. Rajagopal	March 31, 1998	293,450	10	10	Cash	2.21%	1.63%	1 year
Mrs. Rama Rajagopal	March 31, 1998	293,450	10	10	Cash	2.21%	1.63%	1 year
Mr. V. Rajagopal	March 27, 1997	550,000	10	10	Cash	4.15%	3.06%	1 year
Mrs. Rama Rajagopal	March 27, 1997	550,000	10	10	Cash	4.15%	3.06%	1 year
Mr. V. Rajagopal	March 27, 1997	445,200	10	Nil	Bonus	3.36%	2.48%	1 year
Mrs. Rama Rajagopal	March 27, 1997	430,000	10	Nil	Bonus	3.24%	2.39%	1 year
Mr. V. Rajagopal	October 1, 1994	10,000	10	10	Cash	0.07%	0.05%	1 year
Mrs. Rama Rajagopal	October 1, 1994	2,500	10	10	Cash	0.01%	0.01%	1 year
	<b>Sub Total</b>	<b>3,991,655</b>				<b>30.13%</b>	<b>22.24%</b>	
	<b>Total</b>					<b>57.23%</b>	<b>42.24%</b>	



\*All allotted shares have been fully paid up from the date of allotment i.e. the date of allotment and the date on which the equity shares were fully paid up are the same

# Assuming that all 150,000 options granted have been exercised

The Promoters have vide their letters dated October 13, 2005 given their consent for lock-in as stated above. The minimum promoters contribution shall be locked in for a period of three years beginning from the date of allotment in the public issue. The balance pre-issue shareholding i.e 9,656,973 ( 3,991,655 Equity Shares held by the Promoters and 5,665,318 Equity shares held by person other than the Promoter) shall be locked in for a period of one year from the date of allotment in the present issue.

Equity Shares held by the person other than the Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of the extant SEBI Guidelines, may be transferred to any other person holding Equity Shares which are locked in, 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.

Equity Shares held by Promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and 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 transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable.

The shares locked in by the Promoter are not pledged to any party. Locked-in Equity Shares held by the Promoter may be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions in terms of clause 4.16 (b) of the SEBI Guidelines.

Promoters' contribution has been brought in to the extent of not less than the specified minimum lot.

### 3. Shareholding pattern of the Company prior and post this Issue

Category	Pre-Issue		Post-Issue	
	Number	%	Number	%
<b>Promoters</b>				
Mr. V Rajagopal	3,813,200	28.79%	3,813,200	21.25%
Mrs. Rama Rajagopal	3,767,700	28.44%	3,767,700	20.99%
<b>Sub Total (A)</b>	<b>7,580,900</b>	<b>57.23%</b>	<b>7,580,900</b>	<b>42.24%</b>
<b>Promoter Group</b>				
Mrs. Ammani Rajagopalan	600	0.01%	600	0.00%
Ms. Anjali Rajagopal	100	0.00%	100	0.00%
<b>Sub Total (B)</b>	<b>700</b>	<b>0.01%</b>	<b>700</b>	<b>0.00%</b>
<b>Promoter and Promoter Group Holdings (C= A+B)</b>	<b>7,581,600</b>	<b>57.24%</b>	<b>7,581,600</b>	<b>42.24%</b>
New Vernon Bharat Limited	3,400,000	25.67%	3,400,000	18.94%
Reliance Capital Limited	935,000	7.06%	935,000	5.21%
Bennett, Coleman & Co Limited	1,316,818	9.94%	1,316,818	7.34%
Others	12,800	0.10%	12,800	0.07%
<b>Sub Total (D)</b>	<b>5,664,618</b>	<b>42.76%</b>	<b>5,664,618</b>	<b>31.56%</b>
<b>Total Pre Issue Capital (E=C+D)</b>	<b>13,246,218</b>	<b>100.00%</b>	<b>13,246,218</b>	<b>73.80%</b>
<b>Public Issue*</b>	-	-	<b>4,550,000</b>	<b>25.35%</b>
<b>ESOP#</b>	-	-	<b>150,000</b>	<b>0.85%</b>
<b>Total</b>	<b>13,246,218</b>	<b>100.00%</b>	<b>17,946,218</b>	<b>100.00%</b>

\* Includes reservation for employees amounting 50,000 equity shares

# Assuming that all 150,000 options granted have been exercised



**4. Particulars of top ten shareholders:**

**a) As on the date of filing this Prospectus with RoC**

<b>Sr. No.</b>	<b>Name of the shareholder</b>	<b>Number of Equity Shares</b>
1.	Mr. V. Rajagopal	3,813,200
2.	Mrs. Rama Rajagopal	3,767,700
3.	New Vernon Bharat Limited	3,400,000
4.	BCCL	1,316,818
5.	Reliance Capital Limited	935,000
6.	Devsen Software & Exports Private Limited	12,800
7.	Mrs. Ammani Rajagopalan	600
8.	Ms. Anjali Rajagopal	100

**b) Ten days prior to the date of filing this Prospectus with RoC**

<b>Sr. No.</b>	<b>Name of the shareholder</b>	<b>Number of Equity Shares</b>
1.	Mr. V. Rajagopal	3,813,200
2.	Mrs. Rama Rajagopal	3,767,700
3.	New Vernon Bharat Limited	2,500,000
4.	BCCL	1,316,818
5.	Relaince Capital Limited	935,000
6.	Devsen Software	12,800
7.	Mrs. Ammani Rajagopalan	600
8.	Ms. Anjali Rajagopal	100

**c) Top ten shareholders 2 years prior to the date of filing of this Prospectus with RoC**

<b>Sr. No.</b>	<b>Name of the shareholder</b>	<b>Number of Equity Shares</b>
1.	Mr. V. Rajagopal	1,511,250
2.	Mrs. Rama Rajagopal	1,488,450
3.	Mrs. Ammani Rajagopalan	300

5. No Equity Shares have been purchased or sold by the Promoters/Promoter Group and the directors of the Company during a period of six months preceeding the date of filing of this Prospectus with RoC except as per the following table.

<b>Transferee</b>	<b>Transferor</b>	<b>Date of Sale</b>	<b>No of Equity Shares</b>	<b>Face Value (Rs)</b>	<b>Nature of Payment</b>	<b>Purchase / Sale Price (Rs)</b>
Ms. Anjali Rajagopal	Mr. V Rajagopal	August 19, 2005	100	10	Cash	10
Reliance Capital Ltd	Devsen Software	October 14, 2005	400,000	10	Cash	100.00
Reliance Capital Ltd	Mr. V Rajagopal	October 14, 2005	212,500	10	Cash	102.92
Reliance Capital Ltd	Mrs. Rama Rajagopal	October 14, 2005	212,500	10	Cash	102.92



## 6. Employee Stock Option Scheme

In accordance with our ESOP 2005, we have granted the following options:

Sr. No.	Particulars	
1	Options Granted	1,50,000
2	Exercise price	Rs. 30/- each
3	Options vested	Nil
4	Options exercised	Nil
5	The total number of Equity Shares arising as a result of exercise of options	1,50,000
6	Options lapsed	Nil
7	Variation of terms of options	Nil
8	Money realized by exercise of options	Nil
9	Total number of options in force	1,50,000
10	Person-wise details of options granted to; (i) Directors and key managerial employees (ii) Any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year (iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	As per details below*  As per details below*  None
11	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options (for the unconsolidated financial statement of the Company)	Not Applicable
12	Vesting schedule	20% - First year 20% - Second year 30% - Third Year 30% - Fourth year from date of grant of options
13	Lock-in	None

\* Details regarding options granted to Directors and key managerial employees are set forth below:

Sl. No.	Name of key managerial personnel	Number of Equity Shares entitled at the time of grant of option	Number of Equity Shares issuable upon exercise of options	Percentage to Total options granted
1	Surya Narayanan . S	25,000	25,000	16.67%
2	Suresh Rajagopal	21,000	21,000	14.00%
3	Rajeev Krishnan	20,000	20,000	13.33%
4	Josiah Franklin	20,000	20,000	13.33%
5	Amitabh Suri	20,000	20,000	13.33%
6	Shyam Sundar .S	6,000	6,000	4.00%
7	Naresh.V.V	6,000	6,000	4.00%
8	Gobinath.A.M.	5,000	5,000	3.33%
9	Shilpa A. Dhawan	8,000	8,000	5.33%
10	Sridharan .V	6,000	6,000	4.00%
11	Samita Singh	8,000	8,000	5.33%
12	Murali C	5,000	5,000	3.33%
	<b>Total</b>	<b>1,50,000</b>	<b>1,50,000</b>	<b>100.00%</b>



We have adopted our Employee Stock Option Plan (ESOP 2005) after receiving approval of the Board at its meeting held on August 19, 2005 and approval of the shareholders at the Annual General Meeting held on August 19, 2005. On September 6, 2005, the remuneration committee authorized the grant of 1,50,000 options respectively to eligible employees at a price of Rs. 30/- per stock option. Upon exercise, the holder of each stock option is entitled to one Equity Share.

7. As on October 14, 2005 there are no employees and no Directors holding Equity Shares allotted as per the vesting schedule of the ESOP 2005, arising out of options exercised before the date of the Issue. None of the options granted to employees will vest before September 2006. Therefore there will be no shareholders arising from the exercise of options granted under the ESOP.
8. Currently none of the Directors, senior managerial personnel and employees hold Equity Shares arising out of the ESOP 2005 amounting to more than 1% of the issued capital. There are no other persons who hold Equity Shares arising out of the ESOP 2005 amounting to more than 1% of the issued capital.
9. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue, exercise of employee stock options or in any other manner during the period commencing from submission of this Prospectus with SEBI until the Equity Shares issued have been listed.
10. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may issue stock options to our employees pursuant to our ESOP 2005 or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
11. Our Company, its Directors and the BRLM to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares of our Company from any person.
12. In the case of over-subscription in all categories, up to 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved for Mutual Funds. Further, at least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in any category would be met with spill over from any other category at the sole discretion of the Company in consultation with the BRLM.
13. A Bidder cannot make a Bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
14. Our Company undertakes that at any given time, there shall be only one denomination for the Equity Shares of our Company and we shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
15. The total number of members of our Company as on the date of filing this Prospectus is Eight.
16. Our Company has not raised any bridge loan against the proceeds of this Issue.
17. A total of 1.10% of the Issue size, i.e. 4,550,000 Equity Shares, have been reserved for Allocation to the Employees on a proportionate basis, subject to valid bids being received at or above the Issue Price and subject to the maximum bids in this portion being the number of shares reserved under this category i.e. 50,000 Equity Shares. Only the employees on the rolls of the Company as on cut-off date i.e., September 30, 2005 would be eligible to apply in this Issue under the reserved category for our Employees. The number of eligible employees' as on cut-off date i.e. September 30, 2005 is 5002. Employees may bid in the Net Issue to public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee Reservation Portion would be treated as part of the Net Issue.
18. Our Company has not revalued its assets since inception.
19. Our Company has not made any public issue since its incorporation.



20. Our Company has not issued any shares for consideration other than cash except as per the following table

Issue Date	No. of Shares	Name of the Party	Face Value	Issue Price	Remarks
October 20, 2004	501,650	Mr. V Rajagopal	10	Share Swap	Shares allotted for a consideration other than cash consequent to the merger order of the High Court of Madras
October 20, 2004	501,650	Mrs. Rama Rajagopal	10	Share Swap	
October 20, 2004	206,400	Devsen Software & Exports Private Limited	10	Share Swap	
October 20, 2004	300	Mrs. Ammani Rajagopalan	10	Share Swap	
April 29, 2005	199,835	Bennett, Coleman & Co Limited	10	220	Allotted to BCCL for consideration other than cash towards the cost of advertisement

21. As on the date of filing of this Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares.
22. We have issued Equity Shares at a price lower than the Issue Price in last twelve months.
23. An oversubscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off to the nearer multiple of one equity share while finalising the allotment.

**Restrictive Covenants under the lenders agreements about capital structure :** In respect to the various agreements entered into by our Company with its lenders, we are bound by certain restrictive covenants regarding its capital structure. As per these restrictive covenants, our Company cannot, without the prior approval of the banks prepay any outstanding loan amount, issue any debentures, raise loans, deposits from public, issue equity or preference capital, issue bonus shares, change its capital structure or create any charge on its assets or give any guarantees. Also we shall not without the prior written approval of the bank buy back, cancel, retire, reduce, redeem, purchase, re-purchase, acquire any of its share capital, issue any further share capital. Further, our Company is also prohibited from creating any subsidiary or undertaking mergers, amalgamations and re-organizations with the creditors or shareholders, without the prior consent of its lending institutions. Also, Company shall not, without the prior permission of its lender, invest any part of the loan money advanced, by way of deposits, loans, share capital or otherwise in any concern. Our Company shall not declare or pay any dividend to its shareholders during any financial year unless it has paid all the pending dues. We shall not make any investments by way of deposits, loans, share capital, revalue its assets, carry out general trading other than sale of its own products, enter into an arrangement for sale of its products and purchase of raw materials without the prior written approval of the bank. Pursuant to the aforesaid covenants, we have obtained approvals from Banks on October 14, 20005.



## OBJECTS OF THE ISSUE

### OBJECTS OF THE ISSUE

We believe that there exist strong opportunities for growth in the global textile industry in a quota free regime and the branded apparel domestic market (for details on the opportunities see section titled “Industry”). To take advantage of the opportunities and with a view to improve the margins through value addition, we propose to acquire a trouser manufacturing facility and are planning an expansion in our garment manufacturing capacity (hereinafter referred to as “expansion plan”). We are also expanding our reach in the branded apparel segment by setting up additional own stores. The objects of the Issue is to raise capital for part financing the above described expansion plan. We believe that the listing of our shares will provide liquidity to our existing investors and also enhance our Company’s visibility and brand value.

Our assessment of fund requirement and deployment is based on internal management estimates and have not been appraised by any bank or financial institution or any independent organisation. Our capital expenditure plans are subject to a number of variables, including possible cost overruns; construction/development delays or defects; receipt of critical governmental approvals including availability of working capital finance on acceptable terms; and changes in management’s views of the desirability of current plans, among others. In case of any variations in the actual utilization of funds earmarked for the above activities, the difference, if any, may be adjusted against the availability / requirement of funds in the areas identified as part of the expansion plan and/or increased fund deployment for a particular activity, the shortfall, if any, may be met with by surplus funds, if any available in the other areas and/or our Company’s internal accrual, and/or the term loans/working capital loans that may be availed from the banks. The balance proceeds of the Issue in addition to the abovementioned requirements, if any, will be used for general corporate purposes including but not restricted to repayment of loans.

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

### FUNDS REQUIREMENT

The total estimated fund requirement is as follows:

(Rs. in Mn.)

S. No.	Particulars	Cost
A	Expansion of exclusive Indian Terrain stores	93.40
B	Setting up new Factory	230.00
C	Part finance acquisition of Ambattur Clothing Limited’s MEPZ-SEZ undertaking	462.60
D	Working Capital	180.00
E	Fund investments in Joint Ventures/Strategic Initiative	65.00
F	Issue Expenses	62.60
	<b>Total</b>	<b>1093.60</b>

### Expansion of exclusive Indian Terrain stores

We propose to open 20 exclusive Indian Terrain Stores in the next three years. The total cost of setting up these stores is estimated at Rs. 93.40 mn.

Year Ending	Number of Stores	Location**	Area (Sq. ft.)
March 31, 2006	3	Chennai, Bangalore & Coimbatore.	4,500
March 31, 2007	8	Mumbai, Delhi, Cochin, Ahmedabad, Calcutta, Hyderabad, Bangalore & Nagpur.	12,000
March 31, 2008	9	Lucknow, Chandigarh, Calcutta, Delhi, Mumbai, Surat & Chennai.	13,500
<b>TOTAL</b>			<b>30,000</b>

\*\* We have entered into agreements for only three properties.

Setting up additional stores will enable us to expand our reach, display our entire product portfolio and help us position our brand so as to serve additional customers in existing and new geographies, and help us with our growth plans.

We intend to enter into definitive long term lease, leave and licence, conducting and any other arrangement with the property owners for all the planned new stores. We have already entered into contractual agreement for three of our planned stores and have paid them a rent deposit of Rs 2.47 Million as on October 6, 2005. We are yet to identify the property for 17 locations.



We do not own any of our current stores premises and do not plan to own any of the planned new stores premises. As the stores will be acquired under leave and license, long term lease or under any arrangement, deposits will be payable by us on entering into the commercial agreement with the property owner. We estimate that we shall require paying deposits of Rs 40.00 mn for acquiring the planned new stores.

We estimate an additional fund requirement over and above the store deposit for the planned new stores at Rs 53.40 mn. Additional capital expenditure requirement include electricals, lighting, air conditioning, interiors, furnitures, fixtures, false ceiling, flooring, signages and other establishment related expenses. We enter into contracts with vendors for the supply of the same a few months before we expect to launch the store. We do not envisage any difficulty in sourcing these equipments and services as these are standard equipments available at short notice.

**Setting up of factory at Irrungattukottai, SIPCOT industrial Park**

We propose to set-up a factory at Irrungattukottai, SIPCOT Industrial Park. The factory’s total capacity will be 920 production machines. Our existing factories at Porur (2 number of factories), Chennai and Velachery, Chennai will be re-located and consolidated at the Irrungattukottai premises. Besides, 265 new shirt manufacturing machines would be added to the factory. The factory covering an area of 7.79 acres will be situated at Plot No.K 56, 57 and 59 of Sipcot’s Industrial Park, Irrungattukottai, Sriperumbudur, Kancheepuram District. The plot has been acquired on a 99 year lease period.

The break-up of fund requirement for setting up the new factory:

<b>Particulars</b>	<b>Rs. In Mn</b>
Land	7.40
Building	160.00
Plant and Machinery	53.60
Office Equipments and Computers	1.50
Furniture and Fittings	5.90
Vehicles	1.60
<b>Total</b>	<b>230.00</b>

The factory will be self sufficient and will have its automatic spreader and cutter, own washing unit and wrinkle free processing unit in addition to the sewing machines. We propose to import most of the above machines. Approximately 86.50% of the estimated total plant and machinery is imported. Details of the plant and machinery is given below:

	<b>Particulars</b>	<b>No of Units</b>	<b>(Rs. In Mn.)</b>	<b>Quotation Received from</b>	<b>Date of Quotation</b>
I	<b>Imported machines</b>				
A	<b>Sewing Machines – Regular</b>				
	Single Needle Lock stitch with UBT with complete set	108	3.99	Jay cee Enterprises Pvt Ltd	Nov 16, 2005
	Single Needle Needle Feed, Lock stitch with complete set	60	5.38	Jay cee Enterprises Pvt Ltd	
	Double Needle Dual Feed Technology Placket	13	2.39	Jay cee Enterprises Pvt Ltd	
	Double Needle, Five Thread, Over Lock Machine with-Complete set	10	0.36	Juki Machinery (India) Pvt Ltd	
	Single Needle, Lock Stitch Machine with Edge Trimmer Complete Set	21	0.82	Jay cee Enterprises Pvt Ltd	
	Double Needle, Double Chain Stitch Feed of the Arm Machine with complete set	4	0.63	Jay cee Enterprises Pvt Ltd	



	Particulars	No of Units	(Rs. In Mn.)	Quotation Received from	Date of Quotation
	<b>Special Type of Machine</b>				
	Computer Controlled, eyelet Buttonholing machine with Trimmer for needle and Looper thread	7	1.22	Jay cee Enterprises Pvt Ltd	Nov 16, 2005
	Button attaching machine-electronic lockstitch direct drive button sewer machine	4	0.64	Jay cee Enterprises Pvt Ltd	
	Pattern Take Machine	1	0.29	Jay cee Enterprises Pvt Ltd	
	Bartack Machine-Electronic lock stitch direct drive with complete set	5	0.61	Jay cee Enterprises Pvt Ltd	
	<b>Total for Sewing machines</b>		<b>16.33</b>		
B	<b>Automatic Spreader and Cutter</b>				
	Automatic Fabric Spreader with loader & Transfer table	2	3.22	IIGM	Sep 27,2005
	Automatic Cutting Head-Computerised control with Complete accessories-	1	7.22	IIGM	
	Software & Plotter computers for the above-Pattern designing & others	1	0.92	IIGM	
	<b>Total</b>		<b>11.36</b>		
C	<b>Washing Unit</b>				
	<b>Washing Machines</b>				
	Tonello-Washing Machine	2	6.38	Tonello	Sep 01, 2005
	<b>Total</b>		<b>6.38</b>		
D	<b>Wrinkle Free Plant</b>				
a)	<b>Process Machines</b>				
	Automatic Chemical Spray machines LBS -2.5 KW Air-120 ltr/min	1	0.42	IIGM-Nagai Shing	Sep 01, 2005
	Curing Oven-Gas fired -(Curing Oven) power 8.5 KW Pressure-20m/bar	1	1.08	IIGM-Nagai Shing	
	Stainless Steel Trolley- 3 Rows	4	0.11	IIGM-Nagai Shing	
	Stainless Steel Trolley- 4 Rows	4	0.11	IIGM-Nagai Shing	
	Stainless Steel Trouser Hangers	12	0.006	IIGM-Nagai Shing	
	Wooden Hangers SH-102A/B	9	0.003	IIGM-Nagai Shing	
b)	<b>Rotondi-Shirt Form Finisher</b>				
1	QAD-50 Steam 60 kg/hr Power-7.6 kw, Air-3ph-400 watts, Pressure-6 Bar	2	0.56	IIGM-Nagai Shing	Sep 01, 2005
2	TF/AL Steam 90kg/hr, Power -13KW ,Air3ph-400 watts, Pressure-5 Bar	6	2.81	IIGM-Nagai Shing	
c)	<b>Shirt - wrinkle Free Pressing Machines</b>				
1	Electronic Heated Collar and cuff Press 30kg/hr Power 10.6 KW	2	0.82	IIGM-Nagai Shing	Sep 01, 2005
2	Electric Heated Utility Shirt Yoke Press 30Kg/hr Power 50 Kw	2	0.79	IIGM-Nagai Shing	
3	Electric Heated Sleeve press Double Head 30kg/hr Power 9.8 KW	2	0.85	IIGM-Nagai Shing	
4	Collar Creasing Press-Single electric Steam-1 Power-1KW	1	0.06	IIGM-Nagai Shing	
5	Vacuum pump for the above	1	0.35	IIGM-Nagai Shing	



	Particulars	No of Units	(Rs. In Mn.)	Quotation Received from	Date of Quotation
<b>d)</b>	<b>Rotondi -Trousers Wrinkle Free Pressing Machines</b>				
1	Trousers legger Press with Rafaello computer-Steam 120 kg/hr Power 18KW, air 1ph-220 Volts	4	2.09	IIGM-Nagai Shing	Sep01, 2005
2	Trousers Topper Press with Rafaello Computer-Steam 45 kg/hr, power-4.5 KW, Air-1ph-220Volts	3	1.40	IIGM-Nagai Shing	
	<b>Total</b>		<b>11.46</b>		
	<b>Grand Total for Imported Machines</b>		<b>45.53</b>		
	Clearing and Forwarding charges		0.83		
	<b>Total</b>		<b>46.36</b>		
<b>II</b>	<b>Local Machines</b>				
	<b>Boilers, Washing machines &amp; Ironing machines</b>				
	Ramsons Veit ironing Tables -Size 130x80 cm	48	1.74	Ramsons Garment	Sep 3, 2005
	Ramsons electric Steam iron for the above	48	0.35	Finishing	
	Hydro Extractor with Frequency inverter-with mechanical brake	3	0.69	Equipments (P) Ltd	
	Thread Sucking machine	4	0.19	Ramsons Garment	Sept 3, 2005
	Stain Remover Station	1	0.09	Finishing Equipments (P) Ltd	
	Staple attaching machine	4	0.67	Sewing system	
	Boiler for ironing & Finishing Section-850 kg	1	0.60	Ramsons Garment	
	Compressor for the above-Screw Compressor with Drier & Filter	1	0.76	Finishing Equipments (P) Ltd	Sept 3, 2005
	<b>Total</b>		<b>5.09</b>		
	<b>Generators</b>				
	500 KVA genset	1	2.10	Dominion	Nov 9, 2005
	Installation		0.05		
	<b>Grand Total of Local Machines</b>		<b>7.24</b>		
	<b>Total Cost of Plant and Machinery</b>		<b>53.60</b>		

The total power required for running this factory is estimated at **750 KVA** and we will enter into an agreement with Tamilnadu State Electricity Board. We are installing 500 KVA genset as back-up power. The total water requirement is estimated at **8625** kilolitres and we shall source the same from SIPCOT.

#### Acquisition of Ambattur Clothing Limited's MEPZ-SEZ undertaking

We have entered into a Memorandum of Understanding (MOU) with Ambattur Clothing Limited (ACL) on December 02, 2005 for the acquisition of its undertaking engaged in the manufacturing of readymade garments, specialized in the production of all types of trousers (dress pants, casual and denim) and located at MEPZ-SEZ, Chennai.

The unit is located at Plot C, Survey Nos.24, 25 and 54, Phase II in MEPZ-SEZ, Tambaram, Chennai-600 045 and the building is located at SDF-IV, 3<sup>rd</sup> Main Road, MEPZ-SEZ, Tambaram, Chennai-600 045. The factory is spread out in the leased land of 4.94 acres with a total building area of around 3.27 lakh sq.ft. The facility also has an additional 4 acre land on long term lease for future expansion at Plot No. D-1, Survey No. 164/1 (part), Phase II in MEPZ-SEZ, Tambaram, Chennai 600 045. The facility also has a office 27,000 sq. ft.

The production capacity of the factory is 6 million trousers per annum working on a double shift basis. The facility has over 2000 sewing machines and employs approximately 4735 employees. The facility is eligible for an Income Tax holiday till Assessment Year 2009-10 and other benefits as specified under the SEZ Rules. The factory is equipped with automatic machines which include:

1. Eton conveyor handling systems (with real time production recording system)
2. 5 spreaders with 5 air floatation tables and 2 Gerber cutters



3. All steam durable legger body pressers, buck pressers, trouser toppers
4. Special purpose machines like serging machines, pocket welt, key hole
5. Caterpillar integrated generator for 100% back up power, OLTC Transformer.

The total purchase consideration is estimated at Rs 800 million. The total cost of the acquisition including stamp duty, and registration charges is estimated at Rs 812.60 million. The payment terms for the acquisition is as outlined below

<b>Particulars</b>	<b>Cost (Rs)</b>
Purchase Consideration	800.00
Stamp Duty and Registration Charges	12.60
<b>TOTAL</b>	<b>812.60</b>
Less: Deferred Sales Consideration (8.5% secured non-convertible debentures)*	350.00
<b>TOTAL</b>	<b>462.60</b>

\* The deferred sales consideration of Rs 350 million shall be payable by way of Secured Debentures or such other debt instrument, mutually decided between the parties, to be issued by us favoring Ambattur Clothing Limited. The tenor of the Secured debentures is for a period of 3 years repayable in 3 equal annual instalments commencing from 1<sup>st</sup> April 2007. The debentures shall carry an interest rate of 8.75% subject to any upward or downward revision based on State Bank Advance rate (SBAR), which is currently 11%. The interest is payable quarterly.

We are in the process of commencing the legal and financial due diligence and expect to complete the process by January 2006. Subsequent to the successful completion of the legal and financial due diligence, both the parties shall execute an agreement for sale and deposit Rs 50 mn each in an escrow account on or before January 31, 2006. This deposit is liable for forfeiture in case either of the party is not fulfilling its obligations to give effect to the sale. The possession of the undertaking shall be completed not later than April 1, 2006.

In the event that the proposed acquisition does not happen on account of legal or financial due diligence or otherwise, the funds earmarked for the acquisition and the incremental working capital margin as detailed below shall be available for deployment in other areas of business.

<b>PARTICULARS</b>	<b>AMOUNT (Rs Mn)</b>
Funds earmarked for part financing the acquisition	462.60
Release of additional working capital margin**	80.00
<b>TOTAL</b>	<b>542.60</b>

\*\* The new factories are expected to commence commercial operations in the last quarter of FY 2007. On account of the revised schedule of implementation, the additional working capital margin will be required in the FY 2007-2008 as against immediate requirement under the proposed acquisition.

We propose to deploy the funds earmarked for the acquisition including additional working capital margin of Rs 542.60 mn as mentioned below

<b>PARTICULARS</b>	<b>AMOUNT (Rs Mn)</b>
Setting up of two new factories	303.70
Expansion of Corporate Office	37.50
Fund investments in Joint Ventures/Strategic Initiative	201.40
<b>TOTAL</b>	<b>542.60</b>

#### **Setting up of new factories**

We propose to set-up two additional factories with a total of 1400 machines with a total cost of Rs. 303.70 mn.

	<b>Factory - 2**</b>	<b>Factory - 3</b>
Facility	800 Machines	600 Machines
Location	Mahindra World City (Formerly known as Mahindra Industrial Park) Natham Sub (P.O.) Chengalpet - 603002	Plot No. K56, K57, K59 SIPCOT's Industrial Park Irungattukottai, Sriperumbudur, Kancheepuram District
Area	Approx. 5 acres	2.00 acres
Ownership Structure	99 year lease	99 year lease

\*\*The Company has entered into MOU for acquiring 5 acres of land for 99 years on lease basis.



The break-up of fund requirement for setting up the new factories is as mentioned below:

(Rs. In Mn.)

Particulars	Factory - 2	Factory - 3	Total
Land	21.00	1.80	22.80
Building	65.00	75.00	140.00
Plant and Machinery	67.89	59.07	126.96
Office Equipments and Computers	1.00	1.00	2.00
Furniture and Fittings	5.06	4.68	9.74
Vehicles	1.20	1.00	2.20
<b>Total</b>	<b>161.15</b>	<b>142.55</b>	<b>303.70</b>

**Factory 2:** We have identified a 5 acre plot at the Mahindra World City (Formerly known as Mahindra Industrial Park), Near Chennai and we have signed MOU for acquiring the land on a 99 years lease. We propose to set-up our 800 machine factory to manufacture Shirts. The cost of construction of the building is estimated at Rs 65 mn and has been arrived at based on the quotations received from Geodesic Techniques Pvt. Ltd dated October 10, 2005. The factory is located in the Special Economic Zone.

The factory will have its automatic spreader and cutter besides sewing machines. We propose to import most of the above machines. Approximately 77.52% of the estimated total plant and machinery is imported. Details of the plant and machinery is given below

	Particulars	No of Units	(Rs. In Mn.)	Quotation Received from	Date of Quotation
<b>I</b>	<b>Imported machines</b>				
<b>A</b>	<b>Sewing Machines - Regular</b>				
	Single Needle Lock stitch with UBT with complete set	310	9.96	Juki Machinery (India) Pvt Ltd	July 27, 2005
	Single Needle Lock stitch L/S UBT Control Panel with complete set	50	1.80	Juki Machinery (India) Pvt Ltd	
	Four Needle Vertical looper double needle chain stitch	6	0.39	Naomoto Asia Trading Co Pte Ltd	June 2, 2005
	Double Needle, Needle Feed, Lock stitch Machine large hooks-Complete set	38	5.52	Juki Machinery (India) Pvt Ltd	July 27, 2005
	Double Needle, Five thread, Overlock machine with complete set	38	1.32	Juki Machinery (India) Pvt Ltd	
	Single Needle, Lock stitch machine with Edge Trimmer-complete set	50	1.98	Juki Machinery (India) Pvt Ltd	
	Double Needle, Double Chainstich Feed -off-the Arm Machine with complete set	13	1.83	Juki Machinery (India) Pvt Ltd	
			22.80		
	<b>Special Type of Machine</b>				
	Computer Controlled, Buttonholing machine with Trimmer for needle and Loper thread	15	2.50	Juki Machinery (India) Pvt Ltd	Sept 3, 2005
	Button attaching machine-electronic lockstich direct drive button sewer machine	15	2.63	Juki Machinery (India) Pvt Ltd	
	Pneumatic collar pressing machine with collar turner and trimmer	12	2.25	TT Tailor	
	PNEUMATIC CUFF FIXING MACHINE	12	1.87	TT Tailor	
	Fusing Machine-Reliant-Conveyor Facility machine with long tunnel technology with 900 MM	3	1.86	Reliant	
	Band Knife cutting machine Table size:1500x1800mm cutting capacity-180 mm	3	0.63	Naomoto Asia Trading Co Pte Ltd	June 2, 2005



	Particulars	No of Units	(Rs. Mn.)		Quotation Received from	Date of Quotation
			In			
	Barteck Machine-Electronic lock stitch idrect drive with complkete set	7		0.93	Juki Machinery (India) Pvt Ltd	July 27, 2005
	Cutting machine-8 inch	5		0.23	Naomoto Asia Trading Co Pte Ltd	June 2, 2005
				12.90		
	<b>Total for Sewing machines</b>			<b>35.70</b>		
<b>B</b>	<b>Automatic Spreader and Cutter</b>					
	Automatic Fabric Spreader with loader & Transfer table	1		2.66	IIGM	Sept 1, 2005
	Automatic Cutting Head-Computerised control with Complete accessories-1.7 mtrs	1		9.24	IIGM	
	Cutting Tables -40 mtrs Table for the above- (40*2=80 mtrs) (1 mtr rate 2000 euro)	1		0.88	IIGM	
	AIR BLOWER					
	Veith Pin Table (4x1.7M wide) with 8 needle bars	2		1.76	IIGM	
	Softwerae & Plotter computers for the above -Pattern designing & others	1		1.35	IIGM	
	<b>Total</b>			<b>15.89</b>		
	Grand Total for Imported Machines			51.59		
	Clearing & Forwarding charges			1.03		
	<b>Total</b>			<b>52.62</b>		
<b>II</b>	<b>Local Machines</b>					
<b>A</b>	<b>Boiler, &amp; Ironing machines</b>					
	Ramsons Veit ironing Tables -Size 130x80 cm	50		1.82	Ramsons Garment Finishing Equipments (P) Ltd	Sept 3, 2005
	Ramsons electric Steam iron for the above	50		0.36		
	Boilers for Washing & ironing-50 kg	6		0.89		
	Ramson on Line ironing tables-Size 105x65 cm	40		0.96		
	Boilers for online ironing Tables-5 ltr -Portable Boilers with iron Box	40		0.89		
	IFB washing machine	1		0.02		
	Thread Sucking machine	3		0.14	Ramsons Garment Finishing Equipments (P) Ltd	Sept 3, 2005
	Stain Remover	1		0.09		
	Installation cost for the Boilers & ironing tables (for 48 nos)			0.24		
	Compressor & Boilers for the above	1		0.51		
	<b>Total</b>			<b>5.92</b>		
<b>III</b>	<b>Generators</b>					
	250 KVA gen sets	2		2.17	Powerica Limited	Sept 5, 2005
	Installation cost	2		0.67		
				2.84		
<b>IV</b>	<b>STP Plant</b>	1		1.5		
<b>V</b>	Electrical Installation			5.00		
	<b>Total Cost of Plant &amp; Machinery</b>			<b>67.88</b>		

The total power required for running this factory is estimated at 400 KVA and we will enter into an agreement with Tamil Nadu State Electricity Board. We are installing two DG sets of 250 KVA capacity as back-up power. The total water requirement is estimated at 2500 kilo litres per month and we shall source the same from Mahindra World City Developers Limited.



**Factory 3:** We are planning to construct a 100% export oriented unit for setting up a 600 machine factory to manufacture trousers including denim in the same premises where factory 1 is being constructed now. The cost of the construction of the building is estimated at Rs. 75 million and has been arrived at based on the quotations received from Geodesic Techniques Private Limited dated 28<sup>th</sup> November, 2005. The factory will be self sufficient and will have its automatic spreader and cutter and own washing unit in addition to the sewing machines. We propose to import most of the above machines. Approximately 73.73% of the estimated total plant and machinery is imported. Details of the plant and machinery is given below

Sr. No.	Particulars	No of Units	(Rs. In Mn.)	Quotation Received from	Date of Quotation
<b>I</b>	<b>Imported machines</b>				
	<b>Sewing Machines Regular</b>				
	Single Needle Lock stitch with UBT with complete set	250	8.03	Juki Machinery (India) Pvt Ltd	July 27, 2005
	Single Needle Lock stitch L/S UBT Control Panel with complete set	40	1.44	Juki Machinery (India) Pvt Ltd	
	Four Needle Vertical looper double needle chain stitch flat bed with puller	5	0.33	Naomoto Asia Trading Co Pte Ltd	June 2, 2005
	Double Needle, Needle Feed, Lock stitch Machine large hooks-Complete set	30	4.36	Juki Machinery (India) Pvt Ltd	July 27, 2005
	Double Needle, Five thread, Overlock machine with complete set	30	1.04	Juki Machinery (India) Pvt Ltd	
	Single Needle, Lock stitch machine with Edge Trimmer-complete set	40	1.58	Juki Machinery (India) Pvt Ltd	
Double Needle, Double Chainstich Feed -off-the Arm Machine with complete set	10	1.41	Juki Machinery (India) Pvt Ltd		
<b>Total</b>			<b>18.19</b>		
	<b>Special Type of Machine</b>				
	Computer Controlled, Buttonholing machine with Trimmer for needle and Looper thread	12	2.01	Juki Machinery (India) Pvt Ltd	Sept 3, 2005
	Button attaching machine-electronic lockstich direct drive button sewer machine	12	2.11	Juki Machinery (India) Pvt Ltd	
	Pneumatic collar pressing machinewith collorturner and trimmer	10	1.87	TT Tailor	
	PNEUMATIC CUFF FIXING MACHINE	10	1.56	TT Tailor	
	Fusing Machine-Reliant-Conveyor Facility machinewith long tunnel technology with 900 MM	2	1.24	Reliant	
	Band Knife cutting machineTable size:1500x1800mm cutting capacity-180 mm	2	0.42	Naomoto Asia Trading Co Pte Ltd	June 2, 2005
	Bartek Machine-Electronic lock stitch idrect drive with complkete set	6	0.79	Juki Machinery (India) Pvt Ltd	Sept 3, 2005
Cutting machine-8 inch	4	0.18	Naomoto Asia Trading Co Pte Ltd	June 2, 2005	
<b>Total</b>			<b>10.18</b>		
<b>II</b>	<b>Total for Sewing machines</b>		<b>28.37</b>		
	<b>Automatic Spreader and Cutter</b>				
	Automatic Fabric Spreader with loader & Transfer table	1	2.66	IIGM	Sept 1, 2005
	Cutting Tables -40 mtrs Table for the above -(40*2=80 mtrs) (1 mtr rate 2000 euro)	1	0.88	IIGM	
	AIR BLOWER				
	Veith Pin Table (4x1.7M wide) with 8 needle bars	2	1.76	IIGM	
Software & Plotter computers for the above -Pattern designing & others	1	1.35	IIGM		
<b>Total</b>			<b>6.65</b>		



Sr. No.	Particulars	No of Units	(Rs. In Mn.)	Quotation Received from	Date of Quotation
III	Washing Unit				
a	Washing Machines, Hydro extractor & Driers				
	Tonello-Washing Machine	1	3.82	Tonello	Sept 1, 2005
	Industrial Washing Machine-60 kg/Hr- (With Freq. Inverter 1, Pneumatic water inlet 1 Steam Solenoid valve 1)	1	0.17	IIGM - Nagai Shing	
	Industrial Washing Machine-200 kg/Hr- (With Freq. Inverter 2, Pneumatic water inlet 2 Steam Solenoid valve 2)	3	1.58	IIGM - Nagai Shing	
	Hydro Extractor with Regular Model	1	0.13	IIGM - Nagai Shing	
	<b>Driers</b>				
	Thermic Fluid Heated radiator with Pneumatic cool Air Damper-803520 Kcal/hr- 66KW	5	1.77	IIGM - Nagai Shing	
	Thermic Fluid Heated radiator with Pneumatic cool Air Damper-25110 Kcal/hr- 3 KW	1	0.21	IIGM - Nagai Shing	
	<b>Total</b>		<b>7.68</b>		
	Grand Total of Imported Machines		42.70		
	Clearing & Forwarding charges		0.85		
	<b>Total</b>		<b>43.55</b>		
<b>B</b>	<b>Local Machines</b>				
	Boiler, & Ironing machines				
	Ramsons Veit ironing Tables -Size 130x80 cm	48	1.74	Ramsons Garment	Sept 3, 2005
	Ramsons electric Steam iron for the above	48	0.35	Finishing	
	Boilers for Washing & ironing-50 kg	6	0.89	Equipments (P) Ltd	
	Ramson on Line ironing tables-Size 105x65 cm	30	0.72		
	Boilers for online ironing Tables-5 ltr -Portable Boilers with iron Box	30	0.67		
	Hydro Extractor with Frequency inverter	2	0.46		
	IFB washing machine	1	0.02		
	Thread Sucking machine	3	0.14	Ramsons Garment	Sept 3, 2005
	Stain Remover	1	0.09	Finishing Equipments (P) Ltd	
	Installation cost for the Boilers & ironing tables (for 48 nos)		0.24		
	Compressor & Boilers for the above		0.41		
	<b>Total</b>		<b>5.73</b>		
	<b>Generators</b>				
	250 KVA gen sets	2	2.17	Powerica	Sept 5, 2005
	Installation cost	2	0.62		
	ETP Plant	1	2.00		
	<b>Total for Local Machines</b>		<b>10.52</b>		
<b>C</b>	<b>Electrical Installation</b>		<b>5.00</b>		
	<b>Total Cost for the Plant and machinery</b>		<b>59.07</b>		

The total power required for running this factory is estimated at 400 KVA and we will enter into an agreement with Tamil Nadu State Electricity Board. We are installing two DG sets of 250 KVA capacity as back-up power. The total water requirement is estimated at 4313 kilo litres per month and we shall source the same from borewells in own land.



## SCHEDULE OF IMPLEMENTATION

These two factories commence commercial production in April 2007 and January 2007 respectively, proposed schedule of implementation is below.

Activity	Factory - 2	Factory- 3
Acquisition of Land & Site Development	March 2006	Completed
Construction of Industrial Shed/RCC	August 2006	September 2006
Plant and machinery placement of orders	September 2006	July 2006
Arrivals of Machines	December 2006	October 2006
Installation	January 2007	November 2006
Trial Run	February 2007	December 2006
Production	April 2007	January 2007

### Expansion of Corporate Office

With a view to meet the growing need for the work place in case acquisition does not happen, we propose to take up additional space for our Corporate office at Narayanapuram envisaging a total area of 30,000 sq.ft. The advance towards lease rentals would be Rs. 5 mn. The total cost of expansion including interiors, air conditioning etc would cost to Rs. 37.50 million.

Particulars	Description
Facility	Corporate Office
Location	Narayanapuram
Area	30,000 sq.ft
Ownership Structure	Lease for 33 months with an option for renewing further.

The break-up of fund requirement for expansion of Corporate Office is as mentioned below:

Particulars	Name of the Contractor	Amount (Rs. in million)	QuotationDate
Rental Advance		5.00	
Interiors, False Ceiling & Furniture	M/s Geodesic Techniques Pvt. Ltd.	25.96	October 10, 2005
Air Conditioners	M/s Geodesic Techniques Pvt. Ltd.	6.55	

### Fund investments in Joint Ventures/Strategic Initiative

We propose to continue to pursue our strategy of growth organically and inorganically. We propose to target companies in India and overseas which have substantial experience in their respective domains and a good clientele. The surplus funds after utilization for aforesaid purposes will be earmarked for such strategic acquisitions of business(es) and/or assets (including immovable properties), investments or joint ventures.

### Working Capital Margin

The working capital requirement has been calculated on the basis of additional working capital required over a period of next two years. Inventories of Raw Material (RM), Work in Progress (WIP) and Finished Goods (FG) have been taken at various levels, which is in consonance with the industry practice and past trends.

Our present working capital requirements as on March 31, 2005 and financing the same are as follows:

#### Working capital Calculation

	March 31, 2005 (Rs. in million)
Inventories	411.6
Sundry Debtors	224.1
Less: Current Liabilities & Provisions	247.80
Net Working Capital	387.90
Source of Funds	
Cash Credit	34.00
Export Packing Credit	164.30
Post Shipment Finance	150.00
Internal Accruals & Own Funds	39.60



We have taken different levels of RM, WIP and FG for our domestic and export businesses as given in the table below:

Particulars	Domestic market	Export Market
Raw material & Work in Progress	120 days	90 days
Finished Goods	120 days	45 days
Debtors	90 days	15 days
Creditors	30 days	30 days

Addition over the next two years

Current Assets	Rs. in million
Stock of RM, WIP & FG	957.40
Debtors	225.60
Total Current Assets	1,183.00
Current Liabilities & Provisions	
Sundry Creditors	508.50
Provisions	(46.50)
Total	462.00
Additional Net Current Assets	721.00
Additional Working Capital margin @ 25%	180.00

#### Other Strategic Acquisitions

We seek to further enhance our position as a player in the Indian Textile industry. We intend to enhance our capabilities and address gaps in industry expertise, and geographical coverage through strategic acquisitions of business(es) and/or assets (including immovable properties), investments or joint ventures. We propose to target companies in India and overseas which have substantial experience in their respective domains and a good clientele. As of the date of this Prospectus we have not entered into any letter of intent or joint venture or definitive commitment for any acquisition other than the one mentioned above.

Any specific acquisition opportunity will be considered based on actual value estimates at that time. The proceeds of the Issue may not be the total value of the acquisition, but may provide us with enough leverage to contract and we may need further approval from our shareholders for additional funding required.

#### MEANS OF FINANCE

The fund requirements of Rs. 1093.60 is proposed to be financed as given below:

Particulars	Amount (Rs. in mn)
Initial Public Offering	819.00
Loan Funds	172.50
Private Equity fund	102.10
<b>TOTAL</b>	<b>1093.60</b>

For the proposed expansion, we have been sanctioned a rupee term loan of Rs 172.50 million from State Bank of India at an interest rate of 1.50% below State Bank of India Advance Rate (SBAR) i.e. minimum 8.75% per annum with monthly rests, repayable in 60 monthly instalments commencing from April 2007 to March 2012. We confirm that firm arrangements of finance through verifiable means towards 75% of the stated means of finance excluding the amount to be raised through the proposed public issue has been made.

We have raised Rs. 102.10 mn through private equity placement of 110,000 Equity Shares at Rs. 110 each to Reliance Capital Limited amounting to Rs. 12.10 mn and 900,000 Equity Shares at Rs. 100 each to New Vernon Bharat Limited amounting to Rs. 90.00 mn.

#### Shortfall of Funds

The Shortfall in funds, if any, will be met by internally generated cash accruals. As on Sep 30, 2005, we had a cash and bank balance of Rs. 247 million. Our reserves and surplus as on Sep 30, 2005 was Rs. 529.10 million



## SCHEDULE OF IMPLEMENTATION

### Factory at Irungattukottai

Activity	Factory I
Acquisition of Land & Site Development	Completed
Construction of Industrial Shed/RCC	March 2006
Plant and machinery placement of orders	January 2006
Arrival of Machines	March 2006
Installation	April 2006
Trial Run	April 2006
Production	May 2006

### Acquisition of MEPZ-SEZ undertaking of Ambattur Clothing Limited (ACL)

The handing over possession and taking delivery of the Undertaking of Ambattur Clothing Limited shall be completed on the closing date as may be mutually agreed upon between ACL and Celebrity Fashions, which shall not be later than April 2006.

### Expansion of exclusive Indian Terrain stores

We propose to open 20 exclusive Indian Terrain Stores of which 3 would be set up by March 2006, 8 by March 2007 and the balance 9 by March 2008.

### FUNDS DEPLOYED

We have spent a total of Rs. 61.90 mn as on October 31, 2005 for setting up the factory at Irungattukottai and for rental advance for setting our own stores, through internal accruals and Term Loan. The same has been certified by the Auditors, M/s CNGSN & Associates, Chartered Accountants vide their certificate dated December 07, 2005.

### DETAILS OF BALANCE FUND DEPLOYMENT

#### 2005-06

(Rs. in mn)

Division	Q3	Q4	Total
Indian Terrian Chain Stores	0.00	14.01	14.01
920 M Apparel Park	85.00	113.60	198.60
Acquisition of ACL MEPZ-SEZ undertaking	0.00	462.60	462.60
<b>Total</b>	<b>85.00</b>	<b>590.21</b>	<b>675.21</b>

#### 2006-07

(Rs. in mn)

Division	Q1	Q2	Q3	Q4	Total
Indian Terrian Chain Stores	9.34	4.67	14.01	9.34	37.36
920 M Apparel Park	0.00	0.00	0.00	0.00	0.00
Acquisition of ACL MEPZ-SEZ undertaking	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>9.34</b>	<b>4.67</b>	<b>14.01</b>	<b>9.34</b>	<b>37.36</b>

#### 2007-08

(Rs. in mn)

Division	Q1	Q2	Q3	Q4	Total
Indian Terrian Chain Stores	9.34	4.67	14.01	14.01	42.03
920 M Apparel Park	0.00	0.00	0.00	0.00	0.00
Acquisition of ACL MEPZ-SEZ undertaking	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>9.34</b>	<b>4.67</b>	<b>14.01</b>	<b>14.01</b>	<b>42.03</b>

**Interim Use of Proceeds**

Pending any use as described above, we intend to invest the proceeds of this 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.

**Monitoring of Utilization of Funds**

The audit committee appointed by the Board and State Bank of India, Overseas Branch, Textiles Division, Chennai 600 001 will monitor the utilization of the proceeds from the issue.



## ISSUE STRUCTURE

Public Issue of 4,550,000 Equity Shares of face value Rs. 10/- each at a price of Rs. 180 for cash at a premium of Rs. 170 per Equity Share aggregating Rs. 819 million (hereinafter referred to as the "Issue"), and the Issue would constitute 25.35 % of the post Issue paid-up capital of Celebrity Fashions Limited. The Issue is being made through the Book Building Process:

	Employees	QIBs	Non Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 50,000 Equity Shares	Up to 2,250,000 Equity Shares	At least 675,000 Equity Shares	At least 1,575,000 Equity Shares
Percentage of Issue Size available for allocation	Up to 1.10 % of this Issue Size	Up to of 50%, (of which 5% shall be reserved for Mutual Funds), of Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. *	At least 15% of Net Issue*	At least 35% of Net Issue. *
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate a) 112,500 Equity Shares shall be allocated on a proportionate basis to Mutual Funds b) 2,137,500 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per a) above	Proportionate	Proportionate
Minimum Bid	35 Equity Shares and thereafter in multiple of 35 Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 100,000 and in multiples of 35 Equity Shares thereafter.	35 Equity Shares and in multiples of 35 Equity Share thereafter
Maximum Bid	Not exceeding Rs. 1 mn.	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialized mode	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialised form
Trading Lot	One Equity share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Permanent employees of the Company on September 30, 2005	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to QIB Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid cum Application Form to the Member of Syndicate
Margin Amount	Full Bid Amount on Bidding	10% of the Bid Amount in respect of bids placed by QIB Bidder,	Full Bid Amount on bidding	Full Bid Amount on bidding

\* Subject to valid Bids being received at or above the Issue Price, under-subscription, if any, Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company, BRLM and subject to applicable provisions of SEBI Guidelines.

\*\* In case the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid Cum Application Form.

**The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of the Company, will be added back to the Net Issue.**

### Withdrawal of this Issue

Our Company, in consultation with the BRLM reserves the right not to proceed with this Issue anytime after the Bid/ Issue Opening Date without assigning any reason thereof.

**Bidding Period / Issue Period**

<b>BID / ISSUE OPENED ON</b>	<b>MONDAY, DECEMBER 19, 2005</b>
<b>BID / ISSUE CLOSED ON</b>	<b>THURSDAY, DECEMBER 22, 2005</b>

Bids and any revision in bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

**The Price Band will be decided by our Company in consultation with the BRLM.**

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid Opening Date / Issue Opening Date.

**In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band, subject to the Bidding Period / Issue Period not exceeding ten working days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE by issuing a press release, and also by indicating the change on our web site and/or the BRLM and at the terminals of the Syndicate Member.**



## BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLM on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 (Rupees Ten only) and the Issue Price is 18 times of the face value.

Investors should read the following summary with the Risk Factors included beginning on page number vii to xviii and the details about the Company and the financial statements included in this 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

For detailed discussion on the above factors, see "Our Business - Our Strengths" on page 49 of this Prospectus.

### Quantitative Factors

Information presented in this section is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP.

#### 1. Adjusted Earnings per share (EPS) of face value of Rs.10 Rs. in million

Period	Adjusted PAT	No. of shares	EPS (Rs.)	Weights
Year ended March 31, 2003	11.04	8,664,245	1.27	1
Year ended March 31, 2004	40.88	9,873,945	4.14	2
Year ended March 31, 2005	58.01	9,874,319	5.88	3
<b>Weighted Average</b>			<b>4.53</b>	

The earning per share has been computed on the basis of adjusted profits & losses for the respective years/ periods.

#### 2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. 180

- a. Based on year ended March 31, 2005 EPS is Rs. 30.61
- b. Based on weighted average EPS of Rs. 39.74
- c. Industry P/E
  - i. Highest - 106.7
  - ii. Lowest - 6.2
  - iii. Industry Composite - 36.1

#### 3. Return on Net Worth Rs. in million

Period	Adjusted PAT	Networth	RoNW (%)	Weights
Year ended March 31, 2003	11.04	143.40	7.70%	1
Year ended March 31, 2004	40.88	256.47	15.94%	2
Year ended March 31, 2005	58.01	306.09	18.95%	3
<b>Weighted Average</b>			<b>16.07%</b>	

The Return on Net Worth has been computed on the basis of adjusted profits & losses for the respective year/ period.

#### 4. Minimum Return on Increased Net Worth Required to Maintain Pre- Issue EPS is 9.30%.

#### 5. Net Asset Value per Equity Share as at March 31, 2005 – Rs 72.63 Rs. in million

Period	Net Worth	No. of shares	NAV (Rs)
Year ended March 31, 2003	143.40	3,000,000	47.80
Year ended March 31, 2004	256.47	4,209,700	60.92
Year ended March 31, 2005	306.09	4,214,410	72.63

Net Asset Value per Equity Share represents shareholders' equity less miscellaneous expenses as divided by Number of Equity Shares.



## 6. Net Asset Value per Equity Share after Issue

The net asset value per Equity Share after the Issue is Rs.63.22

- Issue Price per Equity Share: Rs.180
- Issue Price per Share was determined on conclusion of book building process.

## 7. Comparison of Accounting Ratios

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

	EPS (Rs.)	P/E	RONW	NAV (Rs.)
Celebrity Fashions Limited	5.88	30.61	17.90%	72.63
<b>Industry</b>				
Zodiac Clothing Limited#	17.1	38.5	10.3%	212.2
Gokaldas Exports	22.6	24.45	44.2%	76.9

Earnings per share, Return on Net Worth and net asset value are based on last audited financial results for the period ending 31st March, 2005.

Source: Capital Market Volume XX/16

#(Data based on trailing twelve months)

8. We have made the following equity issuances after March 31, 2005. The above ratios have been computed without considering the same.

Date of Issue	Nature of Issuance	Number of Shares	Issue Price
April 29, 2005	Fresh Issue to BCCL	199,835	220
May 23, 2005	Fresh Issue to NVB	1,250,000	200
August 19, 2005	Bonus Issue (1:1)	5,664,245	Nil
October 4, 2005	Fresh Issue to BCCL	907,728	110
October 14, 2005	Fresh Issue to Reliance Capital	110,000	110
October 28, 2005	Fresh Issue to New Vernon Bharat Limited	900,000	100



## **STATEMENT OF TAX BENEFITS**

Please refer to section "Financial Statements - Statement of Tax Benefits" on page 99 of this Prospectus.



## SECTION IV: ABOUT US

### INDUSTRY

#### INTRODUCTION

Textiles and clothing sector is the largest employer after agriculture and its importance in India's economy is recognised for its contribution to industrial production and export earnings. With the phasing out of the Multi Fibre Arrangement (MFA) by 2005 and the removal of Quantitative Restrictions (QR) and scheduled dismantling of tariff barriers by the end of 2004, the industry will be required to achieve a competitive strength for its survival in the global environment. India accounts for 3.30% of the world trade in textiles and garments and the phasing of MFA and QRs will result in new opportunities emerging for the Indian textile industry.

The global textile trade in 2003 was USD 395 billion, recording a growth of 11.57% over the previous year. Of the total textile trade, global exports of textile accounted for USD 169 billion and garments accounted for USD 226 billion. 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. [Source: WTO International Trade Statistics Book-2004]

The textile and the garment industry is labour-intensive and it offers entry-level jobs for unskilled labour in developed as well as developing countries. Job creation in the sector has been particularly strong for women in poor countries, who previously had no income opportunities other than the household or the informal sector. Moreover, it is a sector where relatively modern technology can be adopted even in poor countries at relatively low investment costs. Because of labour intensive nature of the textile industry, in the last fifty years the industry has shifted its base several times and concentrated to those countries, which offered most competitive labour cost structure.

At the same time, the textile and garment industry has high-value added segments where design, research and development (R&D) are important competitive factors. The high end of the fashion industry uses human capital intensively in design and marketing. The same applies to market segments such as sportswear where both design and material technology are important. Finally, R&D is important in industrial textiles where, again, material technology is an important competitive factor. 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.

Textiles and clothing are closely related both technologically and in terms of trade policy. Textiles provide the major input to the clothing industry, creating vertical linkages between the two. International trade in the two sectors is regulated by the Agreement on Textiles and Clothing (ATC) at the multilateral level, while bilateral and regional trade agreements typically link the two sectors through rules of origin accompanying preferential market access.

With the implementation of 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.

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 modernization 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]



## REMOVAL OF QUOTAS IN 2005

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 international agreements, designed to ensure countries could erect or maintain barriers to international trade only under mutually agreed terms.

Apparels/readymade garments were not included in GATT provisions. In 1974, 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/readymade garments and textile industries before opening them up to competition from developing countries.

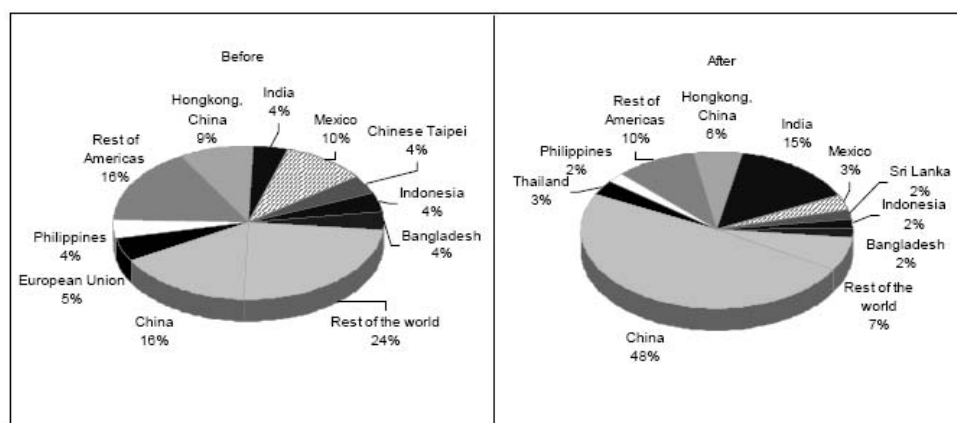
In practice, the MFA was frequently renewed. In 1994, GATT signatories signed the Agreement on Textiles and Clothing (ATC), committing to phasing out MFA and replacing it by the general systems for agreeing trade barriers and disputes that the GATT had laid down. Almost simultaneously, the GATT was replaced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

The most important underlying principles of the ATC are:

- That quotas would be phased out to an agreed timetable
- There would be no extension date
- The ATC would be binding only on trade between WTO member states.

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.

A discussion paper, The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing by Hildegunn Kyvik Nordås (WTO) estimates the likely changes in trade flows in apparel with the removal of quotas in 2005, which is likely to change the market shares of various countries in international trade as given below:



Market shares before and after quota elimination, clothing, USA

Source: Staff of the WTO Secretariat



## THE STRUCTURE OF THE TEXTILE AND CLOTHING SECTOR

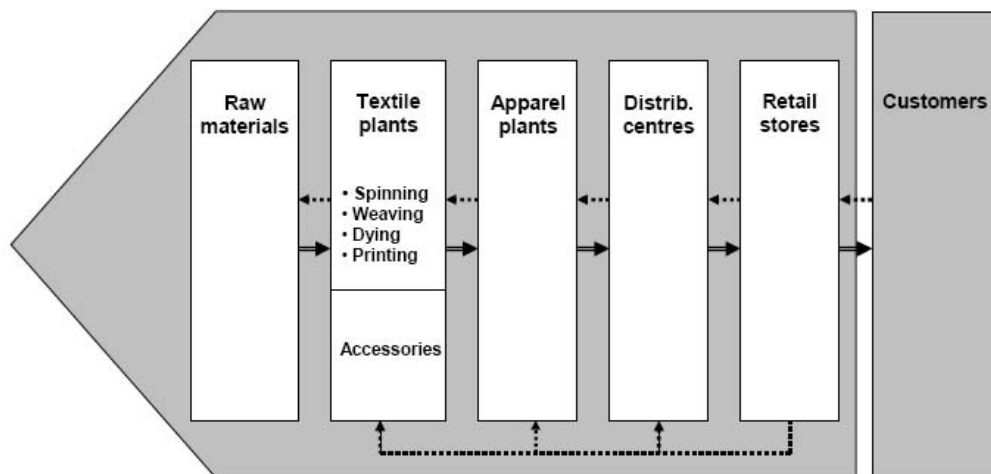
The clothing sector is a labour-intensive, low wage industry and a dynamic, innovative sector, depending on which market segments one focuses upon. In the high-quality fashion market, the industry is characterized by modern technology, relatively well-paid workers and designers and a high degree of flexibility. The competitive advantage of firms in this market segment is related to the ability to produce designs that capture tastes and preferences, and even better – influence such tastes and preferences – in addition to cost effectiveness.

The other major market segment is mass production of lower-quality and/or standard products such as t-shirts, uniforms, white undergarments etc. Manufacturers for this market segment are largely found in developing countries, often in export processing zones and/or under so-called outward processing agreements with major importers. They employ mainly female workers – semi-skilled and unskilled – and outsourcing to household production is quite common in the low end of the market.

With increasing disposable income, the consumers spend a smaller share of their income on clothing than in the past, although consumers shop more frequently and buy a larger number of clothing items than before. The response from producers to the challenge of slow growth in total demand is to build on consumers' love of variety and provide new fashions and a broad variety of sizes, colours, designs etc. at a frequent rate.

The pillars of the textile and clothing sector are the supply chain, assembly line and retailing

1. **SUPPLY CHAIN** : The textiles and clothing sectors can be seen as a supply chain consisting of a number of discrete activities. Increasingly the supply chain from sourcing of raw materials via design and production to distribution and marketing is being organized as an integrated production network where the production is sliced into specialized activities and each activity is located where it can contribute the most to the value of the end product. When the location decision of each activity is being made, costs, quality, reliability of delivery, access to quality inputs and transport and transaction costs are important variables.



The supply chain in the textile and clothing sector is illustrated above. The dotted lines represent the flow of information, while the solid lines represent the flow of goods. The direction of the arrows indicates a demand-pull-driven system. The information flow starts with the customer and forms the basis of what is being produced and when. It is also worth noticing that information flows directly from the retailers to the textile plants in many cases. The textile sector produces for the clothing sector and for household use. In the former case there is direct communication between retailers and textile mills when decisions are made on patterns, colours and material. In the second case textile mills often deliver household appliances directly to the retailers.

2. **ASSEMBLY LINE** : The basic production technology of the apparel industry has not changed much over the past century, and is characterized by the progressive bundle system. Work is organized such that each worker is specialized in one or a few operations. The fabric is first cut and then grouped by parts of the garment, tied into bundles (pre-assembly) and then sewed together. The individual sewing tasks are organized in a systematic fashion and specialized sewing machines have been developed for the individual tasks. A worker receives a bundle of unfinished garments, performs his/her single task and places the bundle in a buffer. A buffer of about one day's work has been common at each operation. It takes



about 40 operations to complete a pair of pants and 30 operations to complete a shirt . For men's blazers, however, it takes as much as 100 operations. Although a number of improvements in terms of systematizing the operations and reducing the time at each individual operation has taken place over-time, the basic system has remained the same. One explanation for this is that technology changes cannot be implemented in a partial fashion involving only a few operations. This would unbalance the system and any major technological change therefore needs to involve the entire system.

In the early days of industrial development in Europe and the United States, the bundles of unfinished garments could either be sewn together in a factory, or workers took the bundles home to sew them together there, after which they were returned to the shop or factory for finishing. The latter arrangement dominated in the early days and is still a feature of the apparel industry in developing countries today.

Even though the basic technology and the sequence of operations have not changed much, new innovations have improved efficiency at each stage of production and not least, improved coordination between stages and provided a more seamless interface between them. One major innovation was the automatic cutting machine introduced in 1969. This machine has made it possible to cut increasingly thick layers of cloth accurately. Moreover, cutting machines, pattern layouts and other functions are computer-assisted and in many cases designs can be transformed to patterns which are directly fed into cutting machines via electronic networks. These innovations are mainly related to the so-called pre-assembly phase of production, where technological developments have been more prominent than at the assembly stage. Pre-assembly is also the most capital intensive stage in the clothing sector and where quality and precision is the most important. If, for example the fabric is not cut precisely, the quality of the finished garment can be seriously damaged. Pre-assembly is therefore the stage in the production chain that is most likely to be done in-house by major clothing firms. However modern, the assembly stage of the clothing sector is still labour-intensive and it is the stage that is most likely to be farmed out to lower-cost firms.

3. **RETAILING** : Substantial changes in the retail sector have been observed during the past few decades and modern retailing has been called “lean retailing”. The technological building blocks of lean retailing are bar codes and uniform product codes, electronic data interchange (EDI) and data processing, distribution centres and common standards across firms. The change most visible to consumers is the expansion of large shopping malls at the outskirts of the cities at the expense of city centre department stores and boutiques. The retail sector has become more concentrated in the urban cities. Concentration implies more buying power for the retailer and thus increased bargaining power towards suppliers.

The bar code and complementary equipment for reading it are crucial for the retailer to collect point of sales information in real time. The technology allows retailers continuously to monitor which products sell and which do not – down to the details on size, colour and other characteristics. The technology also allows retailers to keep track of inventories. Such information is only valuable if it can be used for adjusting the supply of garments to consumer tastes as the information becomes available. Such adjustments require more frequent supply of garments in smaller quantities as opposed to the traditional stocking of the store before the season and clearance sales at the end of the season. In order for suppliers to be able to provide frequent supplies and make changes in the product spectre at short notice, retailers need to share point of sales data with suppliers, which requires frequent communication between retailers and their suppliers. For this purpose, EDI and data processing programmes are necessary. These provide a direct and often automated information exchange between retailers and suppliers and require that both parties invest in compatible software. A very crucial technology applied throughout the textile and clothing supply chain is the laser which is used for reading bar codes and transmitting the information content to the EDI and data processing equipment.

Finally, the integration of information flows, flows of goods, and payments are only possible if all the links in the chain use compatible standards. Suppliers are required to add bar codes that comply with industry standards to garments before they are shipped. Evidently, lean retailing has a bearing on suppliers and the technology applied in the clothing and textiles sectors.

## **THE INDIAN TEXTILE INDUSTRY**

The Indian Textile Industry is one of the oldest and largest and the only vertically integrated industry which is self-reliant and complete in value chain i.e. from raw material to the highest value added products – garments/made-ups. The Indian textile industry is extremely complex and varied with hand-spun and hand-woven sector at one end of the spectrum and the capital-intensive sophisticated mill sector at the other, with the decentralized powerloom and knitting sectors coming in between. This industry uses natural fibres – cotton, jute, silk and wool, as well as synthetic/ man-made fibres – polyester, viscose nylon, acrylic and their multiple blends. The complex and varied structure of the industry coupled with its close linkage with our ancient culture and tradition provides it with the unique capacity to produce, with the help of latest technological inputs and design capability, a wide variety of products suitable to the varying consumer tastes and preferences, both within the country and overseas.

The textile sector plays a significant role in Indian economy by contributing to the Gross Domestic Product, generating employment and earning foreign exchange. An estimated 35 million people are directly employed in the Indian Textile



Industry, which contributes to 4% of GDP and 14% of the total industrial production. The contribution of this industry to the gross export earnings of the country is about 21 per cent. 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. (Source: Ministry of Textiles Annual Report 2004-2005)

The textile industry has shown remarkable resilience and has grown considerably in terms of installed spindleage, yarn production and output of fabrics and garments. The spindleage capacity of the organized sector as well as that of Small Scale Industries (SSI) has increased from 37.91 million in 2000-01 to 39.03 million in 2002-03. A noticeable feature in this growth process has been the installation of large number of open end rotors in the 1990s, and the setting up of 100% Export Oriented Units (EOUs) in the spinning sector. The production of spun yarn is anticipated to touch 3221.37 million kg during 2004-05. It is worth noting that the production of 100% non-cotton yarn has shown an upward trend in recent years and it is anticipated to reach 377.31 million kg during 2004-05 from 341.76 million kg achieved during 2003-04, registering an annual growth rate of 10.40%. The production of cloth by all sectors – mill, powerloom, handloom and khadi, wool and silk has shown an upward trend in recent years. The total production of cloth during 2003-2004 was 42,383 million sq.mtrs and is anticipated to touch 44,322 million sq.mtrs. in 2004-05. The cloth production from decentralized powerloom sector was 27,258 million sq.mtrs. during 2003-04 and is anticipated to be 28,803 million sq.mtrs during 2004-05. The per capita domestic availability of cloth in the country during 2004-05 is provisionally placed at 31.89 sq.mts. (Source: Ministry of Textiles Annual Report 2004-2005)

India is globally a significant player in the textile sector and is globally the

- third largest producer of cotton and cellulose fibre/yarn.
- second largest producer of cotton yarn.
- largest producer of jute, second largest producer of silk.
- fifth largest producer of synthetic fibre/yarn

(Source: Wake up Call for India's Textile Industry, Report of Expert Committee on Textile Policy, ICAC)

Cotton is one of the major crops cultivated in India. India has the largest cotton acreage in the world and cotton is the dominant fibre in Indian Textile Industry. About 75% of the total fibre consumption in the spinning mills and about 56% of the total fibre consumption in the textile sector was cotton in 2004-05. Almost all cotton used in India is grown locally and a tiny amount is imported. Cotton textiles account for 2/3rd of India's textile exports (Source: Ministry of Textiles Website and Annual Report 2004-2005)

During the last five decades, the production of cotton in India increased from 3.0 million bales of 170 kgs each in 1950-51 to an estimated 213 lakh bales (170 kg each) in 2004-05. There has also been a rise in area under cultivation from 5.89 million hectares in 1950-51 to an estimated 8.97 million hectares in 2004-05. (Source: Ministry of Textiles Annual Report 2004-2005)

### TAMIL NADU: A LEADING TEXTILE HUB

Tamil Nadu is the leading textile producing state in the country. Cities like Coimbatore, once known as the 'Manchester of South India', and Tirupur are at the forefront of this development. The following table (2003-2004) compiled by the SIMA shows how Tamil Nadu stacks up vis-à-vis the rest of the country:

S. No	Item	All India	Tamil Nadu	%	Position of TN
1	Number of textile mills (Non SSI)	1791	835	47	1
	Number of workers (million)	0.8	0.2	22	1
	Installed spindles (million)	34	13	38	1
2	Number of spinning mills under SSI	1163	900	77	1
	Number of workers ('000s)	41	31	76	1
	Installed spindles (million)	3	3	85	1
3	Number of powerlooms (million)	1.8	0.3	18	2
	Number of workers (million)	4.6	0.8	18	2
4	Number of handlooms (million)	3.9	0.4	11	2
	Number of workers (million)	6.5	0.7	10	2
5	Cotton production (million bales)	23.2	0.4	2	9
6	Cotton requirement for mills (million bales)	15.6	6.8	44	1
7	Cotton productivity (kilos/hectare)	440	574	130	2
8	Number of processing units	2324	741	32	1

Source: Office of the Textile Commissioner, Mumbai



The Textile Industry occupies a place of unique importance in the economy of Tamil Nadu by virtue of its significant share in industrial production, large work force employed and the fact that it not only caters to the domestic textile needs but also accounts for sizeable portion in the country's exports.

Of the 1791 organised textile mills in the country, Tamil Nadu accounts for 835 units. Of the all India spinning capacity of 37.49 million spindles, Tamil Nadu alone has 15.83 million (42.2%). Textile mills in Tamil Nadu provide direct employment to about 224,000 workers. Indirectly dependent on this industry are 663,000 handloom workers, 836,000 powerloom workers and several lakhs of workers in garment, hosiery and processing units. Around 45% of the cotton yarn produced in the country comes from Tamil Nadu textile mills and 47% of the cotton yarn exports valued at Rs. 30,650 million came from these mills. In addition, powerloom and hosiery sectors from Tamil Nadu export around Rs.100,000 million per annum.

According to SIMA, Tamil Nadu has various unique advantages to its credit when compared to other states in India like good industrial relations and work culture, technical know-how, highly skilled entrepreneurship, availability of locally manufactured hi-tech machinery and testing equipment, availability of cost effective and quality spares and accessories, leading garment, made-ups and fabric manufacturing centers like Tirupur, Karur, Madurai, Palladam, Erode, Salem, etc.

Confederation of Indian Textile Industry (formerly ICMF) and Government of India have envisaged an investment of Rs.1,400,000 million for strengthening the competitiveness of the Indian textile industry in the next 5 years. This investment is expected to create 12 million additional jobs. Taking advantage of this, Tamil Nadu being the hub of the textile industry, the State would attract at least one third of the proposed investment and could generate 4 million new jobs apart from retaining the large existing work force.

## TEXTILE EXPORTS

As per the National Common Minimum Programme, the textile industry will be enabled to meet new challenges imposed by the abolition of quotas from January 2005 under the international Multi-Fibre Arrangement (MFA). In pursuance, the Government has initiated a number of measures like reduction in custom and excise duties, introduction of capital and interest subsidy, etc for strengthening the domestic textile industry for meeting the global competition. Besides, a number of steps (like launching of textile mission on cotton to improve productivity and quality of cotton, launching of apparel park for exports, launching the "Textile Centre Infrastructure Development Scheme" for improving infrastructure at important textile centres) have been taken to provide an enabling environment to the Indian Textile Industry to meet the emerging global competition.

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Readymade Garments	3676	3753	3876	4365	4765	5570	4994	5389	6048
Cotton Textiles	2638	3565	3485	2821	3107	3548	3044	3497	3478
Man-made Textiles	772	722	823	720	855	1095	1084	1364	1805
Others	1442	1515	1613	1643	1781	1885	1577	1833	1741
<b>Total</b>	<b>8527</b>	<b>9555</b>	<b>9797</b>	<b>9548</b>	<b>10509</b>	<b>12098</b>	<b>10699</b>	<b>12082</b>	<b>13072</b>

Figures in USD billion

Source : Foreign Trade Statistics of India (PC & C), DGCIS, Kolkatta

Textile exports on a year-to-year basis recorded a growth of 4.6% during April-November 2004 and in value terms amounted to US\$ 8,348.5 million against US\$ 7,981.5 million in the corresponding period of the previous year. According to a recent study by CRISIL {commissioned by Indian Cotton Mills Federation (ICMF)}, the Indian textiles and apparel industry can achieve a business of US\$ 85 billion by 2010, of which the domestic market share would be US\$ 45 billion and the share of export would be US\$ 40 billion, and approximately 60% of textile exports would be of garments. (Source: Ministry of Textiles Annual Report 2004-2005)

## 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

Country	Labour Cost as a % of manufacturing cost of apparel/garment making
Germany	69%
Singapore	55%
S. Korea	51%
Taiwan	48%
Malaysia	44%
Hongkong	37%
Phillipines	31%
Turkey	29%
Thailand	22%
Mexico	19%
China	10%
India	6%
Indonesia	5%

(Source: CII-Accenture report 'Textile Industry: Road to Growth', November 2001)

**Low Productivity:**

However, the labour productivity of India is low compared to other countries which does to an extent erode the advantage of cheap labour. Findings of comparative analysis of productivity levels of Indian apparel/garment making units vis-à-vis their counterparts in other countries are given below:

	No. of pieces/machine/day				
	Ladies Blouses	Gents Shirts	Ladies Dresses	Ladies Skirts	Trousers
Hongkong	20.6	20.9	20.2	19.3	19.3
Taiwan	18.9	18.2	12.4	16.6	16.1
Thailand	17.0	19.8	12.2	20.5	13.
S.Korea	14.6	17.4	8.8	17.5	15.6
China	10.9	14.0	7.8	13.0	6.7
India	10.2	9.1	6.3	9.6	6.8
Difference between the productivity levels of India and the best	102%	130%	221%	114%	184%

(Souce: CII-Accenture report "Textile Industry: Road to Growth", November, 2001)

According to the Vision Statement of ICMF for the textile industry, the apparel segment of the value chain will drive the textile industry growth in India. This sector provides the highest value addition for India's exports. This segment of the value chain is labour intensive, and India's competitive advantage-labour availability at low cost – is a core strength that can drive success in this segment. India thus has the potential to build a large-scale sourcing base. To achieve this, apparel companies need to



choose between 'operational excellence' and 'design and innovation'. Operational excellence-led companies will compete on the basis of lower costs and will be distinctive in their economies of scale, sourcing of fabrics and labour productivity. Best practices in operations and quality enhancement measures will ensure their success. Players competing through design & innovation will be characterized by innovative fabric R&D, close relationships with supplier mills, relationships with retailers' design departments, a good understanding of fashion trends and an ability to offer a range of readymade designs to customers.

### SWOT OF THE INDIAN TEXTILE SECTOR

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>● Self reliant industry</li> <li>● Design expertise</li> <li>● Flexibility of production in smaller lots</li> <li>● Large production base of raw material like cotton yarn and fabrics</li> <li>● Availability of relatively inexpensive and skilled work force</li> <li>● Good cultural comfort with US and Europe</li> </ul>	<ul style="list-style-type: none"> <li>● Poor work practices resulting in lower efficiencies</li> <li>● Rigid Government policies with regards to labour</li> <li>● Highly fragmented, low scale of operations</li> <li>● High dependence on cotton, availability of which is dependent on vagaries of nature</li> <li>● Infrastructure bottlenecks for handling huge volumes</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>● Huge opportunities for growth with dismantling of the quota regime</li> <li>● Shift in domestic market to branded readymade garments</li> <li>● Increased disposable income in the hands of the consumer</li> <li>● Emerging mall culture and a huge expansion in retailing</li> </ul>	<ul style="list-style-type: none"> <li>● Competition from other developing countries</li> <li>● Pricing pressure</li> <li>● Trade Blocs and partnerships at the exclusion of China</li> <li>● Locational disadvantage – long transit time from key markets</li> </ul>

### GOVERNMENT INITIATIVES / POLICIES:

Post liberalization, the Indian government has removed many of the barriers hindering the textile sector's growth. To fulfill the potential of the country's apparel-export industry, the government needs to eliminate remaining restrictions that perpetuate the lack of scale and poor operational and organizational performance of local manufacturers and that discourage investment, particularly foreign direct investment. Some of the important initiatives taken by the Government of India in this sector are as follows:

- (i) 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 US \$ 50 billion by 2010, of which the share of garments will be US \$ 25 billion. Subsequent to the announcement of NTxP-2000, the woven segment of readymade garment sector and the knitting sector have been de-reserved from SSI.
- (ii) The Technology Upgradation Fund Scheme (TUFS): TUFS is the "flagship" Scheme of the Ministry of Textiles which aims at making available funds to the domestic textile industry for technology upgradation of existing units as well as to set up new units with state-of-the-art technology to enhance their viability and competitiveness in the domestic as well as international markets. To meet the challenges of the post quota regime, the industry is required to become competitive, cost effective and quality oriented. With this background, Government of India has launched a Technology Upgradation fund scheme (TUFS) for Textiles and Jute Industries, w.e.f. 01.04.1999 for a period of 5 years, i.e., up to 31.03.2004, which was subsequently extended up to 31.03.2007. The main feature of the scheme is a 5% interest reimbursement in respect of loans availed thereunder from the concerned financial institution on a project of technology upgradation in conformity with this scheme. During the Tenth Plan Period, there is a provision of Rs. 1,270 crore for TUFS. Additionally the Ministry of Finance, Mr. P. Chindambaram while presenting the Union Budget for the Year 2005-06 stated that the TUFS was being continued with an enhanced allocation of Rs. 4350 million and proposed to introduce the 10% capital subsidy scheme for the textile processing sector in addition to the normal benefits available under TUFS. Operational guidelines on this behalf were announced by the Ministry of Textiles on April 25, 2005. Among other things, the guidelines provide that the additional 10% capital subsidy is admissible on investments made in specified processing machinery during a period of one year from April 20, 2005 to April 19, 2006.
- (iii) Liberalization of FDI Policy: Government has allowed foreign equity participation upto 100%, through automatic route.



- (iv) 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 without any restriction on age is also allowed under the new Foreign Trade Policy which came into effect on September 1, 2004. The Foreign Trade Policy also permits EPCG license holders to opt for technological upgradation for their existing capital goods imported under the EPCG license, subject to certain prescribed conditions.
- (v) 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.
- (vi) Duty Entitlement Pass Book (DEPB) Scheme: DEPB credit rates have been prescribed for 83 textiles and clothing products. The scheme aims to neutralise the incident of basic and special custom duty on the import content of the export product, by way of grant of duty credit against the export product at specified rates. However, these export incentives may be reviewed shortly to make them WTO – compatible.
- (vii) Duty Drawback Scheme: The exporters are allowed refund of the excise and import duty suffered on inputs of the export products under the Scheme. The Ministry of Finance has recently announced the revised 'All Industry Rates of Duty Drawback', which came into effect on May 5, 2005. The drawback rates have been determined on the basis of certain broad parameters including, inter alia, the prevailing prices of input, standard input/output norms published by the DGFT, share of imports in the total consumption of inputs and the applied rates of duty. An education cess is being collected as duties of excise/customs, the element of education cess has been factored in the drawback rates. The incidence of duty on HSD/furnace oil has also been factored in the drawback calculation. The changes in the drawback rates reflects the changes in applied duties and change in prices.
- (viii) Human Resource Development: Attention has also been paid to Human Resource Development in the textile sector. National Institute of Fashion Technology (NIFT) which is imparting training to Fashion Designers and Fashion Technologists to cater to the human resource requirements of garment industry has 7 branches at Delhi, Mumbai, Calcutta, Hyderabad, Bangalore, Chennai and Gandhinagar. Ministry of Textiles has established a Nodal Centre for Upgradation of Textile Education at the Indian Institute of Technology, Delhi with funding from the Ministry of Textiles. The Apparel Export Promotion Council has been running Apparel Training and Design Centres at important apparel centres located at Chennai, Delhi, Kolkata, Hyderabad, Jaipur, Bangalore, Noida, Gurgaon, Ludhiana and Thiruvananthapuram in order to impart training at shop floor level to meet the growing needs of apparel industry.
- (ix) Construction of Apparel International Mart: Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from the Government.
- (x) 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.
- (xi) 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 centres and to give fillip to exports. Since the inception of scheme in March 2002, twelve Project Proposals have been sanctioned for setting up Apparel Parks at Tronica City & Kanpur (U.P.), Surat (Gujarat), Thiruvananthapuram (Kerala), Visakhapatnam (Andhra Pradesh), Ludhiana (Punjab), Bangalore (Karnataka), Tirupur & Kanchipuram (Tamil Nadu), SEZ, Indore (Madhya Pradesh), Mahal (Jaipur, Rajasthan) and Butibori-Nagpur (Maharashtra).
- (xii) 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.
- (xiii) Organisation of buyer-seller meets / fairs in the country as well as abroad: The Textile Export Promotion Councils have been regularly conducting seminars, organizing buyer seller meets, participating in exhibitions abroad to promote textile exports. Besides, events like TEXSTYLES India, Indian Handicrafts and Gift Fair, India International Garment Fair are also organized in the country to provide an exposition of India's capabilities in textile and clothing sectors to the visiting foreign buyers.
- (xiv) The Union Budget for the year 2005-06 provides for a reduction in custom tariffs on import of textile machinery from 20% to 10% in order to help the textile industry acquire a competitive edge in the post-quota regime.



## INDIA'S EMERGING RETAIL STORY

Retail is the world's largest private industry with global retail sales of roughly USD 8 trillion. Retailing is one of the biggest contributors to the Gross Domestic Product (GDP) of most countries and also one of the biggest employers.

India is emerging as one of the most attractive destinations for retail. India's retail market has grown by 10% on an average over the past five years. The changing retail landscape in the country is attributed to the increasing mobility among the middle and upper classes and increasing urbanization. The Indian retail landscape is evolving with interplay of factors ranging from demographic to economic ones facilitating the growth of organized retails.

Given the highly fragmented nature of the retail industry in India, the organized retail industry constitutes about 3% of the total retail market presently. In terms of value, organized retail has been estimated at Rs. 287.5 billion in 2004 (Source: KSA Technopak, 2005)

The Indian Retail industry is evolving in line with the changing customer aspirations across product groups, with modern formats of retail emerging. India is believed to be in the second phase of this evolution. The Indian customers are becoming more demanding with improved standard of living and changing lifestyles. As the sector enters the third phase of evolution, supply chain management (SCM) will attain top priority.

### Retail and the Indian Apparel Market

The Indian apparel market was valued at over Rs. 780,000 million in 2004 and is dominated by unorganized players having a share of about 80-85%. The men's segment dominates with 42% market share while the women and children's wear have 34% and 16% share respectively. Uniforms account for the remaining 8% (Source: KSA Technopak)

The growth rate in the apparel segment averages about 12% across the categories. The women's wear segment shows maximum potential at 13%.

Segment	2003 Value (Rs. Mn.)	2004 Value (Rs. Mn.)	Growth Rate
<b>A. Core Segment</b>			
Men's Apparel	291,950	326,440	12%
Women's Apparel	232,680	263,950	13%
Children's Apparel	114,280	125,400	10%
Sub-total	638,910	715,790	12%
<b>B. Others</b>			
Uniforms	55,110	65,150	18%
<b>Total</b>	<b>694,020</b>	<b>780,940</b>	<b>13%</b>

Source: Images/ KSA Technopak Fashion Textile Yearbook 2004, published March 2005

The apparel market comprising of menswear, women's wear and children's wear accounted for Rs. 10,900 crore or 39% of the organized retail pie in 2004, making it the single largest segment in retail. (Source: KSA technopak)

This market can be further classified into the following two categories:

- The ready-to-stitch (RTS) segment, where the consumer purchases the fabric from a retail outlet and then uses the services of local tailors to convert them to ready garments and
- The ready-to-wear (RTW) segment, where the consumer purchases a ready-made apparel garment.

The RTW segment is a growing one in India and this growth has accelerated over the past ten years in line with the economic development and changes in lifestyle of the population.

In most other mature and developed countries, RTW is the norm. The RTS segment in these countries is meant for designing couture wear for the more elite classes. Even in China the RTW market has become the norm and very little local tailoring services exist.

Within the overall RTW segment apparel in India, branded RTW apparel has been witnessing a higher growth compared to unbranded RTW segment. This is reflected in the growing number of fashion labels being associated with Indian products. This growth is driven by the growth in disposable income and the expansion of organized retail infrastructure.



The major reasons for this growth are:

- Design and Quality acquiring significance
- Increase in the number of working women with the strong feminine desire to look good
- Kids become aware of External Environment and more demanding
- Increased effort to look and feel good
- Influence of the International Travel and Media
- Easier and uninhibited acceptance of luxury
- Following of fashion trends and the desire to not be left out
- Rise of the self employed meaning higher disposable incomes
- Increased availability of finance options and credit

**Outlook**

The outlook for growth in branded apparel business in India is robust and the rates of growth of the past decade are forecast to continue for the next decade (Source: Images/KSA Technopak). Growth might be expected to accelerated as more shopping mall locations come on stream and the youthful segment of the market which is generally more apparel conscious spend more.



## OUR BUSINESS

### Overview

Our company is engaged in the business of designing, manufacturing and selling of men's garments and was set up in the year 1988 as a small 50 machine factory and 72 people venture in Chennai. We cater to the demand of leading international brands and also to the domestic market through our own brand "Indian Terrain". We have over the last two decades grown to 8 factories (4283 machines), housed over 300,000 sq. ft. employing over 5000 employees.

We started our operations with a focus on exports of shirts when quota restrictions were still prevalent. Over the last two decades we have achieved the status of one of the leading exporters of men's shirts from India and have acquired the status of two star export house. Several international brands source their requirement of shirts from us. We have among our customers, top international brands both from America and Europe. Some of our regular customers are Kohl's Corporation-USA, Timberland – USA, Eddiebauer – USA, Diesel – Europe, Marlboro Classics-Europe and Armani – Europe. Our export sales recorded a compounded annual growth of 15.18% during the last 5 years increasing from Rs 523.36 mn in 2000-2001 to Rs 1060.70 mn in 2004-2005.

Celebrity launched its foray into the domestic branded ready to wear men's garment market in the year 2000 under the brand name "Indian Terrain". The brand "Indian Terrain" has in a short span of five years established itself and has earned an image for quality and Style. The Indian Terrain Brand products are sold through various channels – five of its own stores and retailed through 276 National Store Chains (NSC) / Multi Brand Outlets (MBO). Our domestic sales of branded apparel recorded a compounded annual growth of 90.73% during the last 5 years increasing from Rs 10.57 mn in 2000-2001 to Rs 266.78 mn in 2004-2005.

As per our proforma consolidated financial statement, our total sales grew at a CAGR of 15.44% from Rs 654.09 mn in 2000-01 to Rs 1,341.04 mn in 2004-05. EBITDA grew at a CAGR of 27.34% from Rs 38.07 mn in 2000-01 to Rs 127.46 mn in 2004-05. Profit after tax grew at a CAGR of 93.66% from Rs 2.13 mn in 2000-2001 to Rs. 58.02 mn in 2004-05.

### OUR GOAL

- To become a powerful apparel business set-up, effectively moving up in the value chain, achieving greater economies of scale and tapping the world markets with its unique styling
- To integrate seamlessly the domestic brand and the international export business with the capacity to adapt itself to the demanding product specifications for both international markets and the branded domestic business
- To continuously upgrade and benchmark systems and processes to achieve complete customer satisfaction.
- To maintain high standards of investor relations, corporate governance and work place practices.

### OUR STRENGTHS

We believe that the following are our principal competitive strengths, which differentiate us from other players in the garment industry:

#### **Strong Management Team and Motivated and Efficient Work Force.**

Our Company is managed by a team of experienced and professional managers exclusively focused on different aspects of the garment industry including design, merchandising, manufacturing, sourcing, marketing, quality control and finance. Our promoters and management have a substantial experience in garment industry. Our team of senior management is being constantly trained to ensure that their work methods remain effective at all times and the approach leads to understanding of the interdependency between teams and lays the road map to optimize the working between them. We have also successfully built a second layer of key executives who are capable of creating and facing the challenges of growth within our Company. Our Company's human resource policy revolves around a commitment to create an organisation that nurtures talents and motivate and empowers its work force.

#### **Experienced Team with Industry Specific Knowledge**

Our extensive experience in designing, sourcing, marketing and merchandising, allows us to deliver end to end solution and effectively addressing customer product requirements. Our design team supported by our marketing and sourcing team able to meet challenges of client specific design requirements. We are among the few Indian garment exporter who have subscribed to the Worth Global Style Network, an organization which is the world's leading online research trend analysis and news service for the fashion and style industry. Design outsourcing is the next key phase in the garment manufacturing industry and our design team well equipped to take advantage of this opportunity.



### **Strong Infrastructure Set-up**

We have successfully managed our growth by investing in infrastructure, including human and IT infrastructure. From 50 machines and 72 people small venture we have grown to 8 factories and 5000 people organization supported by a competent ERP system developed over the last 7 years. The ERP functions as a platform on which the production and marketing activities of Celebrity are coordinated and has laid a platform to adapt to technological advances. We have in-house laundry facility capable of processing garments to different washes such as silicon wash, enzyme wash, golf ball wash and numerous other treatments making us a complete solution provider.

### **Experience with cost-plus engagement models**

We have demonstrated the ability to successfully deliver services on cost-plus and time-and-material driven engagement models. Majority of our export contracts are based on cost plus working model. Our ability to source fabric from the most appropriate destinations in the world is an advantage in our ability to manage cost. Our ability to manage cost in exports helps us in offering value for money proposition to our Indian Terrain customers.

### **Delivery Capabilities.**

We believe that timely delivery is most important factor, as garment industry face high fashion risk. Our ability to provide end to end solution from design to delivery supported by global sourcing capabilities and owned manufacturing and processing facilities, allows us to consistently deliver on time, maintain a high level of client satisfaction.

### **Commitment to Quality**

We at Celebrity Fashions, emphasis on delivering quality products. Our quality management system is aligned with the business objectives of continuously benchmarking and delivering quality products to customers, which meet client expectations, resulting in end customer satisfaction. Our departments are equipped to monitor quality of all inputs; fabric and accessories that goes into production and also of finished goods at every stage of garment manufacturing process.

### **A de-risked Business Model**

We have established our presence in both the international and the domestic market. We had launched the "Indian Terrain" Brand in 2000 with the dual objective of tapping the huge opportunity in branded apparels for Indian Men and to de-risk our business model in exports in the quota free regime. We have built a natural hedge within our Company to weather any risk arising out of the Chinese domination of the global textile space. Our Indian Terrain brand has since grown at CAGR 90.73% and contributed 19.89% of total FY 2005 income .

### **Strong Customer Base**

We continuously have received repeat orders from all our customers and have not lost a single customer since inception. This customer trust has been built on the foundation of our commitment to quality, providing end to end solution from design to delivery and good human resource practices. Our top five customers have remained with us and have consistently increased their business requirement. Sales to the top five customers have increased at a CAGR of 34.21% from Rs 422.08 mn in 2002-03 to Rs 760.28 mn in 2004-05.

## **OUR STRATEGY**

### **Expansion of Business**

We intend to expand, strengthen and consolidate our current position in the domestic and global market. We propose to expand our product range and increase product reach in the Indian branded apparel market and the international outsourced garment business.

### **Expansion of Product range**

In the past we have been concentrating on export of shirts on account of quota restrictions. With the removal of quota restrictions, we propose to expand our product portfolio to men's trousers /bottoms, outer wear / jackets and women's wear. Similarly in domestic market our product portfolio currently include only ready-to-wear men's garments. We intend to expand our product offering to include women's western / office wear and knit wear.

### **Enhance our Customer Reach**

We intend to set up marketing office in New York to cater to wider client base through quick response to customer requirement. We plan to build chain of twenty five own Indian Terrain Brand outlets, twenty of which will set up from part of the Issue proceeds. We will also increase our customer reach by partnering with the expansion plans of National Store Chains.



### Maintain Our Focus on Long-term Relationships

We expect to maintain our focus on client relationships. We believe that there are significant business opportunities for additional growth with our existing clients as we diversify our product portfolio and build upon these existing relationships.. This strategy increases our in-depth client specific knowledge to provide them end to end solution of their requirement and develop closer relationships with our clients.

### Continue to invest in infrastructure

We believe that we have managed growth on the back of our own infrastructure, which ensured quality and timely delivery. We will continue to invest in infrastructure, including human resources, to meet our growing needs. We plan to maintain the quality of our human resources and to continuously upgrade and benchmark our HR practices. We also plan to further strengthen IT support by installing software called Fast React authored by professional in garment in UK.

### Strengthening our brands

We intend to invest in developing and enhancing recognition of our brands, through brand building efforts, communication and promotional initiatives such as advertisements in print media, hoardings , televisions, organizing events , participation in industry events, public relations and investor relations efforts. We have entered into a long term agreement with Bennett, Coleman & Co. Limited to use space in their publications to enhance the visibility of our brands and strengthen our recognition in the Indian garment industry.

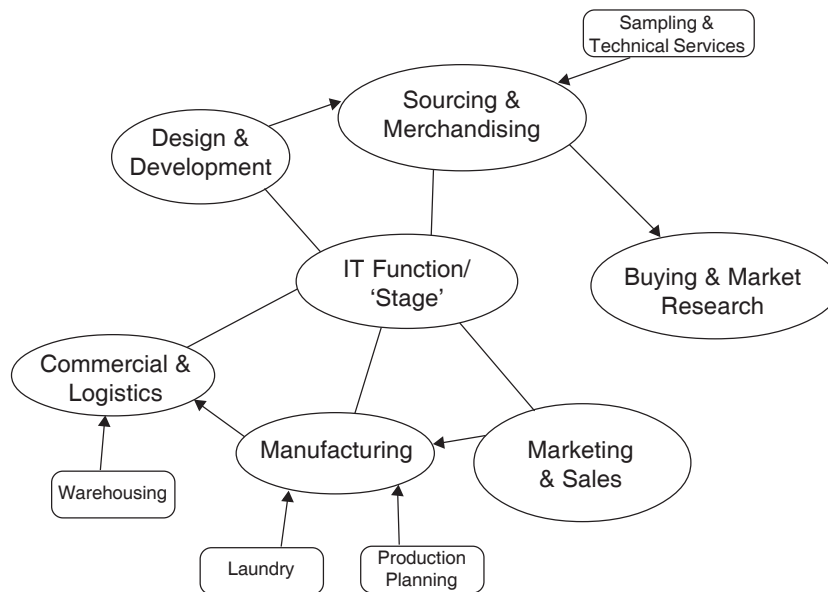
### Pursue Strategic Relationships and Acquisitions

Over and above our organic growth strategies, we propose to enhance our capabilities through strategic investments/joint ventures in the areas that are related to our key strengths, are synergistic and, in our assessment, have manageable integration risks , in order to expand our existing client base, increase our horizontal skill-sets and to provide scalability of our product offerings.

### Our Business Process

#### Export Process

Our business processes are supported by Information Technology back bone. We use an ERP package specific to garment manufacturing called 'Stage'. Stage provides the common link amongst all departments until the completion of the order and thereafter for Management Information Systems (MIS) reports. Our design team gets online fashion and style update from WGSN subscription.





### **Design and Product development Team**

In 2001, we envisaged that garment manufacturing companies are witnessing a major shift from being robotic manufacturers or converters to one of being partners in the design process as well and hence we set up the design studio named 'Studio Celebrity'. Our studio provides latest design and fashion trends to customers. This is facilitated by usage of advanced technology like WGSN, an online research trend analysis and news service for the fashion and style industry. This site is used by the best brands across the world. Our designers travel regularly to the various fashion capitals of the world to keep track of fashion trends. The design team is part of the marketing process as well and this ensures that they get a first hand account of client requirements, trends, ideas etc.

The design team works by a design calendar where presentation dates for customers are clearly marked for the entire year. All client presentations are made for the following fashion seasons

USA

Spring /Summer

Fall/Holiday

Europe

Spring/Summer

Autumn/Winter

Our design team is well placed to take advantage of the next key phase in the garment export industry "Design outsourcing".

### **Marketing and Merchandising**

The product development presentation is followed by selections by the clients and at this stage our design team ensures a smooth transition of the process to the Marketing/Merchandising team by way of handing over all required information of selected products to facilitate efficiency in Merchandising processes.

The product development process is followed by sales samples, marketing samples or photo shoot sample requests from the clients. Delivery of these samples are extremely crucial to the quantum of business being confirmed. Successful execution of sales samples ensures confirmation of an inquiry to an order.

Costing process is concurrent to the sales sample process and this involves a high level of awareness of the market, raw material qualities, raw material costs in order to provide the customer with various pricing options. Since raw materials constitute 60% of the cost of the garment, our merchandising team works in close coordination with the fabric sourcing team to negotiate and work the best fabric options for these programs.

In addition to the costing process, our production planning team is also involved in this process for the confirmation of production space availability and garment delivery.

The order is formally confirmed once the price, garment delivery, factory planning are agreed upon by all parties concerned.

The essence of merchandising is communication and coordination and the merchandising process begins by communicating all information about the order to various departments through the ERP package. This is followed by fixing the PPM date for the order. The PPM –is the Pre-production meeting and this is the deadline for completion of all merchandising activities and approvals before the package is formally handed over to the production team for manufacturing and delivery. In effect the PPM date is the "Garment delivery date for merchandising".

### **Raw material Order and Sourcing**

Our capabilities in fabric sourcing and fabric knowledge help us getting the best combination of quality, price & reliability. Our raw material requirement comprises of fabric, accessories and trims such as fasteners, buttons, labels, & other consumables. Fabric accounts for about 70% of our material costs and is the dominant raw material. Our fabric sourcing spans the length and breadth of India, China, Taiwan and Europe.

Celebrity sources fabric qualities such as

- a) Cottons
- b) Synthetic blends
- c) Wool blends
- d) Knits
- e) Silk

We have a strong and matured partnership with our suppliers, most of whom have been closely involved with in our growth over the years. We nurture our fabric suppliers across various stages of growth and firmly believe in vendor loyalty. Our suppliers have stood by the company through all the market and pricing challenges that industry seems to throw at constant periodicity.



We have sourcing representatives in Erode, Bangalore, Mumbai and an agent in China. The average lead time of fabrics is 45-60 days for Indian piece goods and 35 days+15 day transit period for Chinese piece goods.

All fabric sourced by us is stored at the Central warehouse where they are checked, rated, tested and distributed to its various factories. This ensures that the factory receives only checked and passed goods thereby facilitating direct cutting without any loss of cutting production time.

The Trims and accessory sourcing department is an integral part of the sourcing department as a whole and is as flexible and dynamic as the fabric sourcing department.

### **Sampling and Technical services cell**

We have full fledged, self –reliant “Centralised Sampling section”. This sampling department is a factory in itself if scale is taken into account. The department is equipped with all the machinery of a production unit in order to ensure that initial samples are done in the same process as bulk production. This results in understanding all production issues at the sampling stage and thereby provides for corrective action at the very beginning of the garment making process.

The Technical services cell is an integral part of the sampling cell and provides

- a) Lectra, pattern and consumption support
- b) Garment R&D support
- c) Industrial engineering analysis and support
- d) Embroidery support

Our Technical services cell analyses the construction and sewing details of the garment at the first sample stage. The cell then advises the production team and the planning team on details such as productivity, difficulties (if any) at the garment manufacturing process. The cell also requests the clients for certain changes in the construction of the garment thereby improving production feasibility and productivity during the manufacturing process. This cell forms the back bone of the technical process and provides an early alert system and solution for any problems that may arise due to garment construction, fit, machinery requirements, productivity, feasibility etc.

This Cell also interacts with clients on regular basis in order to eliminate ambiguity, loss of time and lack of clarity on technical issues.

### **Production planning Cell**

Our production planning cell(PPC) is a coordinating cell for all matters related to production planning and production. The functions of this cell are

- a) Delivery confirmation of new orders based on production space availability
- b) Slotting and planning of all orders across all of our factories
- c) Weekly review of planned orders in order to ensure targets are met with respect to factory productivity and garment delivery.
- d) Production space reservation for forecasted orders by clients.
- e) Update on production space availability(after slotting confirmed and forecast orders) to the marketing and merchandising teams.
- f) Monitoring a team of production coordinators who in turn coordinate raw material and approval follow up with the merchandising team and passing the information to the production planning and production team. This provides for faster response to changes and better contingency planning. This follow up is done by way of information updated in the ERP system.
- g) Release of work orders to the factories and there by ensuring tracking of raw material issues and receipts from warehouse to the factories.

### **Production**

Our factories are configured to provide for optimum productivity and flexibility for both its American and European businesses. Each factory is configured separately for

- a) Type of business- European/American
- b) Style and category-Tops, Bottoms
- c) Large and small runs.



We have a flexible production system that is able to meet the rising demands of the customer in garment deliveries, quick lead times and complexity of styles. We manufacture

- a) Men's shirts
- b) Ladies Tops
- c) Men's bottoms
- d) Ladies bottoms
- e) Men's jackets

The PPM is the first step in the production process and the PPM is conducted by the merchandise manager along with the factory manager, production manager, line supervisors, Finishing in charge, QA manager. This meeting is an exchange of all information between merchandising and production on all details pertaining to the history of the given program. The meeting is formally recapped in order that all personnel are updated. The PPM signals the start of production process, please refer to production process given on page 56 of this Prospectus.

### **Commercial and Logistics**

Our Commercial and logistics department is in charge of all commercial transactions like-

- a) Checking of sale order for reconfirmation of garment price, delivery etc.
- b) Checking payment mode with Client- L/C, TT , DP etc
- c) Follow up on L/C with the client
- d) On receipt of L/C-Checking L/C details such as price, delivery, value etc in accordance with sale order.
- e) Opening fabric L/C to suppliers overseas
- f) Follow up of timely delivery of fabric shipments, transit, documents and clearance
- g) Imported trims order, payment and delivery
- h) Coordinating with shipping departments in client offices for garment delivery date, vessel planning and loading of cargo.
- i) Coordinating with factory and merchandising for effecting shipment as per buyer's specifications
- j) Working out various vessel plans, options and keeping nominated forwarders updated of the same.
- k) Follow up to ensure receipt of payment on the due date soon after shipment is effected.

The culmination of the business process is effecting the shipment and this is done by close coordination with the commercial department. In keeping with our philosophy of building partnerships, this department too has built strong partnerships with the various shipping and forwarding agencies across the country.

Our MIS team frames the shipment completion report for every order and this is sent out to all departments on a weekly basis. This gives the final status of the process with respect of costing, budget and actuals.

### **Business Process**

#### **Indian Terrain**

Our Board of Directors draws a comprehensive fiscal plan outlining the financial outlay available for the year and the revenue to be generated during the year. Projections of fiscal plan are used for number crunching and for fixing targets and budgets to achieve fiscal plans objectives. To achieve the fiscal plan objectives, a target and budget plan is prepared. This is achieved through extensive number crunching and fixing targets and budgets. The projections of the fiscal plan are taken as a base to prepare these budgets and fix targets.

Our marketing team with the sales management team plots the road map to achieve the objectives set in the fiscal plan. The marketing team studies the latest trends in the market and with the inputs received from the sales team plans out strategies to improve the market share of the brand. The marketing team also plans and envisages the market growth and capitalization.

The Marketing plan encompasses the following areas for capitalising the market share of the brand:-

- a) Increase the offerings in the product category.
- b) Studying the demographic needs in the different regions of the country.
- c) Plans ad campaigns and promotions for increasing the sales.

To propel the growth of the brand, our Design Studio works on the designs and options that can be offered and these are worked taking into consideration the International trends and the market feed back received from the sales team. A concrete merchandising plan is then put into place. Designs and patterns are worked to suit the Indian dress sense and demographic requirement of the Indian milieu. Once the merchandise plan is accepted, it is finalized for execution.



The merchandise metrics is put up and the feasibility study is done by the finance team and the sourcing team. On getting approval of the feasibility study the sourcing plan is prepared.

### **Product Development:-**

Central to the development of the brand, our design studio has established itself as a consistently market savvy and quality conscious unit aiming at true value for money design. Drawn from the best design schools in the country, the team comprises of young energetic, creative individuals specialising in various product categories.

The design process commences with the creation of a fashion calendar for the season, all activities are planned around this calendar. Research is crucial to our design and there is extensive analysis of trends through international fashion journals and websites such as WGSN. Competitor activities are analysed for product success and failure, market surveys are conducted in the domestic market and finally the performance of the brands own product for the past season is analysed.

Our association with exports division also provides a window into the plans of internationally renowned brands giving us a cutting edge

Based on this, relevant fashion trends and practices are forecast for the season and inspiration drawn for various product lines. Fabrics are designed, embellishments and stylings are planned to create collections based on the inspirations.

The merchandise is planned in two broad classifications, core and fashion

Core refers to products which have had a long run in the market and which continue to have a strong demand. For example our range of Wrinkle Free Chino trousers

Fashion refers to products which are transient, i.e.. relevant only to a particular season or a current fashion trend. These products are used to spice up a range and make the merchandise mix attractive to the end consumer

The next important function of the design team is the initial product costing. The costing report and the product proto type complete packaging ideas are then offered to the buying and market research team to run a feasibility test.

The product is fine tuned based on the feed back received from the Buying and Market research team and on final approval, product specifics - technical packages and costing targets are handed over to the Sourcing and the Merchandising team.

### **Marketing**

Road show is an important marketing activity in the marketing calendar. Road shows showcase the offerings of the brand for the coming season. We conduct two road shows a year. One in January showcasing the offerings for the Spring/Summer and the other in July showcasing the offerings for Autumn/Winter and Festive season. Road shows are elaborately planned, and are held in all the 4 metro cities of India. Invitations are sent to all the existing retailers and prospective retailers are also called to see the products on display. Normally during the road show 60% of the target is achieved. These road shows are well received by the market and during the road show there is an active interaction with the retailers and this helps us in planning for the future. Our success has been due to the immaculate management of the Road show.

### **SOURCING AND MERCHANDISING**

The merchandising acts as liaison officers between design and manufacturing facilities. Maintaining time and action plan for merchandise movement from design to retail is one of the key functions. The merchandising is also responsible for inventory control of raw materials, work in progress and finished goods. The merchandising submits the final cost sheet of every product which helps in justification of the planned MRP. Merchandising also takes care of market support activities such as salesman sampling and swatch cards creation for retail outlets.

The first step for this planning is to allocate all the orders to two of our own dedicated production facilities which are based in Chennai. If the order requirements exceeds the available production capacity, the excess orders are outsourced. Before outsourcing the production planning cell validates such outsourced facilities.

Our two dedicated facilities have a capacity to churn out 720,000 units per annum.

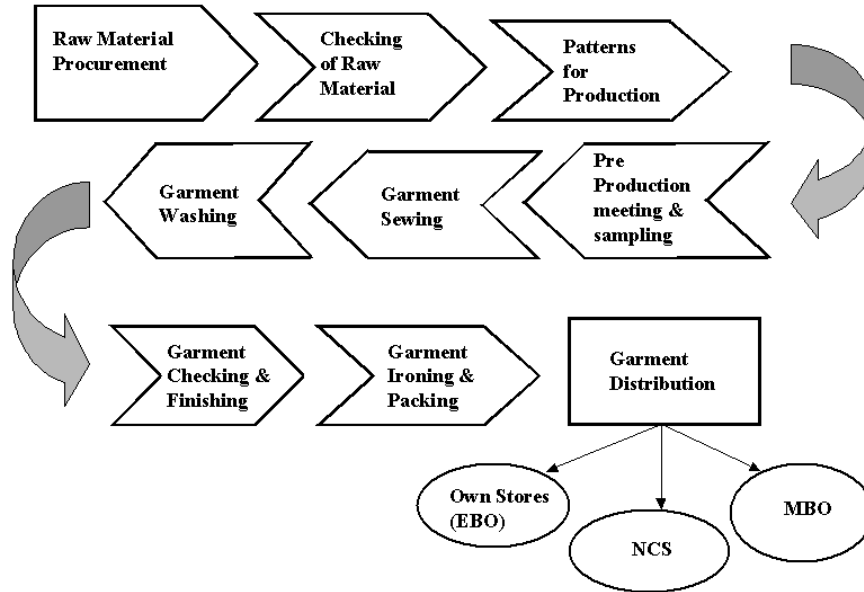
One of the dedicated facilities is meant for trousers whereas the other unit meant for shirts only.

The manufacturing operations at all the units are subject to stringent quality control standards. Quality control for the entire manufacturing process from the receipt of raw material to the dispatch of finished goods is managed by a team of qualified and experienced professionals. The outsourced production also undergoes the same quality control procedures as is applicable for our own units.



The process flow for the different steps of the manufacturing process is as given below :-

### Indian Terrain – Manufacturing Process



#### Raw material procurement and receipt

In order to ensure a quality product it is important to select the right raw materials i.e. fabrics and trims. A team of skilled professionals are engaged in this procurement process. All the leading mills in India cater to our fabric requirements based on their specialization. The raw materials once made at the supplier's end is subjected to a stringent checking process before the same is dispatched to our end. These dispatches are sent directly to our centralized warehouse.

#### Checking of Raw Materials

After the fabric is received each of the fabric rolls are checked on the Fabric checking machine and the same is verified for both quality and quantity. The design department provides a swatch card as a standard for each of the fabric designs based on which this checking is carried out. Stress is also laid on the fabric shades. A random shrinkage test is also carried out for each of the fabrics so that the average shrinkage can be incorporated in the cutting pattern which is to be issued to the factory. Besides the fabrics the accessories are also checked for defects and damages.

#### Patterns for Production

We have a computer aided designing cell (CAD) which makes patterns for each of the styles. The shrinkage factor given by the fabric department is incorporated in the patterns on this CAD system only. The grading of patterns is error free as the same is done through PDS (pattern designing system). Finally the patterns are issued to the respective production units.

#### Pre production meeting and sampling

Before commencing bulk production a pre production meeting is conducted in the factory and the same is done in the presence of merchandisers and the quality assurance team. After this the factory makes the size set samples based on the Gold Seal Sample. If the measurements of this size set are correct after wash then the factory is given a green signal by the QA department to go ahead with the bulk production.

#### Garment Sewing

The cut parts are assembled into a complete garment keeping the Gold Seal Sample as a standard. This sewing process is carried out on the best of the Japanese machines in order to ensure a quality product. A major part of this sewing process is automated to ensure minimal inconsistency or errors in production. A dedicated team of production and quality staff ensure that the final product which comes out of the line meets the required specifications.



### Garment Washing

The styles which are supposed to be washed are sent to the laundry. Our laundry, has the top loading washing machines as part of its facility. The wash process is carried out as per the specifications laid down by the designer for that particular style.

### Garment Checking and Finishing

We as a company attach utmost importance to the quality of our final product. Hence it is ensured that all the garments are checked and is defect free. Every piece manufactured is ensured to be as per the required quality standards. An independent QA team is solely responsible for ensuring that all finished goods are free from defects and are constructed as per the required measurements. Any garment having variation beyond acceptable limits is rejected.

### Garment Ironing & Packing:-

After the garments are checked it is given a finishing touch by customized ironing. Other processes such as tagging and attaching of barcode labels is carried out here before the garments are inserted into poly bags. Care is taken to make the packaging attractive and it also protects the garments from getting damaged as well as from any contamination. The finished products are stacked in cartons and are sent to the central warehouse for further distribution to the markets.

### Garment Distribution

Our Central Warehouse is the main hub for Distribution throughout the country. We have excellent warehouse systems in place and ERP systems, the movement of merchandise is well tracked and timely deliveries are ensured. Indian Terrain garments are distributed through three channels viz own stores (EBOs), NSC and MBOs. All orders during the Road shows from the three channels are collated and delivery schedules are drawn as per priority obtained from each of the channel. The sale orders for each of the outlet are prepared by the Back Office Marketing team, these sale orders are communicated to the warehouse. The warehouse, prepares dispatch details as per the sale orders, these garments are packed in cartons and the cartons are shrink wrapped in a special shrink wrapping machine. This is done to avoid damage of garments due rain or water during trans shipment.

Our warehouse is efficiently managed, with infrastructure of the highest quality. Top end warehousing systems are employed for easy and quicker identification of garments. Our warehouse is equipped to handle dispatch of 6000 garments per day.

Central Warehouse is fed with regular orders from the market. Orders are booked by our sales team and these orders are communicated to the back office team who in turn prepare the sale orders and intimate the warehouse for dispatching.

To facilitate this smooth functioning, Indian Terrain has an excellent ISD system installed. The HO; the factories and warehouse are well connected by our own server and this department is well managed by trained and experience ISD personnel. We have the latest software in place to help us in preparing the MIS for all the activities and a regular review of the working of all departments is done to keep a track of the company's performance and its achievement of the goals set in the Fiscal plan

### Our Customers

We sell our product to customers spread across the world. We are one of the favoured partners for the world's leading garment labels like Kohls, Timberland, Marlboro Classics, Diesel, Armani Exchange, Eddiebauer, Quicksilver, Jc Penney, J.Crew, Nautica, Arrow - Phillip Van Heusen, Teddysmith, Nike Kids, etc.

Customer sales growth and geographical segmentation of our sale for last three year is as under

Client	2004-2005		2003-2004		2002-2003	
	Sales	% of export sales	Sales	% of export sales	Sales	% of export sales
Top 1 Customer	332.42	31.34%	267.19	27.45%	149.05	21.88%
Top 5 Customers	760.28	71.68%	608.22	62.50%	422.08	61.97%
Top 10 Customers	873.97	82.40%	689.09	70.81%	509.60	74.82%

Geography	2004-2005		2003-2004		2002-2003	
	Sales	% of export sales	Sales	% of export sales	Sales	% of export sales
America	714.00	67.31%	630.93	64.83%	334.55	49.12%
Europe	298.09	28.10%	304.71	31.31%	309.95	45.51%
Others	48.62	4.58%	37.56	3.86%	36.57	5.37%
<b>Total</b>	<b>1060.70</b>	<b>100%</b>	<b>973.20</b>	<b>100%</b>	<b>681.07</b>	<b>100%</b>



Indian Terrain products are sold through, Indian Terrain Brand Stores, National Store Chain and Multi Brand Outlets. We have five of our own outlet in Chennai, Mumbai, Hyderabad, Gurgaon and Jaipur . We market our products through major National Store Chains like Shoppers Stop, Life Style, Ebony, Globus, Pantaloon and Pyramid. We also market through Multi Brand Outlets spread across the country.

(Rs. In Mn.)

Channel	2004-2005			2003-2004			2002-2003		
	Sales	% of Domestic Sales	No. of Stores	Sales	% of Domestic Sales	No. of Stores	Sales	% of Domestic Sales	No. of Stores
Indian Terrain Stores	16.77	7.53%	5	15.06	9.14%	6	10.67	10.06%	3
National Store Chain	94.18	42.30%	31	65.67	39.84%	27	37.19	35.05%	10
Mutli Brand Outlets	111.67	50.16%	183	84.11	51.02%	164	58.23	54.89%	129
<b>Total</b>	<b>222.62</b>	<b>100.00%</b>	<b>219</b>	<b>164.84</b>	<b>100.00%</b>	<b>197</b>	<b>106.09</b>	<b>100.00%</b>	<b>142</b>

### Suppliers

We source our requirement of raw material, fabric and other accessories across the globe. We also buy raw material from designated suppliers specified by our customers. Our relationship with suppliers and size of operations allows us source raw material at competitive prices.

The table below shows our supplier concentration

(Rs. in Mn)

	2004-2005		2003-2004		2002-2003	
	Value of Raw material Sources	% of total expenditure on raw material	Value of Raw material Sources	% of total expenditure on raw material	Value of Raw material Sources	% of total expenditure on raw material
Top 1 Supplier	67.94	10.25%	50.69	7.31%	46.81	9.02%
Top 5 Suppliers	226.52	34.17%	191.16	27.57%	155.45	29.96%
Top 10 Suppliers	302.71	45.66%	303.54	43.78%	238.57	45.98%

The table below shows break-up of import and domestic purchases

(Rs. in Mn)

	2004-2005		2003-2004		2002-2003	
	Value of Raw material Sources	% of total expenditure on raw material	Value of Raw material Sources	% of total expenditure on raw material	Value of Raw material Sources	% of total expenditure on raw material
Import	121.89	18.39%	109.76	15.83%	61.37	11.83%
Domestic	541.03	81.61%	583.54	84.17%	457.47	88.17%
<b>Total</b>	<b>662.93</b>	<b>100.00%</b>	<b>693.30</b>	<b>100.00%</b>	<b>518.86</b>	<b>100.00%</b>

### Our Product

In quota era we had to buy Cat 340 from market year after year to support our marketing and production effort, which lead to strategy of focus on single product category both in marketing and manufacturing Men's Shirt. We also export some women's wear and kids wear. While we intend to continue to be focused into export men's shirt category, we would also target on opportunity in men's trousers / bottoms.

Product	2004-2005		2003-2004		2002-2003	
	No. garments	% of total exports turnover	No. garments	% of total exports turnover	No. garments	% of exports turnover
Men's Shirts	2,765,466	89%	2,561,987	88%	1,663,577	81%
Women's wear	1,80,730	6%	129,956	4%	167,370	8%
Kids Wear	143,943	5%	171,154	6%	167,126	8%
Bottoms	2,058	0%	25,734	1%	43,715	2%
Others	–	–	19,000	1%	13,831	1%
<b>Total</b>	<b>3,092,197</b>	<b>100.00%</b>	<b>2,907,831</b>	<b>100.00%</b>	<b>2,055,619</b>	<b>100.00%</b>



Indian Terrain offering in every sense vindicates their belief, that there is a world class product, universal in appeal, global in style, allows them to dress the part of the global role that they are playing, dynamic and subtle in the changes it brings to its offering, and allows them to stand up in any assembly of people in any part of the world, and be noticed for the clothes they wear, for the elegance and confidence it drapes them in. Our range comprise of Men's Shirts, Trousers, Shorts, Ties, Socks, Handkerchiefs, Belts, Wallets etc.

Product	2004-2005		2003-2004	
	No. garments	% of total exports turnover	No. garments	% of total exports turnover
Men's Shirts	178,111	65%	156,696	70%
Bottoms	95,189	35%	61,793	28%
Others	1,583	1%	4,808	2%
<b>Total</b>	<b>274,883</b>	<b>100.00%</b>	<b>223,297</b>	<b>100.00%</b>

### Our Existing Infrastructure Capacity and Capacity Utilisation

Our manufacturing facilities are located in and around Chennai. We started with 50 machine facility in 1988, added second facility in 1992 to cater export order from USSR, in the year 1995 we set up third manufacturing facility targeting US market. From then on till, we set up new manufacturing facility at regular intervals – fourth in 1998, fifth in 1999, sixth in 2000, seventh in 2002, eight in 2005. Seven of these manufacturing facilities are focused on category Men's Shirts and one manufacturing facility is for Trousers.

The table below shows our manufacturing capacity catering to export market

Factories	Month & Year of Commencement	Sq. Ft	Total Number of Machines	Manpower	Ownership Status
Narayanapuram	Apr'04	43,700	548	728	Lease
Head Quarters	Apr'96	28,524	340	626	Own
Pallikaranai	Jan'98	30,612	337	556	Own
Thiruvanchery	Oct'00	29,526	319	437	Own
Porur – II	Nov'02	25,867	246	477	Lease
Poonamallee	Feb'05	40,000	544	851	Own
<b>Total</b>		<b>198,229</b>	<b>2,334</b>	<b>3,675</b>	

The table below shows our manufacturing capacity catering to Indian Terrain

Factories	Month & Year of Commencement	Sq. Ft	Total Number of Machines	Manpower	Ownership Status
Velachery	Apr'92	15,000	188	347	Lease
Porur – I	Aug'99	30,290	221	335	Lease
<b>Total</b>		<b>45,290</b>	<b>409</b>	<b>682</b>	

The table below shows support units

Location	Function	Month & Year of Commencement	Sq. Ft	Manpower	Ownership Status
Thiruvanchery	Washing unit	Sep'00	8,834	48	Own
Narayanapuram	Sampling and Technical	Aug'04	22,015	203	Lease
Narayanapuram	Warehouse	Nov.'03	21,325	111	Lease
Narayanapuram	Indian Terrain Warehouse	Nov.'03	10,000	35	Lease
R A Puram	Administrative Office	Jan'03	4,000	73	Lease
Pallavaram	Administrative Office	Aug'04	6,000	27	Lease
Pallavaram	Administrative Office	May'05	3,103	27	Lease
Head Quarters at Chrompet	Administrative Office	Apr'96	14,664	121	Own
<b>Total</b>			<b>89,941</b>	<b>645</b>	



### Capacity and Capacity utilisation for the last three years

Factory	2004-2005		2003-2004		2002-2003	
	Installed (in lacs pieces)	Utilised (in lacs pieces)	Installed (in lacs pieces)	Utilised (in lacs pieces)	Installed (in lacs pieces)	Utilised (in lacs pieces)
Existing	28.07	27.45	25.30	24.59	21.81	21.18

**Note : Our installed capacity varies depending upon the style and type of garments.**

### Proposed facilities

We are setting up a new 100% EOU manufacturing facility at Irrungattukottai (SIPCOT Apparel Park) and acquiring a manufacturing facility from Ambattur Clothing Limited in SEZ. We plan to set up the new facilities with state-of-the-art machines, including washing facility, all of which will be sourced from world-class vendors. For further details please refer section "Objects of Issue" on page 20 of this Prospectus.

Location	Product	Sq. Ft.	Capacity no. of garments per annum	Total No. of Machines	Nature of ownership
Irrungattukottai	Shirts	160,000	1,000,000#	920	Lease
MEPZ-SEZ unit of ACL to be acquired	Trousers	327,000	7,200,000##	2000	Lease
<b>Total</b>		<b>487,000</b>	<b>8,200,000</b>	<b>2,920</b>	

# excluding the capacity of the re-located machines of the existing factories.

## Capacity based on double shift working

### Proposed Capacity and Capacity utilisation for the next 3 years

Factory	2005-2006		2006-2007		2007-2008	
	Installed (in lacs pieces)	Utilised (in lacs pieces)	Installed (in lacs pieces)	Utilised (in lacs pieces)	Installed (in lacs pieces)	Utilised (in lacs pieces)
Existing	50.00	39.65	50.00	43.70	50.00	45.70
Proposed			82.00	62.40	82.00	73.60
<b>Total</b>	<b>50.00</b>	<b>39.65</b>	<b>132.00</b>	<b>106.10</b>	<b>132.00</b>	<b>119.30</b>

**Note : Our installed capacity varies depending upon the style and type of garments.**

### Collaboration

We have not entered into any technical, marketing or financial collaboration.

### Human Resources

Garment Manufacturing Industry is one of the high labour and low capital intensive industry. Like any other organization in the manufacturing sector, garment sector have to sustain intense competition and perpetual changes. Well motivated workforce that performs up to its potential can make all the difference between a successful organization and the one that aspires to be the world's best garment manufacturer. The policy of the company are open and transparent. It also helps in creating conducive work environment where recognition and rewards are ensured for the right people at the right time. The company focuses and continuously work for the health, safety and welfare of employees and all the manufacturing facilities are subject to compliance audit by the international buyers regularly.

Healthy and harmonious relationship that the company nurtures with its employees constitutes the Hallmark. By leveraging the human resources efficiently and effectively, the company enjoys greater competitive advantage. Celebrity believes in training and developing its people. We have trained around 500 man days in the current year and aiming for one man day of training for every employee in the year 2006-07.

The number of employees on rolls as on November 30, 2005 is 5,002 of which 4357 are workers, 425 are factory staff and 220 are office staff & executives. Women workforce constitutes approximately 75% of the total workforce.

### Export Obligation

Under the EOU scheme and the SEZ Scheme of the Foreign Trade Policy 2004-09, we are required to fulfill certain export obligations. Under the present Foreign Trade Policy 2004-2009, as per the EOU Scheme and the SEZ Scheme the export obligation to fulfill for an EOU or an SEZ is to maintain a positive Net Foreign Exchange Earning ("NEF").



Positive NFE shall mean  $A - B > 0$  where A is the FOB value of exports of the EOU/ SEZ and B shall be the sum total of the CIF value of imported inputs, imported capital goods, and value of all payments made in the foreign exchange by way of commission, royalty, fees, dividends, interest on external borrowings during the first five years or any other charges. However under the scheme certain supplies shall be counted towards fulfillment of NFE, which *inter alia* shall include supplies effected in the domestic tariff area to holders of advance license for annual requirement, from EEFC account, to other EOU/SEZ/STP/ EHTP units, to bonded warehouses set up under the Foreign Trade Policy, organizations that are entitled for duty free imports of such items and other such stipulated supplies as stipulated in the Foreign Trade Policy.

## Utilities

### 1. Power

We have made the necessary arrangements for the purpose of power supply. We meet our electricity requirement by purchasing electricity from state electricity board. To support our manufacturing facility from any power failure and to provide uninterrupted supply of power we have adequate backup in the form of diesel generators.

### 2. Water

The requirement of water for manufacturing of garment is marginal. The water is required mainly in washing units, otherwise it is restricted to human consumption. Adequate arrangement has been made to ensure sufficient water supply. The requirements of water for washing unit is met out of supply from our own underground water resources.

### 3. Effluent Disposal/Environment Compliance

Effluent generated in washing units are treated by effluent treatment plant (ETP) and water treatment plant (WTP) with in the premises. We have obtained necessary approvals from the Tamil Nadu State Pollution Control Board.

## Insurance

We have insured all moveable and immovable properties of our Company including all stocks, factory premises, plant and machinery. In addition to the same, we also have insurance for all money's in transit from our bank branches to our offices, Plate Glass Insurance policies for our Registered Office, office of Indian Terrain and our office at Pallavaram, Burglary BP policy for our Registered Office, Marine Open Cover for stocks of garments, fabrics, trims, consumables, chemicals, packing material of insured trade, Standard Fire and Special Perils Policy for Stocks, buildings, machinery and electrical installations in all our factories.

Our Company has four group personal accident policies for indemnity in the event of any accidental injury causing death, permanent total disability, permanent partial disability or temporary disability of select persons employed with us.

## Intellectual Property

We have one trade name "Indian Terrain" registered in the name of Indian Terrain Clothing Private Limited in Class 25 for Trademark No. 927261 dated May 25, 2000 sealed by the Registrar of Trademarks on May 2, 2005. In addition to the same, We have made applications for the registration of 12 Tradenames, including "Celebrity" and 2 Logos including the logo of Indian Terrain.

## Property

The details of freehold property held by the Company has been summarised below in a tabular form with brief details of the sale deed:

Sr.No	Details of the Agreement	Description of the Property
1.	Sale deed executed at Chennai dated October 28 <sup>th</sup> , 1998 between Mr. N. Devarajan and the Company	All that piece and parcel of vacant nanja land at survey no. 70/2 (50 cents) and 70/3A (37 cents), of a total of 87 cents, No. 138 Thiruvengeri Village, Tambaram Taluk, Kancheepuram District within the Sub-Registrar District of Pallavaram, registration district of Chennai-South, admeasuring 87 cents or thereabouts.
2	Sale deed executed at madras dated July 27 <sup>th</sup> , 1994 between M/s. Charee & Charee Private Limited and the Company	All that piece and parcel of land and building situate at door no. 107-A, G.S.T Road, Survey No. 391, Patta No. 160 Zamin Pallavaram Village and sub-district south Madras, of total extent of 88 ground and 229 square feet.



Sr. No	Details of the Agreement	Description of the Property
3	Deed of sale executed at Chennai dated April 2 <sup>nd</sup> , 1997 between Mrs. Manju Devi Lunawat and Celebrity Designs.	Land measuring 3 acres and 57 cents I Punja survey No. 311/1-B, in Patta no. 465, in no.14, Pallikaranai village, saidapet taluk, within the registration district off Madras-Chengelpet district, registration sub-district of saidapet, within the Pallikaranai village panchayat limits, together with all structures and super structures well, overhead tank, well and electric fittings etc. and Agricultural land measuring 1.785 acres in Punja S.No. 311/1-B in Patta No. 465 in Pallikaranai village no. 149, saidapet talluk, within the registration district of Madras Chengelpet and registration sub-district off saidapet, within Pallikaranai village, panchayat limits, together with well and electric pole.
4	Deed of sale executed at Chennai dated January 31 <sup>st</sup> , 1997 between Ms. Sayardevi Surana and Celebrity Designs	All that piece and parcel of agricultural Punja lands, situated in Velachery main road, measuring about 36.75 cents at survey no. 311/1-B in Patta 465, No. 149, Pallikaranai Village, Saidapet Taluk, within the registration sub-district of Madras south and registration sub district of Saidapet, within Pallikaranai Village Panchyat limits, together with 64.05 running feet compound wall.
5	Deed of sale executed at Chennai dated January 31 <sup>st</sup> , 1997 between Ms. Sayardevi Surana and Celebrity Designs	All that piece and parcel of agricultural punja lands, situated in Velachery main road, measuring about 31.75 cents at survey no. 311/1-B in patta 465, No. 149, Pallikaranai village, Saidapet Taluk, within the registration sub-district of Madras south and registration sub district of saidapet, within Pallikaranai Village Panchyat limits, comprises in survey no. 311/1-B in patta No. 465 together with 132.35 running feet compound wall.
6	Deed of sale executed at Chennai dated January 31 <sup>st</sup> , 1997 between Ms. Madhu Surana and Celebrity Designs	All that piece and parcel of agricultural punja lands situated in velachery main road, measuring about 11 cents or thereabouts together with RCC structure measuring 1680 square feet built up area forming part of property situated at 149, pallikaranai village, Saidapet Taluk, within the registration sub-district of Madras south and registration sub district of saidapet, within Pallikaranai village panchyat limits, comprises in survey no. 311/1-B in patta No. 465 together with 71.87 running feet compound wall.
7	Deed of absolute sale executed at Chennai dated January 27 <sup>th</sup> , 2005 between Span Eicher Designs limited and the Company	All that piece and parcel of land and building in the registration district of Chengalpet and sub-registration district of Kundrathur in No. 49, Seneerkuppam Village.

The details of lease hold property of the Company has been summarised below in a tabular form with details of the agreements that have been entered into with various parties:

Sr. No.	Details of the Agreement	Description of Premises	Term
1	Lease deed made at Chennai on January 8 <sup>th</sup> , 2004 between Mrs. Gayathi Ramachandran, Mr. N.Raghunath, and Mrs. Maya Mohan Ramnath and the Company to use the said premises for the purpose of dining hall for its employees.	Ground floor of all land and building and premises bearing present door No. 208, First Floor, Velachery Tambaram Main Road, Narayanauram, Pallikaranai, Chennai-601302	For a period of 11 months with an option for renewal.
2.	Lease deed made at Chennai on July 10 <sup>th</sup> , 2003 between Mrs. Gayathi Ramachandran, Mr. N.Raghunath, Mrs. Maya Mohan Ramnath and Indian Terrain to use the said premises for the purpose of storing raw material like fabrics, trims and packing materials for the purpose of manufacturing ready made garments and readymade garments.	All land and building and premises bearing present door No. 208, First Floor, Velachery Tambaram Main Road, Narayanapuram, Pallikaranai, Chennai-601302	For period of 11 months commencing from August 1, 2003 with an option for renewal.
3	Lease deed made at Chennai on January 8 <sup>th</sup> , 2004 between Mrs. Gayathi Ramachandran, Mr. N.Raghunath, Mrs. Maya Mohan Ramnath and the Company to use the said premises for the purpose of manufacturing ready-made garments.	Second floor of all land and building and premises bearing present door No. 208, First Floor, Velachery Tambaram Main Road, Narayanapuram, Pallikaranai, Chennai-601302	For period of 11 months with an option for renewal.
4	Lease deed made at Chennai on January 8 <sup>th</sup> , 2004 between Mrs. Gayathi Ramachandran, Mr. N. Raghunath, Mrs. Maya Mohan Ramnath and the Company to use the said premises for the purpose of manufacturing ready-made garments.	First floor of all land and building and premises bearing present door No. 208, First Floor, Velachery Tambaram Main Road, Narayanapuram, Pallikaranai, Chennai-601302	For period of 11 months with an option of renewal.



Sr. No.	Details of the Agreement	Description of Premises	Term
5	Lease deed made at Chennai on July 10 <sup>th</sup> , 2003 between Mrs. Gayathi Ramachandrand, Mr. N. Raghunath, Mrs. Maya Mohan Ramnath and the Company to use the said premises for the purpose of storing raw materials like fabrics, trims and packing materials for the purpose of manufacturing ready made garments and readymade garments.	all land and building and premises bearing present door No. 208, Velachery Tambaram Main Road, Narayanapuram, Pallikaranai, Chennai-601302 including 2000 square feet in the mezanine floor	period of 11 months with an option for renewal
6	Lease deed made at Chennai on August 18 <sup>th</sup> , 2003 between Mrs. Gayathi Ramachandrand, Mr. N. Raghunath, Mrs. Maya Mohan Ramnath and the Company to use the said premises for the purpose of storing raw material like fabrics, trims and packing materials for the purpose of manufacturing ready made garments and readymade garments.	all land and building and premises bearing present door No. 208, Velachery Tambaram Main Road, Narayanapuram, Pallikaranai, Chennai-601302	For period of 11 months with an option for renewal.
7	Lease deed made at Chennai on January 8 <sup>th</sup> , 2004 between Mrs. Gayathi Ramachandrand, Mr. N. Raghunath, Mrs. Maya Mohan Ramnath and the Company to use the said premises for the purpose of manufacturing ready-made garments.	Ground floor (towards the back) of all land and building and premises bearing present door No. 208, Velachery Tambaram Main Road, Narayanapuram, Pallikaranai, Chennai-601302	For period of 11 months with an option for renewal.
8	Tenancy agreement executed at Chennai on March 29 <sup>th</sup> , 2005 between Madras Social Service Society and Indian Terrain	One portion in the ground floor having super built up area of 3750 square feet situated at old door no. 128, New Door No.147, Kolping Towers, T.T.K.Road, Alwarpet, Chennai-600018 together with parking space for four cars and other common amenities, lying within the registration district of south-Chennai and sub-registration district of Mylapore	11 months with effect from April 1, 2005
9	Lease deed executed at Chennai on November 1 <sup>st</sup> , 2002 between Mrs. V. Padmavathy and the Company	All that land and building and premises bearing present door no. 17/21-B, Old No. 98 -B- Arcot Road, Porur, Chennai comprised in survey no. 127 with built up area of 9250 square feet ground floor and first floor in the total extent of land 19 cents or thereabouts together and shed around 1,000 square feet in the second floor.	For period of 9 years commencing from November 1, 2002 and ending on October 31, 2011.
10	Lease Deed executed at Chennai on November 1 <sup>st</sup> , 2002 between Mr. Chinta V. Krishna Rao and the Company	All that land and building and premises bearing present door no. 21 A old n: 98 C Arcot Road, Porur, Chennai comprised in survey No. 127 with built up area of 7300 square feet ground floor and first floor in the total extent off 19 cents or thereabouts together.	For period of 9 years commencing from November 1, 2002 and ending on October 31, 2011.
11	Lease deed executed at Chennai on November 1 <sup>st</sup> , 2002 between Mr V. Venkateswara Rao and the Company.	All that land and building and premises bearing present door no. 17/21-A, Old No. 98 -A- Arcot Road, Porur, Chennai comprised in survey no. 127 with built up area of 9250 square feet ground floor and first floor in the total extent of land 19 cents or thereabouts together and shed around 1000 square feet in the second floor.	For period of 9 years commencing from November 1, 2002 and ending on October 31, 2011.
12	Lease Deed executed at Chennai on August 1, 2003 between 1. Mr. M.Viswanathan 2. Mr. M. Palani Mudaliar 3. Mr. V.Rajaseker 4. Mr. P.Kumar and the Company	Top floor terrace premises at Door no. 1A, Shanti Complex, Thirumurugan Nagar, Arcot Road, Porur, Chennai-600116 consisting of 1400 square feet.	Period of 11 months commencing from August 1, 2003. The lease shall be automatically renewed
13	Lease Deed was executed at Chennai on August 9, 2001 between Mr. N. Karthikeyan and Mrs. Radha Karthikeyan and the Company	1 <sup>st</sup> floor at door no. 1-A, Shanti complex, A/1, Thirumurugan Nagar, Arcot Road, Porur, Chennai-600116. Area: 7,990 square feet.	For a period of 6 years commencing from January 15, 2001 and January 14, 2007.



Sr. No.	Details of the Agreement	Description of Premises	Term
14	Lease deed executed at New Delhi dated January 12 <sup>th</sup> , 2005 between Beverly Park Maintenance Services Limited acting through his authorised signatory Mr. S. C Ansal and Indian Terrain- to use the said plot for a shop.	Grant of perpetual leasehold rights of all that commercial plot of land bearing no. 3 , admeasuring 25,780 square metre situated at Vasant Kunj, Phase II, New Delhi	3 years from the grant of Completion Certificate. With an option to renew
15	Agreement of lease executed at Chennai dated January 1 <sup>st</sup> , 2004 between Mr. T. Paul Rajhun and the Company for the purpose of parking of vehicles owned by the company and the employees' of the company.	Premises at no: 99, GST Road, Chrompet, Chennai-600043	For a period of 11 months commencing from January 1, 2004 with an option for renewal
16	Agreement of lease executed at Chennai dated December 31 <sup>st</sup> , 2004 between Designer Home Steds Private Limited and Indian Terrain for office purpose	Office space situated on the second floor at No. 13/1 & 14, 3 <sup>rd</sup> cross street, R.A.Puram Chennai-600028, premises admeasuring 4414 square feet super built up along with amenities.	For a period of two years commencing from January 1, 2004.
17	Leave and Licence Agreement executed at Mumbai dated April 12 <sup>th</sup> , 2004 between Fashion Lifestyles (India) Limited Indian Terrain for the purposes of carrying out commercial business activities at Centre One shopping mall unit	All that piece of land admeasuring 4659.861 square meters allotted by City And Industrial Development Corporation Of Maharashtra ("CIDCO") known as plot no. 33 in sector 30A, Vashi, Navi Mumbai, for the purpose of shopping mall and any additional area which has been allotted and added to this land by CIDCO and the Company.	For a period of 33 months effective from October 1,2003 till June 13, 2006
18	Agreement of lease executed in New Delhi dated November 25, 2002 between Mrs. Meera Dewan and Indian Terrain	Premises admeasuring an aggregate super built-up area of 561.83 square feet or thereabouts at site on the 2 <sup>nd</sup> floor comprised in unit nos. S208 , Sahara Mall, Sikanderpur, Mehrauli, Gurgaon Road, Gurgaon, Haryana.	For a period of three years commencing from April 1, 2003 with an option for renewal
19	Agreement of lease executed in New Delhi dated November 25, 2002 between Mr. Sanjiv Dewan and Indian Terrain	Premises admeasuring an aggregate super built-up area of 578.13 square feet or thereabouts at site on the 2 <sup>nd</sup> floor comprised in unit nos. S208 A, Sahara Mall, Sikanderpur, Mehrauli, Gurgaon Road, Gurgaon, Haryana.	For a period of three years commencing from April 1, 2003 with an option for renewal
20	Lease Deed executed at Chennai dated July 14, 2004 between P.Ramalakshmi and the Company.	Third floor premises at Patanjali Plaza, No. 15, Old Trunk Road, Pallavaram, Chennai-600043, admeasuring approximately 6000 square feet	For a period of 11 months commencing from August 1, 2004 with an option for renewal
21	Lease agreement executed at Chennai dated July 28, 2005 between Bharati U Mehta, Mr. Umesh Mehta and Sanam Mehta and the Company for the purpose of manufacturing ready-made garment	The property consists of land and building in the ground floor and first floor of Door No 2, 100 feet bye pass road, Velachery, in survey no 362/1c1/A2, situated in velachery village.	For a period of 11 months commencing from April 1, 2005 with an option for renewal.
22	Lease Agreement executed at Chennai dated July 28, 2005 between Mrs. Jayashree H Shah, Mr Harish H Shah and Ms. Neha H Shan and the Company for the purpose of manufacturing ready made garments	The property consists of land and building in the ground floor and first floor of Door No 1, 100 feet bye pass road, Velachery, in survey no 362/1c1/A1, situated in velachery village.	For a period of 11 months commencing from April 1, 2005 with an option for renewal.

Lease Agreements entered into for the expansion projects:

Sr. No	Details of the Agreement	Description of Premises	Term
1.	Lease deed made at Chennai on July 14, 2005 between Mrs. Gayathi Ramachandrand, Mr. N. Raghunath, Mrs. Maya Mohan Ramnath and the Company to use the said premises for the purpose of manufacturing ready-made garments.	Ground floor (towards the front) of all land and building and premises bearing present door No. 208, Velachery Tambaram Main Road, Narayanauram, Pallikaranai, Chennai-601302 measuring 17500 sq. ft. built up area	For period of 11 months with an option for renewal



Sr. No	Details of the Agreement	Description of Premises	Term
2.	Lease deed entered into at Irungattukottai on August 12, 2005 between State Industries Promotion Corporation of Tamil Nadu Limited and the Company to use the said premises for the purpose of manufacturing ready-made garments.	Plot No (s) K 56, K 57 and K 59 measuring 7.79 acres at Industrial Park, Irungattukottai	99 years
3.	Lease deed entered on June 5, 2005 between The President of India through the Development Commissioner, MEPZ, Ministry of Commerce Administrative Office Building, Tambaram, Chennai-600 045 and Ambattur Clothing Limited.	Lease of Land & Building-Ground Floor of SDF IV, Unit No:1 to 4, Survey No:164/1, Village Limits of Kadaperi, Tambaram Taluk, Kancheepuram District measuring 50,000 square feet.	Fifteen year lease commencing from August 1, 1999 to July 31, 2014
4.	Lease deed entered on February 4, 2003 between The President of India through the Development Commissioner, MEPZ, Ministry of Commerce Administrative Office Building, Tambaram, Chennai-600 045 and Ambattur Clothing Limited.	Lease of Land & Building-Ground Floor of SDF IV, Unit No:5 to 8, Survey No:164/1, Village Limits of Kadaperi, Tambaram Taluk, Kancheepuram District measuring 50,000 square feet.	Fifteen year lease commencing from December 1, 2002 to November 30, 2017
5.	Lease deed entered on December 10, 2003 between The President of India through the Development Commissioner, MEPZ, Ministry of Commerce Administrative Office Building, Tambaram, Chennai-600 045 and Ambattur Clothing Limited.	Lease of Land & Building-Ground Floor of SDF IV, Unit No:9 to 12, Survey No:164/1, Village Limits of Kadaperi, Tambaram Taluk, Kancheepuram District measuring 50,000 square feet.	Fifteen year lease commencing from August 1, 2003 to July 31, 2018
6.	Lease deed entered on February 20, 2004 between The President of India through the Development Commissioner, MEPZ, Ministry of Commerce Administrative Office Building, Tambaram, Chennai-600 045 and Ambattur Clothing Limited.	Lease of Land Only-Building owned by Ambattur Clothing Limited, Plot No.C-2, Survey No:24,25 & 54, Phase II in MEPZ, Special Economic Zone, Tambaram Taluk, Kancheepuram District, measuring 9336 square meters.	Fifteen year lease commencing from January 1, 2004 to December 31, 2018
7.	Lease deed entered on October 8, 2005 between The President of India through the Development Commissioner, MEPZ, Ministry of Commerce Administrative Office Building, Tambaram, Chennai-600 045 and Ambattur Clothing Limited.	Lease of Land, Plot No:D-1, Survey No:164/1(Part), Phase II in MEPZ, Special Economic Zone, Tambaram Taluk, Kancheepuram District, measuring 17995 square meters.	Fifteen year lease

### Competition

Our competition in export segment is from various apparel exporters in India, who are manufacturing for customers in the international market. Indian Terrain faces competition from other Brand present in the market.

We also face competition from apparel manufacturer across the globe. We compete with manufacturer from other cost efficient countries such as China, Sri Lanka, Pakistan and Bangladesh. We also face competition from countries like Mexico and Turkey, who have locational advantage being closer to American and European Market respectively.

Our domestic branded apparel business faces competition from well entrenched brands as well as local brands .



## REGULATIONS AND POLICIES

Over the past five years, the Indian government has removed many of the barriers hindering the sector's growth. But to fulfill the potential of the country's apparel-export industry, the government needs to eliminate the remaining restrictions that perpetuate the lack of scale and poor operational and organizational performance of local manufacturers and that discourage investment, particularly foreign direct investment. Regulations still protect small-scale producers in a number of ways. While the production of ready-made garments is no longer reserved for small-scale manufacturers, a few product markets, such as hosiery, still are.

### **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 US \$ 50 billion by 2010, of which the share of garments will be US \$ 25 billion. Subsequent to the announcement of NTxP-2000, woven segment of readymade garment sector has been de-reserved from SSI and the announcement has been made for de-reservation of knitwear from SSI.

### **Liberalization of FDI Policy**

Government has allowed foreign equity participation upto 100%, through automatic route, in the textile sector with the only exception in knitwear/knitting sector, which is still reserved for SSI. SSI investment limit for the knitwear/knitting sector has been increased from Rs.10 million to Rs. 50 million.

### **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.

### **Advance Licensing Scheme**

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

### **Duty 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.

### **Textile Centres Infrastructure Development Scheme (TCIDS)**

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

### **The WTO 2005 Initiative**

Protection of the textile and clothing sector has a long history in United States and Europe. In the 1950s, Japan, Hong Kong, China, India and Pakistan agreed to voluntary 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 fibers in addition to cotton.

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

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

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



The most important underlying principles of the ATC are:

- The quotas would be phased out to an agreed timetable (16% of imports quota-free by 1/1/95, a further 17% by 1/1/98, a further 18% by 1/1/02 and the remaining 49% by 1/1/05)
- 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.

#### **Environmental Regulations:**

We are subject to Indian laws and regulations concerning environmental protection, in particular, the discharge of effluent water and solid particulate matter during our manufacturing processes. The principal environmental regulations applicable to industries in India are the Water (Prevention and Control of Pollution) Act, 1974, the Water Access Act, 1977, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986.

Further, environmental regulations require a company to file an Environment Impact Assessment (“EIA”) with the State Pollution Control Board (“PCB”) and the Ministry of Environment and Forests (“MEF”) before undertaking a project entailing the construction, development or modification of any plant, system or structure. If the PCB approves the project, the matter is referred to the MEF for its final determination. The estimated impact, which a project would have on the environment, is carefully evaluated before granting clearances. When granting clearance, conditions can be imposed and the approving authorities can direct variations to the proposed project.

The PCB located across the States monitors compliance with applicable environmental regulations. No industrial or productive facility may operate without a valid authorisation from the local PCB office. PCBs routinely inspect industrial and productive facilities, to monitor compliance with applicable environmental standards and regulations, including the provisions of the Water Act and the Water Access Act. The PCBs are also empowered to grant authorisation for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

Violations of relevant environmental regulations are punishable by monetary fines and imprisonment for company officers and controlling persons.

We have established water and air pollution control systems at our washing plant. Our environmental compliance program is administered internally by our operations & administration department and includes monitoring, measuring and reporting compliance, establishing safety programs and training our personnel in environmental and safety matters.

#### **Foreign Investment Regulations**

The new industrial policy was formulated in 1991 to implement the Government’s liberalisation programme and consequently, the industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment. In subsequent years, the Government has further liberalized the foreign investment regime.

#### **Customs Regulations**

All imports to the country or exports from the country are subject to duties under the Customs Act, 1962 at the rates specified under the Customs Tariff Act, 1975. However, the Government has the power to exempt certain specified goods from excise duty, by notification.



## HISTORY AND OTHER CORPORATE MATTERS

### OVERVIEW

Our Company was incorporated on April 28, 1988 as Celebrity Fashions Private Limited under the Companies Act, 1956. In the year 1998, our Company became a deemed Public Company under section 43A of the Companies Act 1956. Subsequent to the amendment to the Companies Act 1956, we reverted back to the status of a Private Limited Company in the year 1999. In the year 2004, an application for the merger of group companies Celebrity Designs (India) Private Limited and Indian Terrain Clothing Private Limited was filed with the Honourable High Court of Madras and in October 2004, the companies got merged with effect from April 1, 2003 vide court order dated October 14, 2004. On April 01, 2004 the manufacturing facility of Celebrity Connections, a partnership firm, was taken over by our Company with effect from March 31, 2004. Our Company became a Public Limited Company on September 12, 2005 and subsequently our name changed to Celebrity Fashions Limited.

The key events in the business of our Company are as follows:

Year	Milestones Achieved
1988 – 1989	Setup of first manufacturing facility at Mylapore, Chennai Incorporation of Celebrity Fashions Private Limited
1992 – 1993	Setup of second manufacturing facility at Velachery, Chennai Setup of third manufacturing facility at Chrompet, Chennai
1997 – 1998	Setup of fourth manufacturing facility at Pallikaranai, Chennai
1999 – 2000	Setup of fifth manufacturing facility at Porur, Chennai
2000 – 2001	Launch of the Indian Terrain Brand Inauguration of Indian Terrain's first Showroom at Chennai Setup of sixth manufacturing facility at Thiruvancherry, Chennai Setup of washing plant at Thiruvancherry, Chennai Creation of a Design Studio in the Corporate Office, Chennai.
2002 – 2003	Setup of seventh manufacturing facility at Porur, Chennai
2003 – 2004	Setup of separate warehouses, one for trims and packing material and one for fabrics at Narayanapuram, Chennai Shifting of Mylapore factory to Narayanapuram, Chennai Take over of Garment manufacturing division of Celebrity Connection
2004 – 2005	Strategic Investment by Bennett, Coleman & Co Limited (Times of India group) for funding advertisement expenditure of Indian Terrain. Merger of Indian Terrain Clothing Private Limited, Celebrity Designs (India) Private Limited with Celebrity Fashions Private Limited vide Madras High Court Order dated October 14, 2004. Acquisition of the manufacturing facilities, land and building of Span Eicher Designs Limited, Poonamallee, Chennai.
2005 – 2006	Investment by New Vernon Bharat Limited, Mauritius Commencement of Construction of 1200 machines trouser an export oriented manufacturing plant with wrinkle free washing plant at the apparel park in SIPCOT, Irunkattukottai (40 kms from Chennai). Conversion of Private Limited to Public Limited Company Investment by Reliance Capital Limited

### Changes in Registered Office of our Company

The table below shows the changes in the Registered Office of our Company since incorporation:

Previous Address	New Address	Reasons for Change in Office	Date of Change
No. 4 R.K. Mutt Road, Luz Bazaar, Mylapore, Chennai – 600 004.	No. 107 A GST Road, Chrompet, Chennai – 600 044.	Shifting office from rented premises to our own corporate office with Factory.	May 19, 1996



## Main Objects of our Company

The main objects of our Company as stated in the MOA are as under:

- a. To manufacture, trade, deal, sell and export all kinds of handloom and powerloom fabrics, grey and non-grey fabrics, readymade garments, hosiery goods, made-up, towels knit wear and fabrics of all descriptions made out of man made fabrics, silk and cotton.
- b. To carry on trade and business of designing, buying, selling, importing, exporting of all counts of yarns and all types of furnishing, carpets, textiles, whether made of wool or otherwise, handicrafts and coir products.
- c. To carry on the business as traders, dealers, wholesalers, retailers, makers, designers, combers, scourers, spinners, weavers, finishers, dyers, importers, exporters and manufacturers of readymade garments, yarns and fabrics of wool, cotton, jute, silk, rayon, nylon and other natural synthetic and / or fibrous substances and/or manufacturers of materials from the waste realised from the above mentioned products either or its own account or on commission and to carry on business as drapers and dealers of furnishing fabrics in all its branches, as customers, readymade dress and mantle makers, silk mercers, makers and suppliers of clothing, lingerie and trimmings of every kind, furriers, drapers, haberdashers, milliners, hoisers, gloves, lace makers, feather dressers, felt makers dealers in and manufacturers of yarns and fabrics.
- d. To manufacture, deal, sell export all types of leather goods like shoes, boots, slippers, chappals and other fashion leather items.

## Changes in Memorandum of Association

Date of Resolution	Changes
January 31, 1994	Increase in Authorised Share Capital from Rs. 0.5 million to Rs. 5.00 million
March 27, 1997	Increase in Authorised Share Capital from Rs. 5.00 million to Rs. 25.00 million
December 3, 1997	Increase in Authorised Share Capital from Rs. 25.00 million to Rs. 30.00 million
July 1, 1998	Change in name of our Company from Celebrity Fashions Private Limited to Celebrity Fashions Limited, a deemed Public Company.
June 8, 1999	Change in name of our Company from Celebrity Fashions Limited to Celebrity Fashions Private Limited – Change from a deemed Public Company to Private Limited Company.
September 30, 2004	Increase in Authorised Share Capital from Rs. 30.00 million to Rs. 50.00 million
May 20, 2005	Increase in Authorised Share Capital from Rs. 50.00 million to Rs. 70.00 million
August 19, 2005	Increase in Authorised Share Capital from Rs. 70.00 million to Rs. 170.00 million
August 19, 2005	Change in name of our Company from Celebrity Fashions Private Limited to Celebrity Fashions Limited – Conversion from a Private to a Public Company.
September 28, 2005	Increase in Authorised Share Capital from Rs. 170.00 million to Rs. 200.00 million

## Our Subsidiaries

We do not have any subsidiaries

## Raising of Equity

For details of raising of equity, please refer to “Capital Structure” on page 13 of this Prospectus.

## Investment by Reliance Capital Limited

### Share Subscription and Shareholders Agreement amongst Celebrity Fashions Limited and Reliance Capital and Mr. V. Rajagopal and Mrs. Rama Rajagopal

The Share Subscription and Shareholders Agreement was entered into on September 30, 2005 wherein Reliance Capital Limited or RCL, purchase a total of 825,000 Equity Shares from Mr. Venkatesh Rajagopal and Mrs. Rama Rajagopal for a purchase price of Rs. 102.92 each and from Devson Software and Exports Private Limited for a purchase price of Rs. 100 each. Further additional 110,000 Equity Shares of our Company would be subscribed by RCL at a price of Rs. 110 each thereby amounting to a total of 935,000 Equity Shares of our Company for a price aggregating Rs. 95.84 million. RCL also has



a right to appoint a person as an observer in the meeting of the Board of Directors of our Company. The agreement is valid until RCL holds its shares or our Company does an initial public offering. However the right to appoint an observer on the Board for a period of one year from the date the Equity Shares of our Company are listed on a stock exchange and the consent rights as granted to RCL under this agreement shall be valid for a period of 2 years from the date the Equity Shares of our Company are listed on the stock exchange.

#### **Investment by New Vernon Bharat Limited**

##### **Share Subscription and Shareholders Agreement amongst Celebrity Fashions Private Limited and New Vernon Bharat Limited and Mr. V. Rajagopal and Mrs Rama Rajagopal**

The Share Subscription and Shareholders Agreement was entered into on May 19, 2005 wherein New Vernon Bharat Limited the Investor shall subscribe for 1,250,000 Equity Shares at a price of Rs. 200/- per Equity Share and shall remit by bank transfer to our Company an amount equivalent to Rs. 250,000,000 (Rupee two hundred and fifty million only) being the total subscription price for the Investor Shares, subsequent to which our Company shall issue and allot 550,000 Investor Warrants to New Vernon, which shall give them the right to invest up to Rs.110,000,000 (Rupees one hundred and ten million) at a price of Rs. 200/- each per Equity Share of our Company within 36 months from the date of allotment of Investor Shares. Our Company shall allot and issue the Investor's Shares and Investor Warrants to New Vernon (or its nominee), upon payment being received by us and we shall register the New Vernon (or its nominee) as the holder of the Investor's Shares, and shall prepare and deliver to New Vernon (or its nominee) a share certificate in respect thereof within a period not exceeding 30 days from the date of allotment of the Investor Shares. Our Company shall deliver New Vernon a letter of allotment certifying the issuance of the Investor Shares and Investor Warrants to them. Subject to receiving a letter stating the non-applicability of provisions under Section 274 of the Act, an individual nominated by New Vernon shall be appointed as Investor Director pursuant to Clause 5.1 and our Promoters shall deliver the Disclosure Letter to the Investor.

Subsequently by a bonus issue additional 550,000 warrants were issued to NVB with the right to convert all the 1,100,000 warrants to 1,100,000 Equity Shares for Rs. 100 (Rupees One Hundred only) each. Vide this Agreement, NVB has certain consent rights whereby from NVB before taking decisions on matters like amendment to the rights of existing shareholder, issuance of new shares or stock, any merger, consolidation, acquisition, strategic sale, sale of all or substantially all of our Company's assets or closure of any business, liquidation or dissolution of our Company, any increase or reduction in the number of authorized directors, modification to the capital structure. Further this agreement is valid until our Company does an initial public offering and the consent rights would be valid for a period of two years after the initial public offering.

##### **Supplementary Share Subscription and Shareholders' Agreement between Celebrity Fashions Private Limited, Mr. V. Rajagopal and Mrs. Rama Rajagopal, New Vernon Bharat Limited and New Vernon Ventures dated October 14, 2005.**

The Supplementary Share Subscription and Shareholders' Agreement between Celebrity Fashions Private Limited, Mr. V. Rajagopal and Mrs. Rama Rajagopal, New Vernon Bharat Limited and New Vernon Ventures was entered on October 14, 2005 wherein the Company and the Investors have mutually agreed that the Investor/Nominee shall subscribe to 900,000 Equity Shares at a price of Rs. 90,000,000 (Rupees Ninety million only) by converting the existing 900,000 warrants into Equity Shares and shall forfeit the outstanding 200,000 warrants.

#### **Investment by Bennett Coleman & Company Limited**

##### **Share Subscription and Shareholders Agreement between Celebrity Fashions Private Limited and Bennett Coleman & Company Limited and Mr. V. Rajagopal dated January 20, 2005**

The Share subscription and Shareholders Agreement between Celebrity Fashions Private Limited and Bennett Coleman & Company Limited and Mr. V. Rajagopal was entered into on January 20, 2005 with the objective of BCCL offering special advertisement rates as support to our Company for our ad campaign and by BCCL accepting equity shares of our Company against its invoice for advertisements in its various publications, over a period of three years (to a maximum until September 30, 2008), where we propose to launch an ad campaign through the print media and other advertisement media for an amount of Rs. 210 million through BCCL, whereby BCCL will provide a 25% discount on its then prevailing card rates. Our Company's product advertisement shall also carry the website address 'indiatimes.com' and Times Internet Limited shall facilitate the sale of our product through its website at a commission of 20%. BCCL shall also endeavour to leverage its other businesses like Planet M and television business for the promotion of our Company and its products. Out of the aforesaid advertisement expenses, Rs. 60 million would be spent in the first year of the advertisement campaign, for which BCCL will raise an invoice of 45 million (being a 25% discount on the card rates) and we shall issue shares of our Company of face value of Rs. 10 each for a price of Rs. 220 per share to BCCL representing 4.63% of the total share capital of our Company. In the second and the third year, our Company and BCCL shall issue the release orders for the ad campaign and the invoices respectively in the same manner as stated above for the first year.



### **Supplementary Share Subscription and Shareholders' Agreement between Celebrity Fashions Private Limited and Bennett Coleman & Company Limited and Mr. V. Rajagopal**

The Supplementary Share Subscription and Shareholders' Agreement between Celebrity Fashions Private Limited and Bennett Coleman & Company Limited and Mr. V. Rajagopal was entered into on May 13, 2005 wherein Clause 4.5 of the Agreement was replaced to *inter alia* state that BCCL would have the right to (but not the obligation) to maintain its shareholding percentage in our Company on a fully diluted basis, wherein if our Company at any point of time issues and allots equity shares or convertible security and the offer price for such issuance and allotment is less than Rs. 200 per or per convertible security of the face value of Rs. 10 per share / security, BCCL shall have the right to acquire such shares or convertible securities at par as are necessary on a pro-rata basis, to maintain its shareholding percentage, immediately before such proposed allotment and BCCL would issue advertisements of our Company's products in BCCL's various publications. This anti dilution right is however not available if our Company issues shares at an issue price higher than Rs. 200.

BCCL was issued 204,545 Equity Shares against the first year of advertisement of Rs. 60 million (with a discount amounting to Rs. 45 million). Subsequently during the bonus issue by our Company, BCCL was further allotted another 204,545 Equity Shares wherein BCCL's holding was increased to a total of 409,090 Equity Shares.

### **Supplementary Agreement between Celebrity Fashions Private Limited and Bennett Coleman & Company Limited and Mr. V. Rajagopal dated September 27, 2005**

The Supplementary Agreement between Celebrity Fashions Private Limited and Bennett Coleman & Company Limited and Mr. V. Rajagopal dated September 27, 2005 was entered into to modify and amend the Share Subscription and Shareholders' Agreement dated January 20, 2005 wherein, the total investment amount of Rs. 210 million was substituted by Rs. 193.1 million (with a discount amounting to Rs. 144.8 million) and the total number of shares that were to be allotted to BCCL was changed from 715,909 (pre-bonus issue) to 658,409 Equity Shares. Further the parties have vide this Supplementary Agreement agreed that BCCL shall pay and subscribe for a total number of 907,728 Equity Shares of the Company (post bonus issue) at a price of Rs. 110 per Equity Share by paying a bankers cheque within 15 days of this Supplementary Agreement. BCCL shall release order for the advertisements to be released in the calendar years 2006 and 2007 for an amount of Rs. 99.85 million and shall pay the advance through a banker's cheque immediately upon receiving the subscription amount from BCCL. The period for advertising was extended from September 30, 2008 to December 31, 2008. Further restriction with respect to investments in other ready made apparels was deleted and consequently BCCL shall extend an additional incentive of 7% by way of space banking on the net value of advertisements released and the space banking could be redeemed by our Company at the end of each calendar year of the 3 year agreement. Further in the event that the advertising rates are revised upwards by BCCL, BCCL shall accept the advertisements for a period of 6 months at the previously prevailing rates. BCCL shall also be in a lock in period with respect to the shares of our Company until January 31, 2008. BCCL shall not sell or transfer the shares held by it in our Company except (a) from the shares currently held prior to entering of the supplementary agreement i.e. 409,090 shares and (b) to the extent our Company has availed advertisement out of the advance paid for the second and third year. However, after January 31, 2008, BCCL shall deal with the shares held by it in any manner, irrespective of whether the company has released advertisements or not against the advance money paid to BCCL. Hence the shares as mentioned above will be subject to voluntary lock-in for the amount of advertisement to be consumed in the third year.

### **Business Transfer Agreement between Span Eicher Designs Limited and Celebrity Fashions Private Limited**

The Business Transfer Agreement was entered into between Span Eicher Designs Limited and our Company on January 2, 2005 for the transfer and sale of the manufacturing and exporting ready made garments division of Span Eicher Designs Limited located at 72/1, 72/2 Poonamallee by pass road, Poonamallee, Chennai to our Company as a going concern on slump sale basis. Span Eicher by the Business Transfer Agreement agreed to sell, transfer, convey, assign and deliver as the case may be to us all the immovable assets, movable assets, goodwill of Span Eicher with respect to the business, excluding the current assets including raw materials, work in process, finished stocks at the plant and advances deployed by Span Eicher in the business and the liabilities including current liabilities, vendor credit, bank liabilities in respect of the business. The slump sale price for the Undertaking was agreed at Rs. 40,000,000 (Rupees Forty million only).

### **Merger of Celebrity Designs (India) Private Limited and Indian Terrain Clothing Private Limited with our Company**

Pursuant to order of the High Court of Madras dated October 14, 2004 effective from April 01, 2003, for merger of Celebrity Designs (India) Private Limited and Indian Terrain Clothing Private Limited with our Company. Shareholders of Celebrity Designs (India) Private Limited received 100 Equity Shares of our Company for every 625 Equity Shares held in Celebrity Designs (India) Private Limited or 625, 15% redeemable preference shares in Celebrity Design (India) Private Limited and Shareholders' of Indian Terrain Clothing Private Limited received 100 Equity Share of our Company for every 550 Equity Shares held in India Terrain clothing Private Limited.



### **Agreement of sale between Celebrity Connections and our Company**

This Agreement for sale was entered into between M/s. Celebrity Connections and Celebrity Fashions Private Limited on March 31, 2004. Celebrity Fashions Private Limited has pursuant to this agreement purchased all plant and machinery and all other assets including the current assets of the Garment Manufacturing Unit of M/s. Celebrity Connections located at Mylapore Chennai for a total consideration of Rs. 4,329,048 (Rupees Forty lacs Twenty-Nine Thousand Forty Eight only).

### **Memorandum of Understanding between Celebrity Fashions Limited and Ambattur Clothing Limited.**

We entered into a memorandum of understanding with Ambattur Clothing Limited on December 2, 2005 for acquisition of the undertaking of Ambattur Clothing Limited situated at Plot C, Survey no. 24, 25 and 54, Phase II in MEPZ – SEZ, Tambaram, Chennai 600 045, building at SDF-IV, 3<sup>rd</sup> main road, in MEPZ – SEZ, Tambaram, Chennai 600 045 and Plot No.D-1, Survey Nos. 164/1 (part), Phase II in MEPZ – SEZ, Tambaram, Chennai 600 045 comprising of 4 acres of land and all assets therein, including machinery, fixed assets, current assets and liabilities on an appointed date as a going concern on a slump sale basis for a total consideration of Rs. 800 million in the manner as stipulated in the memorandum of understanding and subject to satisfactory completion of due diligence by Celebrity Fashions Limited. The parties have agreed that the handing over possession of the undertaking and taking delivery of the undertaking shall be completed no later than April 1, 2006.

### **Strategic Partners & Financial Partners**

We do not have any strategic or financial partners.



## OUR MANAGEMENT

### Board of Directors

Sr. No.	Name, Father's / Husband's name, Address and Nationality, Occupation	Designation	Age	Directorships in other companies
1.	Mr. V. Rajagopal S/o Mr. K. A. Rajagopalan No. 10, Rajagopalan II Street, Valmiki Nagar, Thiruvanmiyur, Chennai – 600 041. Occupation: Business Indian Term : 5 years	Chairman & Managing Director	48	Everglades Holdings and Finance Private Limited Designer Homesteads Private Limited <u>Partner in</u> Celebrity Connections
2.	Mrs. Rama Rajagopal D/o Mr. Gopal Iyer No. 10, Rajagopalan II Street, Valmiki Nagar, Thiruvanmiyur, Chennai 600 041. Occupation: Business Indian Term : 5 years Wife of Mr. V. Rajagopal	Executive Director	48	Everglades Holdings and Finance Private Limited Designer Homesteads Private Limited <u>Partner in</u> Celebrity Connections
3.	Mr. S. Surya Narayanan S/o. Late Mr. N. Swaminathan No. 26/62, Murthy Street, West Mambalam, Chennai – 600 033 Occupation: Service Indian Term : 5 years	Executive Director	40	Rocky Marketing (Chennai) Private Limited. <u>Partner in</u> Rocky Agencies Sairam Marketing
4.	Mrs. Nidhi Reddy D/o Raghunath Singh No. 7, Kalakshethra Avenue Second Street, Thiruvanmiyur Chennai – 600 041 Occupation : Service Indian Term: Liable to Retire by rotation	Independent Director	49	<u>Sole Proprietor of</u> Nidhi Reddy Consultants
5.	Mr. P. S. Raman S/o Mr. V. P. Raman Lloyds Corner New No. 200 (Old No. 286) Lloyds Road, Chennai – 600 014 Occupation: Advocate Indian Term: Liable to Retire by rotation	Independent Director	45	Sundaram Brake Linings Limited



Sr. No.	Name, Father's / Husband's name, Address and Nationality, Occupation	Designation	Age	Directorships in other companies
6.	Mr. Ranganath N Krishna S/o Mr. Krishna Iyengar Appartment No. 5, Shreshtha Apts Old No. 57, Subramaniya Street, Abhiramapuram, Chennai 600 018 Occupation : Service Indian Term : Liable to Retire by rotation	Independent Director	49	<u>Alternate Director in</u> Grundfos Pumps India Private Limited

### BRIEF BIOGRAPHY OF OUR DIRECTORS

A brief profile of the Board members, other than the Promoters, is given below:

**Mr. S. Surya Narayanan**, 40 years, is an Executive Director of our Company. He holds a Bachelor degree in Commerce from Madras University and is a Chartered Accountant. He is a Fellow Member of the Institute of Chartered Accountants of India. He has over 15 years of experience in finance and accounting. He started his career with Harita Finance Limited (TVS Group) and worked in finance and marketing for a period of eight years. He joined Celebrity Fashions Private Limited in 1996 as General Manager – Finance and was promoted as Vice-President – Finance in 2000. In the year 2001, he was inducted into the Board as Director. In the year 2004, Mr. Surya Narayanan was elevated to the position of Executive Director with the core responsibility of finance, accounts, commercial and systems. He was a key member in launching Men's wear brand "Indian Terrain" in the domestic market in the year 2000.

**Mr. Ranganath N K**, 49 years, is an Independent Director of our Company. He is a mechanical engineer and holds a post graduate degree in business management from XRLI. He is the Chief Executive Officer of Grundfos Pumps India Private Limited and has over 25 years of experience in various fields including sales, marketing, finance, production and human resource disciplines.

**Mr. P. S. Raman**, 45 years, is an Independent Director of our Company. He is a lawyer with more than two decades of standing practice in the Madras High Court and in the Supreme Court. He is also a Senior Advocate of the Madras High Court.

**Mrs. Nidhi Reddy**, 49 years, is an Independent Director of our Company. She is a postgraduate in economics from Delhi School of Economics and has completed her Masters in Business Administration from XLRI. She was awarded the NIPM Gold Medal in Personnel Management. She has more than 15 years of experience in human resource management.

### Shareholding of our Directors in our Company

The shareholding of our Directors as on the date of filing of this Prospectus with RoC is as below:

Name of the Director	Number of Equity Shares of Rs. 10/- each	% of pre-issue capital
Mr. V. Rajagopal	38,13,200	28.79%
Mrs. Rama Rajagopal	37,67,700	28.44%
<b>TOTAL</b>	<b>75,80,900</b>	<b>57.23%</b>

### Borrowing Powers of our Board of Directors

Shareholders of our Company approved at the Extra-ordinary General Meeting held on October 25, 2005 Rs. 4000 million as current Borrowing powers of the Directors pursuant to Section 293(1)(d) of the Companies Act.

### Details of appointment and compensation of our Executive Directors

#### Agreement with Mr. V. Rajagopal as Managing Director of our Company

An Agreement for rendering services as Managing Director of our Company has been entered into with Mr. V. Rajagopal by our Company on October 1, 2005.



The terms and conditions of the Agreement are as follows:

**Term:** A period of 5 years from October 01, 2005 to September 30, 2010

**Scope of work:** The management of the business of the Company with power to appoint and dismiss employees of the Company, to enter into contracts on behalf of the Company in the ordinary course of its business and to do and perform all other acts and things, which, in the ordinary course of business, he may consider necessary or proper or in the interests of the Company

**Remuneration:** Basic salary @ Rs.42,00,000/- per annum and as may be increased by the Board from time to time. In addition to the above, the Managing Director shall be entitled to suitable medicalim policy for hospitalization for himself and family and reimbursement of all actual medical expenses for himself and family to the extent not reimbursed under Medclaim Policy. He shall be entitled to telephone, fax and other communication facilities at his residence at Company's cost. The Managing Director shall also be entitled to a fully maintained company car for company's business and the Company shall pay the cost of the vehicle, inclusive of driver. He shall also be entitled to reimbursement of all actual expenses or charges, including travel, entertainment and other out-of-pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objects. He shall not be entitled to receive any sitting fees.

Either party shall have the right to terminate this agreement by giving six months notice.

#### **Agreement with Mrs. Rama Rajagopal as Executive Director of our Company**

An Agreement for rendering services as Executive Director of the Company has been entered into with Mrs. Rama Rajagopal by our Company on October 1, 2005.

**The terms and conditions of the Agreement are as follows:**

**Term:** A period of 5 years from October 01, 2005 to September 30, 2010

**Scope of work:** Management of the business of the Company with power to appoint and dismiss employees of the Company, to enter into contracts on behalf of the Company in the ordinary course of its business and to do and perform all other acts and things, which, in the ordinary course of business, She may consider necessary or proper or in the interests of the Company

**Remuneration:** Basic salary @ Rs.42,00,000/- per annum and as may be increased by the Board from time to time. In addition to the above, the Executive Director shall be entitled to suitable medicalim policy for hospitalization for herself and family and reimbursement of all actual medical expenses for herself and family to the extent not reimbursed under Medclaim Policy. He shall be entitled to telephone, fax and other communication facilities at her residence at Company's cost. She shall also be entitled to Payment of annual membership fee for a club. The Executive Director shall also be entitled to a fully maintained company car for company's business and the Company shall pay the cost of the vehicle, inclusive of driver. She shall also be entitled to reimbursement of all actual expenses or charges, including travel, entertainment and other out-of-pocket expenses incurred by her for and on behalf of the Company, in furtherance of its business and objects. She shall not be entitled to receive any sitting fees.

Either party shall have the right to terminate this agreement by giving six months notice.

#### **Agreement with Mr. S. Surya Narayanan Executive Director of our Company**

An Agreement for rendering services as Executive Director of the Company has been entered into with Mr. S. Surya Narayanan by our Company on October 1, 2005.

**The terms and conditions of the Agreement are as follows:**

**Term:** A period of 5 years from October 01, 2005 to September 30, 2010

**Scope of work:** the management of the business of the Company with power to appoint and dismiss employees of the Company, to enter into contracts on behalf of the Company in the ordinary course of its business and to do and perform all other acts and things, which, in the ordinary course of business, he may consider necessary or proper or in the interests of the Company

**Remuneration:** Basic salary @ Rs.30,00,000/- per annum and as may be increased by the Board from time to time. In addition to the above, the Executive Director shall be entitled to suitable medicalim policy for hospitalization for himself and family and reimbursement of all actual medical expenses for himself and family to the extent not reimbursed under Medclaim Policy. He shall be entitled to telephone, fax and other communication facilities at his residence at Company's cost. The Executive Director shall be entitled to a fully maintained company car for Company's business. He shall also be entitled to reimbursement of all actual expenses or charges, including travel, entertainment and other out-of-pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objects. He shall not be entitled to receive any sitting fees.



Either party shall have the right to terminate this agreement by giving six months notice.

### Interest of Promoters and Directors

Except as stated in the section titled “Related Party Transactions” on page 84 of this Prospectus, and to the extent of shareholding in our Company, the Promoters do not have any other interest in our business.

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

Sr. No.	Name of Director	Date of Appointment / vacation	Reason
1.	Mr. S. Surya Narayanan	March 1, 2004	Appointment as Executive Director
2.	Mr. Bimal Kumar. S	March 01, 2004	Resignation
3.	Mr. Suresh Rajagopal	April 28, 2005	Appointment
4.	Mr. Rajiv Devinder Singh Sahney	May 23, 2005	Appointment
5.	Mr. Suresh Rajagopal	August 31, 2005	Resignation
6.	Mr. R Venkatakrishnan	September 3, 2005	Resignation
7.	Mr. Ranganath N K	September 6, 2005	Appointment
8.	Mrs. Nidhi Reddy	September 6, 2005	Appointment
9.	Mr. Sanjiv Dewan	September 6, 2005	Appointment
10	Mr. P. S. Raman	September 6, 2005	Appointment
11	Mr. Rajiv Devinder Singh Sahney	October 14, 2005	Resignation
12	Mr. Sanjiv Dewan	October 14, 2005	Resignation

### Corporate Governance

The provisions of the listing agreements to be entered into with the Stock Exchanges with respect to corporate governance become applicable to us at the time of seeking in-principle approval of the Stock Exchanges. We have complied with such provisions, including with respect to the appointment of independent Directors to our Board and the constitution of the following committees of the Board - the Audit Committee, the Remuneration & Compensation Committee and the Shareholders/Investors' Grievance Committee. We undertake to take all necessary steps to comply with all the requirements of the guidelines on corporate governance and adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges, as would be applicable to our Company upon listing of our Equity Shares.

#### Audit Committee

The composition of the Audit Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Audit Committee was constituted on September 06, 2005. The committee comprises Mr. N.K. Ranganath, Independent Chairperson, Mr. S. Surya Narayanan ,Executive Director and Mr. P. S. Raman, Independent Director.

The objective of the Committee is to comply with the requirements of the clause 49 of the Listing Agreement to be entered into with the Stock Exchanges and Section 292 A of the Companies Act, 1956.

#### Compensation Committee

The composition of the Remuneration & Compensation Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Remuneration & Compensation Committee was constituted on September 06, 2005. The committee consists of Mrs. Nidhi Reddy, Independent Director & Chairman of the Committee, Mr. N. K. Ranganath, Independent Director and Mr. P. S. Raman, Independent Director.

#### The objective of the Committee is

- To determine and recommend to the Board of Directors the remuneration package of the Managing Director and the Whole-time Directors
- To approve in the event of loss or inadequate profits in any year the minimum remuneration payable to the Managing Director and the Whole-time Directors within the limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, 1956.



- Grant of stock options under the Employees Stock Option Scheme and perform other functions of compensation committee as required/ recommended by SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999
- To determine and amend the remuneration package of the key management personnel of our Company and to frame policies to attract, motivate and retain personnel.
- Other functions of a Remuneration Committee as required / recommended in the Listing Agreement.

#### **Shareholders/Investor Grievance Committee**

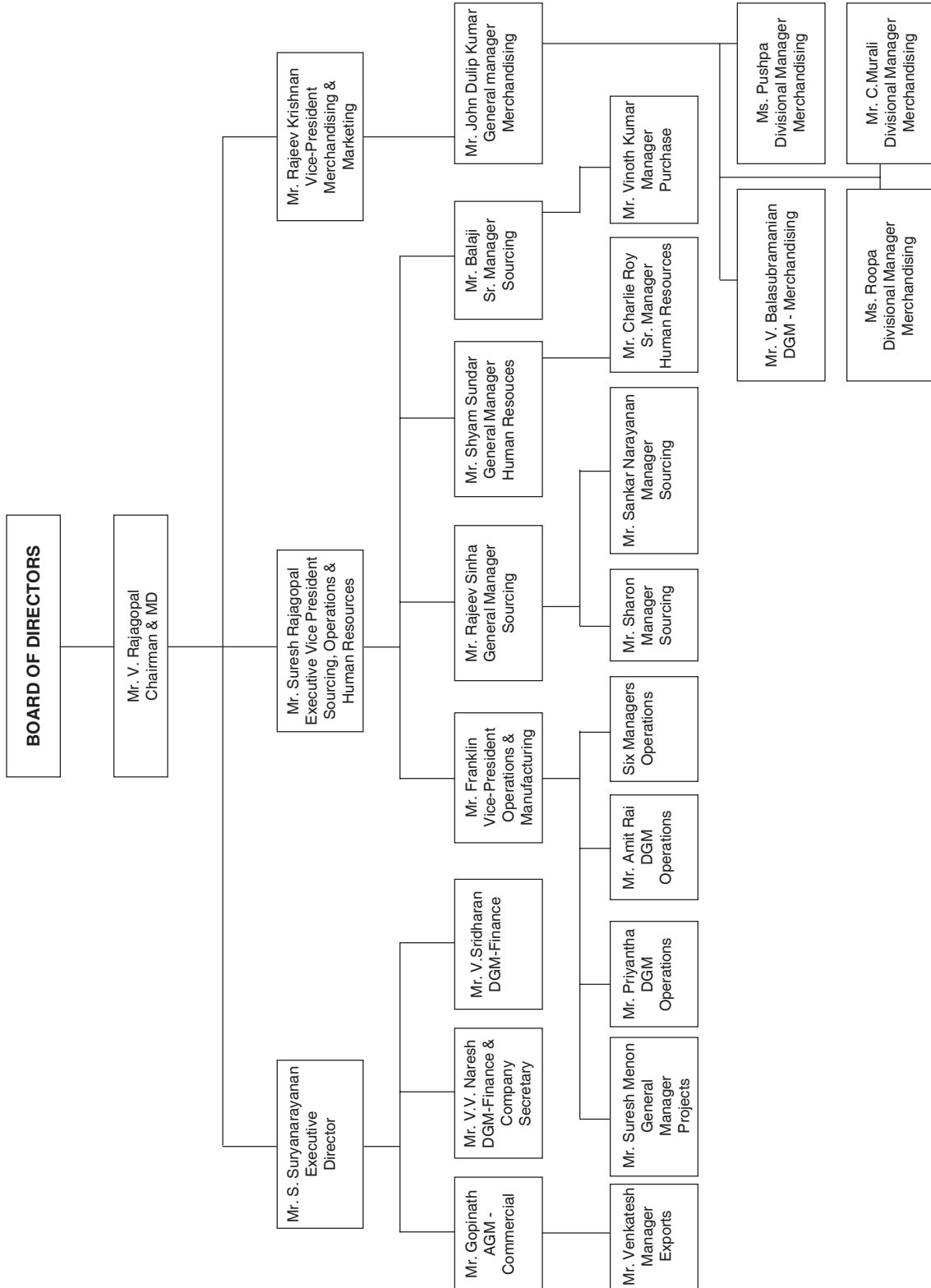
The composition of the Shareholders/Investor Grievance Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges.

The Shareholders/Investor Grievance Committee was constituted on Septemebr 06, 2005. The committee consists of Mr. V. Rajagopal, Chairman & Managing Director, Mr. S. Surya Naryanan, Executive Director and Mr. P. S. Raman, Independent Director.

ORGANIZATION STRUCTURE

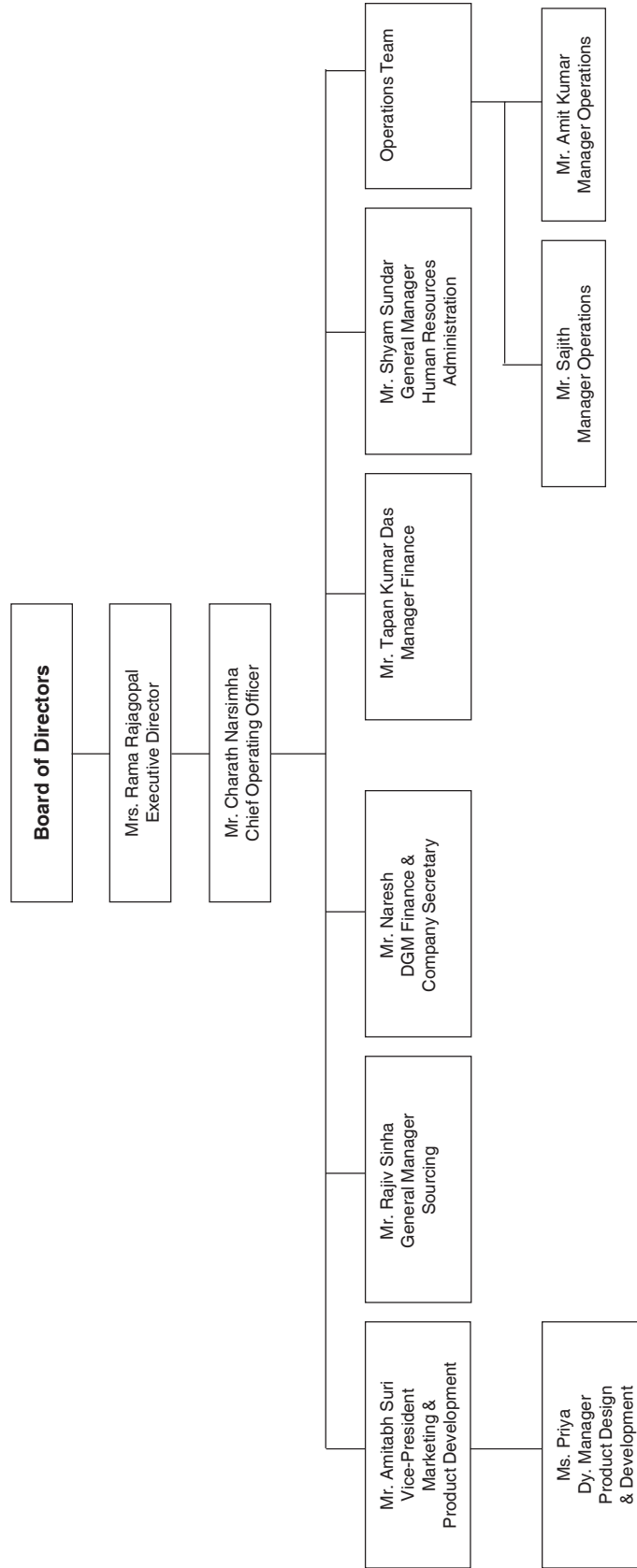


ORGANISATION CHART





## INDIAN TERRAIN





## KEY MANAGERIAL PERSONNEL

The details of our Key Managerial Personnel other than whole-time Directors and Promoters are as below:

For details on whole time Directors, please refer to section titled “Our Management” on page 73 of this Prospectus. For details on Promoters, please refer to section titled “Our Promoters and their Background” on page 83 of this Prospectus.

**Mr. Suresh Rajagopal**, Executive Vice President-Sourcing, Operations and HR, holds a bachelors degree in Arts (Economics) from the University of Delhi and has also done a diploma in management. He has more than three decades of experience in the garment industry. He was working in the Czech Republic before joining our Company in March 2000. His responsibility involves sourcing, human relations and operations of the export business of Celebrity Fashions and reports to the Managing Director. He is brother of Mr. V. Rajagopal, Chairman and Managing Director of our Company. He draws a remuneration of Rs.1.58 million per annum on cost to company basis and has an option to exercise 21,000 options as part of his ESOP.

**Mr. Charath Narasimhan**, Chief Operating Officer holds a Bachelors Degree in Technology from IIT and MBA Finance from IIM, Lucknow. He has ten years of experience in the garment industry. He was working with Colorplus (subsequently taken over by Raymonds Limited) before joining our Company in November 2005. He handles the day to day Operations of Indian Terrain and reports to Executive Director.

**Mr. Rajeev Krishnan**, Vice President – Merchandising & Marketing, holds a bachelors degree in Arts from the University of Madras. He has twelve years of experience in the garment industry. He was working in Ambattur Clothing Limited, Chennai before joining our Company in January 2001. His responsibility involves marketing, merchandising and Product Development of the export business of Celebrity Fashions and reports to the Managing Director. He draws a remuneration of Rs.1.52 million per annum on cost to company basis and has an option to exercise 20,000 options as part of his ESOP.

**Mr. John Dulip Kumar**, General Manager - Merchandising, holds a bachelors degree in Science (Physics) from the University of Madras and also has a Diploma in System Management. He has eleven years of experience in the garment industry. He was working in Triburg Sportswear before joining our Company in August 2005. His responsibility involves marketing and merchandising of the export business of Celebrity Fashions and reports to the Vice President - Merchandising. He draws a remuneration of Rs.1.30 million per annum on cost to company basis.

**Mr. V. Balasubramanian**, Dy. General Manager - Merchandising, holds a masters degree in Science (Honors) and also has a Post Graduate Diploma in Computer Applications from BITS, Pilani. He has twenty three years of experience in the garment industry. He was working in Shahi Exports, Bangalore before joining our Company in March 2005. His responsibility involves merchandising operations of the export business of Celebrity Fashions and reports to the General Manager - Merchandising. He draws a remuneration of Rs. 0.84 million per annum on cost to company basis.

**Mr. Amitabh Suri**, Vice President – Marketing & Product Development, holds a Post Graduation from NIFT. He has six years of experience in the garment industry. He started his carrier in our Company in July 1999. He heads the marketing and Product Development of Indian Terrain and reports to Executive Director. He draws a remuneration of Rs.1.52 million per annum on cost to company basis and has an option to exercise 20,000 options as part of his ESOP.

**Mr. Rajiv Sinha**, General Manager - Sourcing, holds a degree in Arts (Economics) from the University of Bangalore and also has a diploma in Exports Management. He has eighteen years of experience in the garment industry. He was working in William E. Connor & Associates Limited before joining our Company in June 2005. His responsibility involves sourcing of Fabrics and Trims of Celebrity Fashions and Indian Terrain and reports to Executive Vice President-Sourcing, Operations and HR. He draws a remuneration of Rs.1.14 million per annum on cost to company basis.

**Mr. J. Balaji**, Senior Manager - Sourcing, holds a degree in Science (Statistics) from MCC, Chennai and also has a Post Graduate diploma in Materials Management from Annamalai University. He has fourteen years of experience in the garment industry. He was working in P. S. Apparels, Raymond Limited, M/s. Dyna Trade, Group of Suhail Saud Bhawan, Sharjah before joining our Company in October 1997. His responsibility involves sourcing of Trims and Accessories of Celebrity Fashions and reports to Executive Vice President. He draws a remuneration of Rs. 0.51 million per annum on cost to company basis.

**Mr. Josiah Franklin**, Vice President – Operations & Manufacturing, holds a degree in Commerce from the University of Madras. He has eleven years of experience in the garment industry. He was working in Kanasu Computers before joining our Company in May 1994. His responsibility involves operations & Manufacturing of Celebrity Fashions and reports to Executive Vice President-Sourcing, Operations and HR on Operational matters and to CMD on Strategic matters. He draws a remuneration of Rs.1.58 million per annum on cost to company basis and has an option to exercise 20,000 options as part of his ESOP.



**Mr. Wijetunga Dinajari Priyantha**, Dy. General Manager – Operations, holds a degree in Textile & Clothing Engineering, Faculty of Textile & Clothing (Academic year 1985/86) from the University of Moratuwa Srilanka and also holds MBA (Operation & Marketing) University of Colombo. He has seventeen years of experience in the garment industry. He was working in Gokuldas Exports before joining our Company in June 2005. His responsibility involves operations of Celebrity Fashions and reports to Vice President – Operations. He draws a remuneration of Rs. 1.7 million per annum on cost to company basis.

**Mr. Amit Rai**, Dy. General Manager – Operations, holds a degree in Textiles from NIFT and also holds a Graduation in Arts (Statistics) from University of Delhi. He has six years of experience in the garment industry. He was working in K.Mohan & Co as Factory Manager before joining our Company in September 2005. His responsibility involves operations of domestic Division of Indian Terrain and reports to Executive Director. He draws a remuneration of Rs. 1.15 million per annum on cost to company basis.

**Mr. Suresh Menon**, General Manager – Projects, holds a degree in Science and also holds a Post Graduation in Business Management from the University of Calicut. He has twenty-nine years of experience in the garment industry. He was working in Leela Scottish Lace Private Ltd., Bangalore before joining our Company in August 2005. His responsibility involves new projects of Celebrity Fashions and reports to Vice President – Operations & Manufacturing. He draws a remuneration of Rs. 0.903 million per annum on cost to company basis.

**Mr. A.M. Gopinath**, Asst. General Manager – Commercial, holds a Masters degree in Science (Statistics) from the University of Madras and also holds a Post Graduate Diploma in Computer Applications. He has seven years of experience in the garment industry. He started his career in our Company in June 1998. His responsibility involves Commercial operations of Celebrity Fashions and reports to Executive Director. He draws a remuneration of Rs. 0.601 million per annum on cost to company basis and has an option to exercise 5,000 options as part of his ESOP.

**Mr. Shyam Sundar**, General Manager HR & Administration, holds a Masters degree in Commerce from the Madurai Kamaraj University and also holds a Post Graduate Diploma in Business Management, Personnel Management & Industrial Relations. He has twenty-three years of experience in the Human resources and Industrial relations related areas of operations. He was working in Vetri Software before joining our Company in September 2003. His responsibility involves Human Resources and Administration functions of Celebrity Fashions and reports to Executive Vice President-Sourcing, Operations & HR. He draws a remuneration of Rs. 0.84 million per annum on cost to company basis and has an option to exercise 6,000 options as part of his ESOP.

**Mr. Kalyanaraman**, Dy. Manager – Information Systems Department, holds a degree in Science (Computer Science) from Bharathidasan University and also holds Honors Diploma in Software Engineering from Aptech. He has seven years of experience in the systems management and computer applications field. He was working with Dynamic Computer Services before joining our Company in July 2000. His responsibility involves computer maintenance, Administration of computers & network maintenance, ERP administration of entire Celebrity Fashions and reports to Executive Director. He draws a remuneration of Rs. 0.26 million per annum on cost to company basis.

**Ms. Shilpa Dhawan**, Manager – Product Design & Development is a Graduate from NIFT. She has five years of experience in the field of garments. She started her career in our Company in June 2000. Her responsibility involves Product designing and developmental operations of Celebrity Fashions and reports to Vice President – Merchandising & Marketing. She draws a remuneration of Rs. 0.6 million per annum on cost to company basis and has an option to exercise 8,000 options as part of her ESOP.

**Ms. Samitha Singh**, Manager – Product Design & Development is a Graduate from NIFT. She has five years of experience in the field of garments. She was working with Ahila Exports before joining our Company in April 2002. Her responsibility involves Product designing and developmental operations of Celebrity Fashions and reports to Vice President – Merchandising & Marketing. She draws a remuneration of Rs. 0.6 million per annum on cost to company basis and has an option to exercise 8,000 options as part of her ESOP.

**Ms. J. K. Priya**, Deputy Manager – Product Design & Development, holds a degree in Art (Literature) from the University of Madras and also holds a Diploma in Fashion Designing from NIFT. She started her career in our Company in June 2001. Her responsibility involves Product designing and developmental operations of Indian Terrain and reports to Vice President–Marketing and Product Development of Indian Terrain. She draws a remuneration of Rs. 0.47 million per annum on cost to company basis.

**Mr. V. Sridharan**, Deputy. General Manager – Finance & Accounts holds a degree in Commerce from the University of Madras and also holds a Diploma in Computers and is a member of certified auditor of Internal Auditors Association of Florida University, USA. He has twenty-six years of experience in the finance and accounts department. He was working with Ambattur Clothing International Limited, Bahrain before joining in our Company in May 2001. His responsibility involves



Finance and Accounts operations of Celebrity Fashions and Indian Terrain and reports to Executive Director. He draws a remuneration of Rs. 0.82 million per annum on cost to company basis and has an option to exercise 6,000 options as part of his ESOP.

**Mr. V. V.Naresh**, Deputy General Manager – Finance & Company Secretary is also the Compliance Officer of the Company. He holds a degree in Science (Mathematics) and is a member of the Institute of Company Secretaries of India. He has fifteen years of experience in the Finance, Accounts and Secretarial department. He was working with Malladi Drugs and Pharmaceuticals Limited before joining our Company in August 1997. His responsibility involves Finance and Accounts & secretarial functions of Celebrity Fashions and Indian Terrain and reports to Executive Director. He draws a remuneration of Rs. 0.82 million per annum on cost to company basis and has an option to exercise 6,000 options as part of his ESOP.

**Mrs. L. Visalakshi**, Senior Manager, Accounts, holds a degree in Commerce from the University of Madras and has completed her ICWA. She has five years of experience in the Finance & Accounts and Management Information System. She started her career in our Company in May 2000. Her responsibility involves Finalisation of Accounts, management information reporting on operations of Celebrity Fashions and Indian Terrain, Budget, Direct Taxes and reports to Executive Director. She draws a remuneration of Rs. 0.42 million per annum on cost to company basis.

All the abovementioned key managerial personnel are permanent employees of our Company.

#### **Shareholding of our Key Managerial Personnel**

None of the members of our Key Managerial Personnel hold any shares in the Company other than our Promoters.

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

We do not have any bonus or profit sharing plan for key managerial personnel.

#### **Changes in Key Managerial Personnel in the last three years**

<b>Sr. No.</b>	<b>Name of Manager</b>	<b>Date of Appointment</b>	<b>Date of Resignation / Cessation</b>	<b>Reasons</b>
1.	Mr. T.K. Srinivasan – Vice President (Finance)	November 25, 2002	April 30, 2004	Resignation
2.	Mr. K. Ravichandran – Senior Vice President (Commercial)	May 22, 1989	February 18, 2005	Resignation
3.	Mr. Anurag Pandey – General Manager (Operations)	October 25, 1995	March 7, 2005	Resignation

#### **Disclosure of Employee Stock option**

We have adopted our Employee Stock Option Plan (ESOP 2005) after receiving approval of the Board at its meeting held on August 19, 2005 and approval of the shareholders at the Annual General Meeting held on August 19, 2005. On September 6, 2005, the remuneration committee authorized the grant of 1,50,000 options respectively to eligible employees at a price of Rs. 30/- per stock option. Upon exercise, the holder of each stock option is entitled to one Equity Share. For further details refer section “Capital Structure” on page 13 of this Prospectus

#### **Payment or benefit to officer (non salary related)**

Other than as described above, the other key managerial personnel of our Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in our Company, if any, and options granted to them under the ESOP. For ESOP details refer to section titled “Capital Structure” on page 13 of this Prospectus.



## OUR PROMOTERS AND THEIR BACKGROUND

### Mr. V. Rajagopal



**Permanent Account Number**      **ADFPR 6333R**  
**Passport Number**                      **Z 086682**  
**Driving License Number**              **D/TN/07/000097/2000**  
**Bank Account Number**                **HSBC Bank A/c No. 041 038829 006**

Mr. V. Rajagopal, son of Mr. K A Rajagopalan, aged 48 years, M.A in Economics is a first generation entrepreneur. He started his career as an IPS Officer in the Indian Police service where he served for a full decade. He resigned from Indian Police Service in the year 1988 to start Celebrity Connections. He is the Chairman & Managing Director of our Company and is currently a member of the Young Presidents Organization, Madras Chapter.

### Mrs. Rama Rajagopal



**Permanent Account Number**      **ADFPR 7097A**  
**Passport Number**                      **Z 077140**  
**Driving License Number**              **R/TN/007/019006/2005**  
**Bank Account Number**                **HSBC Bank A/c No. 041 058629 006**

Mrs. Rama Rajagopal, daughter of Mr. Gopal Iyer, aged 48 years is a Post Graduate in Economics from University of Bangalore. She was inducted into the Board of Celebrity Fashions in January 1994. She has been involved in the various functions of "Celebrity group" and more particularly on financial aspects. She took over as Executive Director of "Indian Terrain" since its inception, and has built up the domestic division to its present stage.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to the NSE and BSE at the timing of filing the Draft Red Herring Prospectus with them.

#### **In addition to our Promoters the following people constitute our Promoter Group:**

1. Mrs. Ammani Rajagopalan
2. Ms. Anjali Rajagopal

#### **Common Pursuits**

Promoters do not have interest in any venture that is involved in any activities similar to those conducted by our Company or any other Group Companies.

#### **Interest of Promoters**

Promoters are interested to the extent of their shareholding for which they are entitled to receive dividend declared, if any by our Company. Further, since Promoters are also Directors of our Company they are interested to the extent of their remuneration from our Company as disclosed under the section "Our Management" on page 73 of this Prospectus.



## RELATED PARTY TRANSACTIONS

Related Parties and Transactions carried out with them

- As per Accounting Standard 18:

### List Of Related Parties:

I. Key Managerial Personnel:

1. Mr. V.Rajagopal
2. Mrs. Rama Rajagopal
3. Mr. Surya Narayanan

II. Relatives of Key Managerial Personnel:

1. Mr. Suresh Rajagopal

III. Enterprises under Control or significant influence of Key Managerial Personnel:

1. M/s Celebrity Connections
2. M/s Designer Home Steds P. Ltd.

### Transactions carried out with Related Parties during the year:

Sl #	Year ended March 31, Particulars of Transactions	2005			2004		
		For I Above	For II Above	For III Above	For I Above	For II Above	For III Above
(i)	Directors' Remuneration	13.16			5.02		
(ii)	Remuneration to Relatives		0.57			0.46	
(iii)	Payment towards acquisition of Assets And Liabilities			3.36			
(iv)	Rent Paid			1.24			1.24
	<b>Outstanding Balances at the year end</b>						
(i)	Amount Payable			0.97			4.33



## **DIVIDEND POLICY**

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial position. Our Company has no stated dividend policy. In order to conserve the funds, and use it for growth, we have not declared and paid any dividend until the financial year 2003-2004. In 2004-05, we have declared our maiden dividend of 20% resulting in an outflow of Rs. 96.01 lakhs including corporate dividend tax.



## SECTION -V

### FINANCIAL STATEMENTS

#### AUDITORS REPORT

The Board of Directors,  
Celebrity Fashions Limited,  
No 107A, GST road,  
Chrompet,  
Chennai 600 044.

- A a) We have examined the annexed financial information of Celebrity Fashions Limited (formerly Celebrity Fashions Private Limited) for the five financial years ended 31<sup>st</sup> March, 2005 and the half-year ended 30<sup>th</sup> September 2005 being the last date to which the accounts of the Company have been made up and audited. The financial information is based on the accounts audited by Anil Nair & Associates for the year ended 31<sup>st</sup> March 2001, 2002 and 2003. The financial years ended 31<sup>st</sup> March 2004, 2005 and the half-year ended 30<sup>th</sup> September 2005 were audited by Anil Nair & Associates and CNGSN & Associates approved by the Board of Directors of the company for the purpose of disclosure in the Offer Document issued by the Company in connection with the Public Issue of Equity Shares in the company (referred to as "the issue")
- b) In accordance with the requirement of
- (i) Paragraph B of Schedule II to the Companies Act, 1956 ('the Act')
  - (ii) 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 Securities and Exchange Board of India, 1992 and related amendments and
  - (iii) Our terms of reference with the company dated 16.11.2005 requesting us to carry out work in connection with the offer document as aforesaid,
- We report; that the restated profit / losses of the Company for the year ended 31<sup>st</sup> March, 2001, 2002, 2003, 2004, 2005 and the half-year ended 30<sup>th</sup> September, 2005 are as set out in **Annexure 1** to this report. These profit /losses 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 accounting policies and notes thereon appearing in **Annexure 3** to this report;
- We report; that restated assets and liabilities of our company as at 31<sup>st</sup> March, 2001, 2002, 2003, 2004, 2005 and the half-year ended 30<sup>th</sup> September, 2005, are as set out in **Annexure2** to this report; after making such adjustments/restatements and regrouping as in our opinion are appropriate and subject to the accounting policies and notes thereon appearing in **Annexure 3** to this report;
- c) The company has paid dividend on equity shares @ 20% for the financial year ended 31<sup>st</sup> March, 2005.
- B. We have examined the following financial information relating to the Company proposed to be included in the offer document, as approved by you and annexed to this report;
- (i) Details of loans and advances showing the same with the related parties as appearing in **Annexure 4** to this report;
  - (ii) Accounting ratios as appearing in **Annexure 5** to this report;
  - (iii) Capitalisation statement as at 30<sup>th</sup> September, 2005 as appearing in **Annexure 6** to this report;
  - (iv) Statement of Tax Shelter as appearing in **Annexure 7** to this report;
  - (v) Statement of Cash flow as appearing in **Annexure 8** to this report;
  - (vi) Statement of Tax Benefits enclosed as **Annexure 9** to this report;
  - (vii) Statement of Related parties (only for the years the Accounting Standard 18 is applicable) transaction enclosed as **Annexure 10** to this report;
  - (viii) Statement of Investments enclosed as **Annexure 11** to this report;
  - (ix) Statement of Debtors including the related party debtors enclosed as **Annexure 12** to this report;



- (x) Statement of Unsecured loans taken including that from related parties enclosed as **Annexure 13** to this report;
  - (xi) Statement of Secured loan taken from related parties enclosed as **Annexure 14** to this report;
  - (xii) Statement of contingent liabilities enclosed in **Annexure 15**.
  - (xiii) Statement of other income enclosed in **Annexure 16**.
- a) In our opinion the financial information of the Company as stated in Para A and B above read with the significant accounting policies attached in Annexure 3 to this report, after making adjustments/restatements and regrouping as considered appropriate has been prepared in accordance with Part II of Schedule II of the act and SEBI Guidelines.
  - b) The statement of tax benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct laws presently in force in India. The contents of this statement are based on information, explanation and representations obtained from the Company and on this basis of our understanding of the business activities and operations of the Company and the Income Tax laws of India as of date.
  - c) 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 purpose without our prior consent.

For **Anil Nair & Associates**  
Chartered Accountants

**G. Anil**  
Partner  
Membership No 22450

For **CNGSN & Associates**  
Chartered Accountants

**C.N. Gangadaran**  
Partner  
Membership No 11205

Place: Chennai  
Dated: 21<sup>st</sup> November 2005.



**Statement of Profits & Losses, as Restated**

**Annexure # 1**

Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
<b>INCOME</b>						
Sales of Manufactured Goods	864.19	1,274.85	933.44	406.16	346.17	267.06
Sales of Traded Goods	10.09	52.63	56.90			
Total Sales	874.28	1,327.48	990.34	406.16	346.17	267.06
Export Incentives	5.73	6.95	14.21	42.50	40.44	41.65
Total	880.01	1,334.43	1,004.55	448.66	386.61	308.71
Other Income	3.87	2.31	1.81	4.49	1.19	2.20
Increase / (Decrease) In Stock	19.17	4.30	21.35	14.82	(3.98)	7.66
<b>Total</b>	<b>903.05</b>	<b>1,341.04</b>	<b>1,027.71</b>	<b>467.97</b>	<b>383.82</b>	<b>318.56</b>
<b>EXPENDITURE</b>						
Raw Materials Consumed	428.41	662.93	540.82	251.39	201.58	156.46
Employees Costs	128.92	162.57	119.18	67.11	59.77	43.82
Other Manufacturing Costs	97.28	149.29	110.04	45.62	35.72	28.13
Administrative & Other Costs	53.19	87.53	62.71	29.73	23.62	24.70
Selling & Distribution Costs	67.00	106.06	71.38	19.13	17.02	17.53
Interest & Other Finance Costs	28.47	45.04	40.16	21.65	18.17	15.61
Preliminary Expenses Written Off		0.17	0.17			
<b>Total</b>	<b>803.26</b>	<b>1,213.59</b>	<b>944.46</b>	<b>434.63</b>	<b>355.87</b>	<b>286.23</b>
<b>Net Profit Before Depreciation, Tax &amp; Extraordinary Items</b>	<b>99.79</b>	<b>127.45</b>	<b>83.25</b>	<b>33.33</b>	<b>27.95</b>	<b>32.33</b>
Less: Depreciation	20.06	32.55	29.41	17.65	17.18	17.67
<b>Net Profit before Tax &amp; Extraordinary Items</b>	<b>79.73</b>	<b>94.91</b>	<b>53.83</b>	<b>15.68</b>	<b>10.77</b>	<b>14.66</b>
Less: Taxation						
- Provision for Current Tax	26.02	32.15	3.48	3.10	0.91	1.46
- Provision for Deferred Tax	1.26	4.74	1.93	1.54		
<b>Net Profit before Extraordinary Items</b>	<b>52.45</b>	<b>58.01</b>	<b>48.43</b>	<b>11.04</b>	<b>9.86</b>	<b>13.20</b>
Extraordinary Items						
<b>Net Profit after Extraordinary Items</b>	<b>52.45</b>	<b>58.01</b>	<b>48.43</b>	<b>11.04</b>	<b>9.86</b>	<b>13.20</b>
Impact on account of adjustments required by Paragraph 6.18.7 (b) of Chapter VI of the Guidelines (Ref Note # II (6))			(7.55)		(0.52)	(5.07)
<b>Adjusted Profits for the year</b>	<b>52.45</b>	<b>58.01</b>	<b>40.88</b>	<b>11.04</b>	<b>9.34</b>	<b>8.14</b>
Accumulated Profits from Previous Years	200.32	156.26	113.40	102.37	93.03	84.89
<b>Add: Accumulated Profits of Transferor Company upon Merger</b>			1.98			
<b>Less: Appropriations</b>						
Dividend and Corporate Dividend Tax	0.00	(9.60)	0.00	0.00	0.00	0.00
Transfer to General Reserve		(4.35)				
Amount utilized for issuing Bonus Shares	(56.64)					
<b>Balance Carried to Statement of Restated Assets and Liabilities</b>	<b>196.12</b>	<b>200.32</b>	<b>156.26</b>	<b>113.40</b>	<b>102.37</b>	<b>93.03</b>



**Statement of Assets & Liabilities, as Restated**

**Annexure # 2**

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Particulars	Rs. in Millions					
<b>A) Fixed Assets:</b>						
Gross Block	499.02	422.06	335.13	216.34	176.63	167.72
Less: Depreciation	182.93	166.43	146.99	85.95	71.36	55.77
Net Block	<b>316.09</b>	<b>255.63</b>	<b>188.14</b>	<b>130.39</b>	<b>105.27</b>	<b>111.95</b>
<b>Less: Revaluation Reserves</b>						
<b>Net Block after adjustment for Revaluation Reserves</b>	<b>316.09</b>	<b>255.63</b>	<b>188.14</b>	<b>130.39</b>	<b>105.27</b>	<b>111.95</b>
<b>B) Investments</b>			<b>1.40</b>	<b>19.70</b>	<b>19.70</b>	<b>12.20</b>
<b>C) Current Assets, Loans and Advances:</b>						
Inventories	533.56	411.61	304.67	133.81	69.57	71.56
Sundry Debtors	304.61	224.16	223.76	71.77	51.03	52.60
Cash and Bank Balances	247.00	84.76	31.67	5.68	9.60	21.74
Loans & Advances	176.07	62.54	44.10	49.39	20.62	25.60
Other Current Assets	28.94	28.92	47.12	5.78	15.20	18.15
	<b>1,290.18</b>	<b>811.99</b>	<b>651.32</b>	<b>266.43</b>	<b>166.02</b>	<b>189.65</b>
<b>D) Liabilities and Provisions:</b>						
Secured Loans	667.25	487.13	381.48	181.78	85.99	137.68
Unsecured Loans		10.49				
Current Liabilities and Provisions	279.24	247.81	191.55	84.21	67.05	48.02
Deferred Tax Liability	17.36	16.11	11.36	7.12	5.58	5.07
	<b>963.86</b>	<b>761.53</b>	<b>584.39</b>	<b>273.12</b>	<b>158.62</b>	<b>190.77</b>
<b>E) Networth</b>	<b>642.41</b>	<b>306.09</b>	<b>256.47</b>	<b>143.40</b>	<b>132.37</b>	<b>123.03</b>
<b>F) Represented by</b>						
1. Share Capital	113.28	42.14	42.10	30.00	30.00	30.00
2. Reserves	333.00	63.62	58.28			
<b>Add: Balance in Profit &amp; Loss a/c (As Restated)</b>	196.12	200.32	156.26	113.40	102.37	93.03
Less: Revaluation Reserves						
Reserves (Net off Revaluation Reserves)	529.12	263.94	214.54	113.40	102.37	93.03
<b>Total</b>	<b>642.41</b>	<b>306.09</b>	<b>256.64</b>	<b>143.40</b>	<b>132.37</b>	<b>123.03</b>
<b>G) Miscellaneous Expenditure to the Extent Not Written Off or Adjusted</b>	<b>0.17</b>					
<b>H) Networth [(F) - (G)]</b>	<b>642.41</b>	<b>306.09</b>	<b>256.47</b>	<b>143.40</b>	<b>132.37</b>	<b>123.03</b>



## **ANNEXURE # 3**

Schedules Annexed To And Forming Part Of The Restated Accounts For The Three Months Ended June 30, 2005 And Five Financial Years Ended March 31, 2005.

Significant Accounting Policies and Notes on Accounts:

### **I. SIGNIFICANT ACCOUNTING POLICIES:**

#### **1. Accounting Convention:**

- The Financial Statements are prepared on accrual basis and in accordance with the requirements of Companies Act, 1956 and the applicable Accounting Standards.

#### **2. Fixed Assets & Depreciation:**

- Fixed Assets are stated at cost less depreciation.
- Depreciation on fixed assets is provided on Written Down Value Method at the respective rates prescribed under Schedule XIV of the Companies Act, 1956.
- Borrowing Costs are charged to Profit and Loss a/c, as there were no Qualifying Assets to capitalise the same.

#### **3. Inventories:**

- Raw Materials and Components are valued at lower of Cost or Net Realisable Value. Cost of the said inventories is computed by applying Specific Identification Method.
- Work in Progress and Finished Goods are valued at lower of Cost or Net Realisable Value. Cost of these inventories includes Costs of Conversion and Other Costs incurred in bringing them to the present location and condition.

#### **4. Translation of Foreign Currency Items:**

- Foreign Currency transactions are initially recorded at the exchange rates prevailing on the date of transactions. Current Assets and Current Liabilities are reinstated at the year- end closing rates. The differences arising on such reinstatement are reflected in the Profit & Loss a/c as Exchange Gain / Loss.
- Premium / Discount on Forward Foreign Exchange Contracts are recognized over the life of the Contracts. The value of unperformed contracts is shown under Loans & Advances.

#### **5. Investments:**

- Long Term Investments are carried in the Financial Statements at Cost. There were no Short Term Investments held by the Company.

#### **6. Accounting of Government Grants:**

- Government grants are recognized where it is reasonably certain that the ultimate collection will be made. The Company accounts for Revenue grants by adding to the Income in case of Export Incentives and adjusting the Interest Expenses in case of Interest Subsidy under Technology Upgradation Fund scheme. Capital Grants were neither received nor accrued.

#### **7. Revenue Recognition:**

- Sales are recorded when the significant risks and rewards of ownership are transferred. Domestic Sales include Excise Duty but excludes Sales Tax wherever applicable Consignment Sales are accounted on the basis of Sales Memo received from Consignees.

#### **8. Preliminary Expenses:**

- It relates to the Expenses incurred by the erstwhile Indian Terrain Clothing P Ltd. The Policy of writing them off over a period of five years is continued even after merging the company in 2003-04.



#### 9. Retirement Benefits:

- Expenditure relating to Provident Fund and Superannuation Schemes are charged to Profit and Loss Account on accrual basis. Gratuity Liability under Payment of Gratuity Act is determined on the basis of an actuarial valuation made at the end of the financial year. Provision for accrued leave encashment is made on the basis of actuarial valuation at the end of each financial year.

#### 10. Income Tax:

- Provision for Current Tax has been made as per the provisions of Income Tax Act, 1961. Deferred Tax on timing differences between book and tax profits is accounted for using the rates that have been substantively enacted as of the balance sheet date.

#### 11. Impairment of Assets - Accounting Standard 28:

- The Company has a policy of comparing the Recoverable Value of Assets with the Carrying Costs and recognising impairment when required.

#### 12. Provisions and Contingent Liabilities:

- All Provisions and Contingent Liabilities are recognised in accordance with Accounting Standard - 29.

### II. NOTES ON ACCOUNTS:

#### 1 Adjustments for Changes in Accounting Policies:

- Deferred Revenue Expenses - Advertisement:

As per the original policy followed earlier to 01/Apr/2003, by the erstwhile Indian Terrain Clothing P Ltd., Advertisement Expenses should have been written off over a period of 36 months. Subsequent to the Merger of the said Company with Celebrity Fashions P Ltd. with effect from 01/Apr/2003, the treatment given for deferred revenue expenditure in the books of accounts was continued upto 31/Mar/2004. This is due to the reason that the Transitional Provisions of Accounting Standard 26, which applies to the intangible asset lying on the date this standard becomes applicable to the company (i.e. 01/04/2003), allowed to continue with the existing policy. However, as per Accounting Standard, 28 (Impairment of Assets) which came into force from 01/Apr/2004, the amount lying as Deferred Revenue Expenditure (7.55 Millions) was identified as an impaired asset and the same was adjusted against the opening balance of Revenue Reserves as per the provisions of that Standard. Now, for the purposes of Restatement of Accounts, the said amount of 7.55 Millions which was adjusted in the year 2004-05, has been written off directly against the Profits of the year 2003-04 itself.

- Deferred Tax Liability:

Till 31/Mar/2002, the company accounted for current income tax only and did not account for deferred tax. Consequent to the mandatory adoption of Accounting Standard 22 on "Taxes on Income" the Company started accounting for Deferred Tax also from the year 2002-03.

For the purposes of Restatement, deferred tax has now been recognised on the timing differences of all earlier years and the amount recognised in the restatement of accounts of 2000-01 includes the deferred tax liability upto 31/Mar/2000.

#### 2 Non-Adjustments:

- In the opinion of the board, Current Assets, Loans & Advances have a value of at least equal to the amounts shown in the Balance Sheet, if realised in the ordinary course of business. The provision of all the known liabilities is adequate and not in excess of the amount reasonably necessary.



### 3 Segment Information:

- Primary & Only Segmentation – Geographical

Period / Year ended		30.09.05			31.03.05			31.03.04		
SI #	Particulars	India	Rest of the World	Total	India	Rest of the World	Total	India	Rest of the World	Total
<b>Rs. in Millions</b>										
<b>A</b>	<b>Segment Revenue:</b>									
	Revenue from External Customers	197.81	705.24	903.05	230.91	1,110.13	1,341.04	169.30	858.41	1,027.71
	Inter Segment Revenue	2.55	2.20	4.76		9.83	9.83		11.27	11.27
	Total Segment Revenue	200.37	707.44	907.81	230.91	1,119.96	1,350.87	169.30	869.67	1,038.97
	<b>Less:</b> Inter Segment Elimination	2.20	2.55	4.76	9.83		9.83	11.27		11.27
		<b>198.16</b>	<b>704.89</b>	<b>903.05</b>	<b>221.08</b>	<b>1,119.96</b>	<b>1,341.04</b>	<b>158.03</b>	<b>869.67</b>	<b>1,027.71</b>
<b>B</b>	<b>Segment Result: - Profit / (Loss) Before Interest and Taxes</b>	<b>25.14</b>	<b>75.66</b>	<b>100.81</b>	<b>(1.73)</b>	<b>128.52</b>	<b>126.79</b>	<b>(6.56)</b>	<b>82.60</b>	<b>76.05</b>
	<b>Less:</b> Interest and Finance Charges	4.40	16.67	21.08	5.80	26.09	31.88	0.06	22.16	22.21
	Profit / (Loss) Before Tax	20.74	58.99	79.73	(7.53)	102.44	94.91	(14.16)	60.45	46.29
	Provision for Current Tax			26.02			32.15			3.48
	Provision for Deferred Tax			1.26			4.74			1.93
	Profit After Tax			52.45			58.01			40.88
<b>C</b>	<b>Segment Assets:</b>	<b>304.58</b>	<b>1,301.68</b>	<b>1,606.27</b>	<b>207.29</b>	<b>860.33</b>	<b>1,067.62</b>	<b>165.20</b>	<b>683.39</b>	<b>848.59</b>
	Miscellaneous Expense Not Written Off or Adjusted							0.17		0.17
		<b>304.58</b>	<b>1,301.68</b>	<b>1,606.27</b>	<b>207.29</b>	<b>860.33</b>	<b>1,067.62</b>	<b>165.37</b>	<b>683.39</b>	<b>848.76</b>
<b>D</b>	<b>Segment Liabilities:</b>	<b>165.28</b>	<b>798.57</b>	<b>963.86</b>	<b>138.78</b>	<b>622.75</b>	<b>761.53</b>	<b>93.70</b>	<b>498.42</b>	<b>592.12</b>
<b>E</b>	<b>Capital Expenditure</b>	<b>1.77</b>	<b>94.38</b>	<b>96.15</b>	<b>1.38</b>	<b>108.03</b>	<b>109.41</b>	<b>2.12</b>	<b>41.01</b>	<b>43.13</b>
<b>F</b>	<b>Depreciation</b>	<b>1.15</b>	<b>18.91</b>	<b>20.06</b>	<b>2.19</b>	<b>30.36</b>	<b>32.55</b>	<b>2.66</b>	<b>26.76</b>	<b>29.41</b>

- **Secondary Segment:**

As the Company is dealing significantly in Garments, there is no Secondary Segmentation available. Revenue from Sales of Leather Belts, Caps & other accessories of Indian Terrain Outlets being very negligible, does not necessitate Business Segmentation.

### 4 Deferred Tax:

- Deferred Tax on Timing Differences has been accounted as per the provisions of the Accounting Standard # 22 issued by the Chartered Accountants of India.
- Deferred Tax Liability / (Assets) as per books of accounts:

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
- On Account of Depreciation	17.36	16.17	11.37	1.54	0.52	5.07
- Others		(0.06)				



**5 Earning Per Share (Basic) & (Diluted):**

Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
EPS (in Rs.)	4.79	5.88	4.14	1.27	1.08	0.94
Profits available for Equity Share holders (in Rs. Millions)	52.45	58.01	40.88	11.04	9.34	8.14
Weighted Average Number of Outstanding Equity Shares	10,942,723	9,874,319	9,873,945	8,664,245	8,664,245	8,664,245

Earnings Per Share is computed by dividing the profits for the respective period available to the Equity Share holders by weighted average number of equity shares outstanding during the period. Hence the EPS for the period ended 30.09.05 relates to the six months period April to September 05 and the same is not directly comparable with the EPS of previous years. Moreover, to be in line with the Accounting Standard 20, the weighted Average number of equity shares of the all the above periods has been increased with the Bonus issued in August 2005.

**6 Impact on account of adjustments required by paragraph 6.18.7(b) of the Guidelines:**

- Adjustments on account of changes in Accounting Policies:

Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
<b>Net Profit after tax as per Audited Accounts</b>	52.45	58.01	48.43	11.04	9.86	13.20
<b>Adjustments towards:</b>						
Deferred Revenue Expenditure			(7.55)			
Deferred Tax Expenditure					(0.52)	(5.07)
<b>Adjusted Profits</b>	<b>52.45</b>	<b>58.01</b>	<b>40.88</b>	<b>11.04</b>	<b>9.34</b>	<b>8.14</b>

7 Figures of Previous Years have been regrouped / rearranged wherever necessary.

8 Figures for the period ending 31/Mar/2004 comprise figures of the amalgamated entity and hence are not comparable.



**Statement of Loans And Advances, as Restated**

**Annexure # 4**

<b>As at</b>	<b>30.09.05</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>	<b>31.03.02</b>	<b>31.03.01</b>
<b>Particular</b>	<b>Rs. in Millions</b>					
Advance Recoverable in cash or in kind for value to be received	78.67	13.69	10.87	36.02	9.69	15.93
Employee Loans and Advances	6.55	6.64	5.00	2.63	2.69	2.29
Advance Income Tax	47.44	14.50	7.49	3.39	2.90	2.60
Tax Deducted at Sources	1.46	1.28	0.88	0.89	0.70	0.51
Deposits-Government or Public Bodies	12.37	3.68	3.44	2.32	2.02	1.77
Deposits-others	27.07	19.46	16.41	4.14	2.63	2.51
Amount Payable By Bank (Net off Forward Contracts Receivable)	2.50	3.29				
<b>Total</b>	<b>176.07</b>	<b>62.54</b>	<b>44.10</b>	<b>49.39</b>	<b>20.62</b>	<b>25.60</b>

The above include the following Loans & Advances to Related Parties:

**Advance Recoverable in cash or in kind for value to be received from related parties:**

<b>As at</b>	<b>30.09.05</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>	<b>31.03.02</b>	<b>31.03.01</b>
<b>Promoters</b>						
<b>Group Entities:</b>						
Celebrity Connections				17.69		11.54
Indian Terrain Clothing P Ltd				5.95	0.12	0.62
Celebrity Designs (India) P Ltd				9.80	6.42	
<b>Directors</b>						
<b>Companies where Directors are on the board</b>						
<b>Total</b>				<b>33.45</b>	<b>6.54</b>	<b>12.17</b>

**Notes:**

- 1) **Related Parties:** The enterprises mentioned above have Key Management Personnel and / or their relatives in common with the reporting enterprise.
- 2) Related parties are as identified by management and relied upon by the auditors.
- 3) Figures for the period ending 31/Mar/2004 comprise figures of the amalgamated entity and hence are not comparable.



## Accounting Ratios

## Annexure # 5

SI #	Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>A</b>	Earnings Per Share (Basic) & (Diluted) - in Rs.	4.79	5.88	4.14	1.27	1.08	0.94
	Profits available for Equity Share holders (in Rs. Millions)	52.45	58.01	40.88	11.04	9.34	8.14
	Weighted Average Number of Outstanding Equity Shares	10,942,723	9,874,319	9,873,945	8,664,245	8,664,245	8,664,245
<b>B</b>	Return on Networth	8%	19%	16%	8%	7%	7%
<b>C</b>	Net Asset Value Per Share (in Rs.)	56.71	72.63	60.92	47.80	44.12	41.01

### Notes:

A. The Ratios have been computed as below:

**1 Earning Per Share (Rs.):**

$$\frac{\text{Net Profit attributable to Equity Shareholders .}}{\text{Weighted Avg. no. of Equity Shares Outstanding during the year}}$$

**2 Return on Networth (%):**

$$\frac{\text{Net Profit After Tax .}}{\text{Net Worth excluding Revaluation Reserve at the end of the year}}$$

**3 Net Asset Value per Share (Rs.):**

$$\frac{\text{Net Worth excluding Revaluation Reserve at the end of the year}}{\text{Number of Equity Shares outstanding during the year}}$$

- B. The above ratios have been computed on the basis of the adjusted profits / losses for the respective years as per the statement of Profits and Losses, as restated.
- C. Earnings Per Share is computed in accordance with Accounting Standard, 20 "Earnings Per Share" issued by the Chartered Accountants of India. Also refer Notes on Accounts # II (5)
- D. Figures for the period ending 31/Mar/2004 comprise figures of the amalgamated entity and hence are not comparable. Also figures for the half-year ending 30/09/2005, are not annualized and are not directly comparable with the performance of the previous years.

**Capitalisation Statement****Annexure # 6**

<b>Capitalisation Statement</b>	<b>Rs in Millions</b>		
	<b>Particulars</b>	<b>Pre-issue as at</b>	<b>As adjusted</b>
	<b>30/09/2005</b>	<b>for issue</b>	
Short Term Debt	469.18	469.18	
Long Term Debt	198.08	198.08	
<b>Shareholders' Funds:</b>			
Share Capital	113.28	158.78	
Reserves	529.12	1302.62	
<b>Total Shareholders' Funds</b>	<b>642.41</b>	<b>1461.41</b>	
Long Term Debt/Equity	0.31:1	0.14:1	


**Statement of Tax Shelters**
**Annexure # 7**

Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
<b>Profit /(Loss) Before Tax as per Audited accounts (A)</b>	<b>79.73</b>	<b>94.91</b>	<b>53.83</b>	<b>15.68</b>	<b>10.77</b>	<b>14.66</b>
Tax Rate	33.66%	36.59%	35.88%	36.75%	35.70%	39.55%
<b>Tax at actual rate on book profits</b>	<b>26.84</b>	<b>34.73</b>	<b>19.31</b>	<b>5.76</b>	<b>3.84</b>	<b>5.80</b>
<b>Adjustments:</b>						
<b>Permanent Differences</b>						
Export Profits - U/S. 80HHC			10.53	2.90	3.41	9.86
Dividend U/S. 10(33)		0.06				
Expenditure U/S.35AC						
Absorption of Accumulated Losses upon Merger			37.02			
Profit / Loss on Sale of Assets / Investments	1.81	0.85		0.36		
<b>Total Permanent Differences (B)</b>	<b>1.81</b>	<b>0.91</b>	<b>47.55</b>	<b>3.26</b>	<b>3.41</b>	<b>9.86</b>
<b>Timing Differences</b>						
Differences between Income Tax and Book Depreciation	4.52	12.50	5.40	4.70	2.67	3.54
Differences between Advertisement Expenses debited to:						
P&L Account & considered for Tax purposes			(8.06)			
(Disallowance) & Subsequent Allowance U/Sec 40(a)		(0.17)				
(Disallowance) & Subsequent Allowance U/Sec 43B				0.57	2.14	(3.15)
(Disallowance) U/Sec 36(1)(va)					(0.01)	(0.03)
<b>Total Timing Differences (C)</b>	<b>4.52</b>	<b>12.33</b>	<b>(2.66)</b>	<b>5.27</b>	<b>4.80</b>	<b>0.35</b>
<b>Net Adjustments (B+C)</b>	<b>6.33</b>	<b>13.25</b>	<b>44.89</b>	<b>8.53</b>	<b>8.22</b>	<b>10.21</b>
<b>Tax Saving Thereon</b>	<b>2.13</b>	<b>4.85</b>	<b>16.10</b>	<b>3.13</b>	<b>2.93</b>	<b>4.04</b>
<b>Income From Business as per Tax Returns (D) = (A-B-C)</b>	<b>73.40</b>	<b>81.66</b>	<b>8.94</b>	<b>7.15</b>	<b>2.55</b>	<b>4.44</b>
Tax as per Tax Returns (Excl. Interest / Tax impact on Capital Gains)	<b>24.71</b>	<b>29.88</b>	<b>3.21</b>	<b>2.63</b>	<b>0.91</b>	<b>1.76</b>



Statement of Cash Flows From the Restated Financial Statements

Annexure # 8

SI #	Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
	<b>Particulars</b>	<b>Rs. in Millions</b>					
<b>A</b>	<b>Cash Flow from Operating Activities:</b>						
	<b>Net Profit Before Tax</b>	79.73	94.91	46.29	15.68	10.77	14.66
	Add: Adjustments for Depreciation (including Depreciation on Merger)	16.50	19.44	61.03	14.59	15.59	17.06
	Miscellaneous Expenses Written Off		0.17	(0.17)			
	Bad Debts Written Off		1.45				
	Interest & Finance Charges	21.08	31.88	40.16	21.65	18.17	15.61
	Interest & Dividend Received	(2.04)	(1.46)	(1.50)	(0.64)	(0.82)	(1.30)
	(Profit) / Loss on Sale of Fixed Assets / Investments	(1.81)	(0.85)	(0.29)	(0.48)		(0.01)
	<b>Operating Profit Before Working Capital Changes</b>	<b>113.46</b>	<b>145.54</b>	<b>145.52</b>	<b>50.80</b>	<b>43.71</b>	<b>46.03</b>
	<b>Adjustments for:</b>						
	(Increase) / Decrease in Inventories	(121.95)	(106.95)	(170.85)	(64.24)	1.99	(19.28)
	(Increase) / Decrease in Debtors & Other Receivables	(157.21)	20.37	(106.13)	0.84	(10.58)	(4.94)
	Increase / (Decrease) in Creditors & Other Current Liabilities	15.01	14.51	99.64	14.06	18.12	16.87
	<b>Cash Generated From Operations</b>	<b>(150.69)</b>	<b>73.48</b>	<b>(31.82)</b>	<b>1.46</b>	<b>53.23</b>	<b>38.68</b>
	Income Tax Paid	(33.13)	(7.40)	0.11	(0.68)	(0.49)	(1.61)
	<b>Net Cash from Operating Activities</b>	<b>(183.82)</b>	<b>66.08</b>	<b>(31.71)</b>	<b>0.78</b>	<b>52.74</b>	<b>37.08</b>
<b>B</b>	<b>Cash Flow from Investing Activities:</b>						
	(Purchase) of Fixed Assets - Net of sales	(75.15)	(86.08)	(118.50)	(39.23)	(8.91)	(61.58)
	(Purchase) / Sale of Investments (Net)		1.40	18.30		(7.50)	(12.20)
	Interest / Dividends Received	2.04	1.46	1.50	0.64	0.82	1.30
	<b>Net Cash (Used in) / From Investing Activities</b>	<b>(73.11)</b>	<b>(83.22)</b>	<b>(98.70)</b>	<b>(38.60)</b>	<b>(15.59)</b>	<b>(72.48)</b>
<b>C</b>	<b>Cash Flow From Financing Activities:</b>						
	Proceeds from Issue of Share Capital (incl. Share Premium & Suspense)	239.91	1.04	12.10			
	Net Adjustment on Amalgamation			60.60			
	Short Term Borrowings / (Repayments) (Net)	150.58	48.35	91.17	42.73	(22.23)	9.49
	Long Term Loan Receipts / (Repayments) (Net)	59.35	52.74	30.72	12.81	(8.89)	46.13
	Dividends Paid (including tax thereon)	(9.60)	0.00	0.00	0.00	0.00	0.00
	Interest & Finance Charges Paid	(21.08)	(31.88)	(40.16)	(21.65)	(18.17)	(15.61)
	Net Cash (Used in) / From Financing Activities	419.16	70.24	154.42	33.89	(49.29)	40.00
	<b>Net Increase in Cash and Cash Equivalents</b>	<b>162.24</b>	<b>53.10</b>	<b>25.99</b>	<b>(3.93)</b>	<b>(12.14)</b>	<b>4.60</b>
	Cash and Cash Equivalents (Opening Balance)	84.76	31.67	5.68	9.60	21.74	17.14
	<b>Cash and Cash Equivalents (Closing Balance)</b>	<b>247.00</b>	<b>84.76</b>	<b>31.67</b>	<b>5.68</b>	<b>9.60</b>	<b>21.74</b>
	<b>Cash &amp; Bank Balances as per Balance Sheet</b>	<b>247.00</b>	<b>84.76</b>	<b>31.67</b>	<b>5.68</b>	<b>9.60</b>	<b>21.74</b>



## STATEMENT OF TAX BENEFITS:

## ANNEXURE # 9

### STATEMENT OF POSSIBLE BENEFITS AVAILABLE TO CELEBRITY FASHIONS LIMITED (FORMERLY KNOWN AS CELEBRITY FASHIONS PRIVATE LIMITED) AND ITS SHAREHOLDERS

#### I. Benefits available under Direct Taxes:

##### 1. UNDER THE INCOME TAX ACT, 1961 ('ACT')

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

###### a) Tax holiday under Section 10 A of the Act

Section 10 A of the Act, allows a Company to claim a deduction from its total income, 100% of the profits derived by its undertaking established in a Free Trade Zone, etc. from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking(s) begins to manufacture or produce such articles or things or computer software.

The benefit is available subject to fulfillment of the conditions stipulated under that Section and no benefit shall be allowed with respect to any such undertaking for the Assessment Year beginning on or after 01/April/2010.

As this company has entered into a MOU for the acquisition of an undertaking in a Special Economic Zone, the said benefits will be available upto 31<sup>st</sup> March 2009.

###### b) Tax holiday under Section 10 B of the Act

Section 10 B of the Act, allows a Company to claim a deduction from its total income, 90% of the profits derived by its 100 percent export-oriented undertaking(s) from the export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking(s) begins to manufacture or produce such articles or things or computer software. The amount allowable as deduction would be the proportion that the profits of the undertaking/s bear to the export turnover of the undertaking/s vis-à-vis the total turnover of the undertakings.

The benefit is available subject to fulfillment of the conditions stipulated under that Section and no benefit shall be allowed with respect to any such undertaking for the Assessment Year beginning on or after 01/April/2010.

- c) The Company will be entitled to claim depreciation allowance at the prescribed rates on tangible and intangible assets under Section 32 of the I-Tax Act 1961.
- d) Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.
- e) By virtue of Section 10(35) of the Income Tax Act, the following income shall be exempt in the hands of the company.
  - (i). Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
  - (ii). Income received in respect of units from the Administrator of the specified undertaking; or
  - (iii). Income received in respect of units from the specified company; Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

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

- f) In terms of Section 10(38) of the Income Tax Act, any long term capital gain arising to the company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund on or after 1<sup>st</sup> October 2004, where such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the company.



For this purpose, "equity oriented fund" means-

- (i). Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than fifty per cent of the total proceeds of such fund; and
  - (ii). Which has been set up under a scheme of a Mutual Fund specified under Section 10(23D) of the Income Tax Act.
- g) In terms of Section 111A of the Income Tax Act, any short term capital gain arising to the company from the transfer of a short term capital asset being an equity share in a company or unit of an equity oriented fund on or after 1<sup>st</sup> October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax only at a rate of 10 per cent (plus applicable surcharge and Education Cess)
- a) As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

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

- a) Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.
- b) In accordance with section 10(23D) of the Income Tax Act, all Mutual Funds registered under the Securities and Exchange Board of India Act or set up by public sector banks or a public financial institution or authorised by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax all their income, including income from investment in the shares of the Company.
- c) Dividends exempt under Section 10(34) read with Section 115-O  
Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.
- d) As per the provisions of Section 112(1)(b) of the Act, long-term capital gains would be subject to tax at a rate of 20 percent (plus applicable surcharge / educational cess). However as per the proviso to Section 112(1) if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a lower rate of 10 percent (plus applicable surcharge / educational cess). For this purpose, Indexation Benefit would mean the substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.
- e) Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.
- f) In terms of Section 111A of the Income Tax Act, any short term capital gain arising from the transfer of a short term capital asset being an equity share in a company or unit of an equity oriented fund on or after 1<sup>st</sup> October 2004, where such transaction is chargeable to securities transaction tax, would be subject to tax only at a rate of 10 per cent (plus applicable surcharge and Education Cess)
- g) As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- h) As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units 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' within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following Conditions: -



- i. the issue is made by a public company formed and registered in India; and
- i) ii. the shares forming part of the issue are offered for subscription to the public.
- j) There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.
  - i) As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ("HUF"), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such 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. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

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.

- j) From the financial year 2004-05 onwards, Section 88E of the Act allows a rebate for an assessee, upon fulfilling certain conditions, where his total income includes any income which is chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, of an amount equal to the securities transactions tax paid by him.

### **C. Benefits available to Non-Resident Indian shareholders**

#### **a) Income of a minor exempt up to certain limit**

Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Income Tax Act will be exempt from tax to the extent of Rs.1, 500 per minor child.

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

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

#### **c) Capital gains tax - Options available under the Act**

Where shares have been subscribed in convertible foreign exchange-Option of taxation under Chapter XII-A of the Act.

- Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which inter alia entitles them to the following benefits in respect of income from shares of an Indian Company acquired, purchased or subscribed to in convertible foreign exchange:
- As per the provision of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares will be subject to tax at the rate of 10 percent ( plus applicable surcharge), without indexation benefit.
- As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of, six months in any specified asset or savings certificates referred to in Section 10 (4B) of the Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(48) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
- Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three year from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.



- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

**d) Where the shares have been subscribed in Indian Rupees**

- As per the provisions of Section 112(1)(b) of the Act, long-term gains as computed above would be subject to tax at rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1), if the long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge).

**e) Exemption of capital gain from income tax**

- Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.
  - As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
  - As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units 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” within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-
    - (i) the issue is made by a public company formed and registered in India; and
    - (ii) the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.
- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family (“HUF”), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such 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. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
  - 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.



**f) Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.

**D. Benefits available to other Non-residents**

**a) Income of a minor exempt up to certain limit**

Under Section 10(32) of the Income Tax Act, any income of minor children clubbed in the total income of the parent under Section 64(1A) of the Income Tax Act will be exempt from tax to the extent of Rs.1, 500 per minor child.

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

Dividends (whether interim or final) declared, distributed or paid by the Company on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

**c) Exemption of capital gains from Income tax**

- Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.
- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units 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” within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-
  - (i) the issue is made by a public company formed and registered in India; and
  - (ii) the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

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

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.

**d) Provisions of the Act vis-à-vis provisions of the tax treaty**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident.



## E. Benefits available to Foreign Institutional Investors ('FIIs')

### a) Taxability of capital gains

- As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rates:

SI #	Nature of Income	Rate of Tax
1	Long Term Capital Gain	10%
2	Short Term Capital Gain	30%

The above tax rates would be increased by the applicable surcharge. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

- As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident

### b) Exemption of capital gain from Income tax

- Long-term capital gains arising from transfer of a long-term capital asset, being an equity share in a company is exempt from tax under Section 10 (38) of the Act, provided such a transaction is chargeable to Securities Transaction Tax.
- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to an assessee on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units 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" within six months from the date of transfer of the long term assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions:-
  - the issue is made by a public company formed and registered in India; and
  - the shares forming part of the issue are offered for subscription to the public.

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

## F. Benefits available to Mutual Funds

- As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds setup 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. Benefits available to Venture Capital Companies / Funds

- As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

## 2. BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

## 3. BENEFITS AVAILABLE UNDER THE GIFT TAX ACT

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



However Gifts exceeding Rs. 25, 000/- made on or after 01.09.2004 is to be included in the hands of the donee as income under the provisions of the Income Tax Act, subject to the provision of section 52(2)(v) of the Act.

## II. BENEFITS AVAILABLE UNDER INDIRECT TAX LAWS

The key benefits available under indirect tax laws to a 100 % EOU unit, subject to satisfaction of the specified conditions, are as under:

### (A) Customs Duty:

Specified goods, which are in the nature of raw-materials, accessories, capital goods, office equipments, components etc procured by a 100 % EOU are exempt from customs duty as per EXIM Policy 2004-09.

### (B) Excise Duty:

Exemption from Central Excise Duty on procurement of Capital Goods, raw materials, components etc., from domestic market by 100 % EOU. in respect of the exports effected by units other than 100% EOUs the company is entitled to claim Duty Draw Back or Credits under Duty Entitlement Pass Book Scheme as prescribed under EXIM Policy 2004-09.

For Domestic Operations, as the Company has exercised the option given to the Textile Industry, by the Excise Law, it has surrendered the Excise Registration Certificate in 2004-05. Hence the finished products of the Domestic Division also will not be subject to Excise Duty. However, the Duty element involved in the inputs should be borne by the Company. In spite of this, surrendering the registration is more beneficial since the duty on finished goods is high when compared to the duty on inputs.

### (C) Sales Tax:

Concessions / exemptions under Tamil Nadu Sales Tax legislations are available to the company. Further the export sales made by the company would not be subject to sales tax.

## III. Benefits available for an undertaking established under SEZ:

### 1. UNDER INCOME TAX ACT, 1961:

- a. Under the provisions of Sec 10AA, a newly established SEZ shall be eligible for 100 percent tax deduction of profits and gains derived from export of articles or things for a period of five years.
- b. For the next five years the tax deduction of profits and gains shall be restricted to 50% for export of articles or things.
- c. In the next five years the Company shall be required to transfer 50% of the profits to a reserve account namely, Special Economic Zone Re-investment Reserve Account required to be utilised for the purposes mentioned in the section.

### 2. UNDER INDIRECT TAX LAWS:

The specific provisions pertaining to SEZ as contained in the Special Economic Zone Act, 2005 ('SEZ Act'), which received the Parliament assent on 23.6.2005, are as follows:

The SEZ Act provides for specific exemption from the following duties and taxes for the unit set up in SEZ:

- a. Exemption from any duty of **Customs** on import or export of goods or services by an SEZ Unit.
- b. Exemption from any **Excise Duty** on indigenous procurement or sale of goods or services by an SEZ Unit.
- c. The SEZ unit shall be exempted from the payment of **Service Tax** on services used, vide notification no. 4/2004-S.T dated 31.3.2004.
- d. Under Sales Tax Laws:
  - i The SEZ units are exempted from payment of Tamil Nadu General Sales Tax on goods procured and used as raw materials in the manufacturing process vide exemption notification no. GOMS No.104 dated 1.4.1998.
  - ii Similar exemption is available for payment of Central Sales Tax in respect of procurements from DTA units to a SEZ unit.



**Related Parties and Transactions carried out with them Annexure # 10**

- As per Accounting Standard 18:

**List Of Related Parties:**

**I. Key Managerial Personnel:**

- Mr. V.Rajagopal
- Mrs. Rama Rajagopal
- Mr. Surya Narayanan

**II. Relatives of Key Managerial Personnel:**

- Mr. Suresh Rajagopal

**III. Enterprises under Control or significant influence of Key Managerial Personnel:**

- M/s Celebrity Connections
- M/s Designer Home Steds P Ltd

**Transactions carried out with Related Parties during the year:**

Period / Year Ended		30.09.05			31.03.05			31.03.04		
SI #	Particulars of Transactions	For I Above	For II Above	For III Above	For I Above	For II Above	For III Above	For I Above	For II Above	For III Above
(i)	Directors' Remuneration	7.48			13.16				5.02	
(ii)	Remuneration to Relatives		0.64			0.57			0.46	
(iii)	Payment towards acquisition of Assets And Liabilities						3.36			
(iv)	Rent Paid			0.62			1.24			1.24
	<b>Outstanding Balances at the year end</b>									
(i)	Amount Payable						0.97			4.33

**Statement of Investments**

**Annexure # 11**

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
Long Term						
Equity Shares of Indian Terrain Clothing P Ltd (Face Value: Rs.10/- each)				19.70	19.70	12.20
Investment in Mutual Funds			1.40			
<b>Total</b>			<b>1.40</b>	<b>19.70</b>	<b>19.70</b>	<b>12.20</b>

**Note:**

Investment in the Equity of Indian Terrain Clothing P Ltd got nullified upon merging that company in 2003-04.


**Statement of Sundry Debtors**
**Annexure # 12**

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
A. Debtors outstanding for a period exceeding six months	5.74	8.82				
B. Other Debts (Considered Good)	298.86	215.35	223.76	71.77	51.03	52.60
<b>Total</b>	<b>304.61</b>	<b>224.16</b>	<b>223.76</b>	<b>71.77</b>	<b>51.03</b>	<b>52.60</b>

**Notes:**

- 1) The above balances do not include any receivables from Related Parties.
- 2) Figures for the period ending 31/Mar/2004 comprise figures of the amalgamated entity and hence are not comparable.

**Statement of Unsecured Loans, as Restated**
**Annexure # 13**

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
PCFC from Citibank & H.D.F.C. Bank		10.49				
<b>Total</b>		<b>10.49</b>				

**Note:**

PCFC stands for Packing Credit in Foreign Currency.

**Statement of Secured Loans, as Restated**
**Annexure # 14**

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
Working Capital Facilities	359.39	198.32	160.46	69.29	26.56	48.79
Term Loan from State Bank of India	177.81	126.18	74.55	49.31	39.95	47.00
Export Bills Discounted with State Bank of India	109.79	150.09	135.04	57.23	16.97	37.55
Hire Purchase Instalments Payable (Net)	20.27	12.54	11.43	5.95	2.50	4.34
<b>Total</b>	<b>667.25</b>	<b>487.13</b>	<b>381.48</b>	<b>181.78</b>	<b>85.99</b>	<b>137.68</b>

**Notes:**

1. Working Capital Facilities include Packing Credit Facilities (in both Indian and Foreign Currencies) from State Bank of India, Standard Chartered Bank, Citibank N.A. and HDFC Bank Ltd.
2. The following Charges have been created on all the above mentioned loans excluding Hire purchase Facilities:
  - First Charge on Pari Passu basis on all Inventories, Receivables and Other Current Assets, both present and future for all the banks, viz., State Bank of India, Standard Chartered Bank, Citibank N.A. and H.D.F.C Bank
  - First Charge towards State Bank of India and Second Charge on Pari Passu basis for all the other banks on all other assets and Lien over the RD/TDR in the name of the Company.
3. Hire Purchase Instalments (Net of Interest Suspense) are secured by way of: Hypothecation of Vehicles. This facility is extended by Citibank N.A.
  - a. Figures for the period ending 31/Mar/2004 comprise figures of the amalgamated entity and hence are not comparable.


**Statement of Contingent Liabilities**
**Annexure # 15**

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
Guarantees given by Banks and are Counter - Guaranteed by the Company	19.10	19.10	22.71	12.50	6.36	3.00
<b>Total</b>	<b>19.10</b>	<b>19.10</b>	<b>22.71</b>	<b>12.50</b>	<b>6.36</b>	<b>3.00</b>

**Note:**

Figures for the period ending 31/Mar/2004 comprise figures of the amalgamated entity and hence are not comparable.

**Statement of Other Income, as Restated**
**Annexure # 16**

As at	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>Particulars</b>	<b>Rs. in Millions</b>					
Interest accrued / Received on Fixed Deposits	2.04	1.40	1.50	0.64	0.82	1.30
Profit on Sale of Assets / Investments	1.81	0.85	0.29	0.48		0.01
Dividends from Mutual Fund Investments		0.06				
Cut Make Charges				3.37	0.37	0.85
Others	0.02		0.02		0.01	0.05
<b>Total</b>	<b>3.87</b>	<b>2.31</b>	<b>1.81</b>	<b>4.49</b>	<b>1.19</b>	<b>2.20</b>

**Notes:**

Cut make charges for the periods ending upto 31/Mar/2003 relate to the stitching charges received from the erstwhile Indian Terrain Clothing P Ltd. Upon merger of that entity in 2003-04, the same could not be recognised.



## UNAUDITED FINANCIAL STATEMENTS OF CELEBRITY GROUP

To

The Board of Directors,  
Celebrity Fashions Limited,  
107-A, GST Road,  
Chrompet,  
Chennai - 600 044.

Dear Sirs,

Attached herewith are the unaudited financial statements of the Celebrity Group for the five years ended 31.03.2005 and the half-year ended 30.09.2005. The term financial statements mean Restated Statements of Profits & Losses and Restated Statements of Assets & Liabilities. The proforma information has been presented so as to reflect the performance of the group as a whole. The term Celebrity Group is used to mean the conglomerate of the following entities.

- a Celebrity Fashions Limited (Previously known as Celebrity Fashions Pvt. Ltd)
- b Indian Terrain Clothing Pvt. Ltd
- c Celebrity Designs (India) Pvt. Ltd
- d Celebrity Connections [for the 4 years ended 31.03.2004 only]

We have verified the amounts appearing in the financial statements appended herewith and found such amounts to be in agreement with the proforma information. However, we make no representations as to the appropriateness of such calculations.

For **Anil Nair & Associates**  
Chartered Accountants

**G. Anil**  
Partner  
Membership No 22450

**Place: Chennai**

**Dated : 21st November 2005**

For **CNGSN & Associates**  
Chartered Accountants

**C.N. Gangadaran**  
Partner  
Membership No 11205



**CELEBRITY GROUP**

**Statement of Profits and Losses, As Restated**

SI No.	Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
	<b>Particulars</b>	<b>Rs. in Millions</b>					
<b>A</b>	<b>INCOME</b>						
	Sales of Products						
	Local Sales (Net off Excise Duty)	188.18	266.78	221.08	95.52	57.71	10.55
	Export Sales	686.10	1,060.70	973.20	681.07	623.79	523.36
	Variance in Stock - Increase / (Decrease)	19.17	4.30	28.06	38.64	(0.57)	34.70
	Job work Charges						
	Export Incentives	5.73	6.95	18.98	72.63	78.01	82.24
	<b>Total</b>	<b>899.18</b>	<b>1,338.73</b>	<b>1,241.31</b>	<b>887.85</b>	<b>758.93</b>	<b>650.85</b>
	Other Income	3.87	2.31	2.15	3.41	1.89	3.25
	<b>Total</b>	<b>903.05</b>	<b>1,341.04</b>	<b>1,243.45</b>	<b>891.27</b>	<b>760.82</b>	<b>654.09</b>
<b>B</b>	<b>EXPENDITURE</b>						
	Raw Materials Consumed	428.41	662.93	693.99	518.86	420.80	365.78
	Employees Costs	128.92	162.57	131.67	103.77	95.26	76.41
	Other Manufacturing Costs	97.28	149.29	129.49	89.14	78.95	61.57
	Administrative & Other Costs	53.19	87.53	71.27	43.14	37.69	50.30
	Selling & Distribution Costs	67.00	106.06	73.64	48.13	38.63	31.57
	Interest & Other Finance Costs	28.47	45.04	45.20	38.61	35.11	30.22
	Preliminary Expenses Written Off		0.17	0.17	0.17	0.17	0.17
	<b>Total</b>	<b>803.26</b>	<b>1,213.59</b>	<b>1,145.43</b>	<b>841.81</b>	<b>706.61</b>	<b>616.02</b>
	<b>Net Profit Before Depreciation, Tax &amp; Extraordinary Items</b>	<b>99.79</b>	<b>127.46</b>	<b>98.02</b>	<b>49.46</b>	<b>54.22</b>	<b>38.07</b>
	Less: Depreciation	20.06	32.55	30.06	25.22	26.10	25.51
	<b>Net Profit before Tax &amp; Extraordinary Items</b>	<b>79.73</b>	<b>94.91</b>	<b>67.96</b>	<b>24.24</b>	<b>28.12</b>	<b>12.56</b>
	Less: Taxation						
	- Provision for Current Tax	26.02	32.15	7.63	6.12	2.78	3.05
	- Provision for Deferred Tax	1.26	4.74	1.93	1.57		
	<b>Net Profit before Extraordinary Items</b>	<b>52.45</b>	<b>58.02</b>	<b>58.40</b>	<b>16.55</b>	<b>25.34</b>	<b>9.51</b>
	Extraordinary Items (net off tax)						
	<b>Net Profit as per Audited Accounts</b>	<b>52.45</b>	<b>58.02</b>	<b>58.40</b>	<b>16.55</b>	<b>25.34</b>	<b>9.51</b>
	<b>Adjustments on account of:</b>						
	Deferred Revenue Expenses			8.06	(15.61)	(11.40)	
	Deferred Tax					(0.49)	(7.39)
	<b>Adjusted Profits for the year</b>	<b>52.45</b>	<b>58.02</b>	<b>66.46</b>	<b>0.94</b>	<b>13.46</b>	<b>2.13</b>



**CELEBRITY GROUP**

**Statement of Assets & Liabilities, as Restated**

SI No.	Period / Year ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
<b>A</b>	<b>Fixed Assets:</b>						
	Gross Block	499.02	422.06	335.13	299.83	273.67	243.67
	Less: Depreciation	182.93	166.43	146.99	120.30	115.62	76.41
	Net Block	<b>316.09</b>	<b>255.63</b>	<b>188.14</b>	<b>179.53</b>	<b>158.05</b>	<b>167.26</b>
	<b>Less: Revaluation Reserves</b>						
	<b>Net Block after adjustment for Revaluation Reserves</b>	<b>316.09</b>	<b>255.63</b>	<b>188.14</b>	<b>179.53</b>	<b>158.05</b>	<b>167.26</b>
<b>B</b>	<b>Investments</b>			<b>1.40</b>			
<b>C</b>	<b>Current Assets, Loans and Advances:</b>						
	Inventories	533.56	411.61	304.67	257.23	168.64	176.70
	Sundry Debtors	304.61	224.16	223.76	124.35	92.65	148.99
	Cash and Bank Balances	247.00	84.76	31.67	16.95	19.16	40.57
	Loans & Advances	176.07	62.54	44.10	30.03	25.58	24.22
	Other Current Assets	28.94	28.92	47.12	16.35	32.28	42.57
		<b>1,290.18</b>	<b>811.99</b>	<b>651.32</b>	<b>444.92</b>	<b>338.31</b>	<b>433.05</b>
<b>D</b>	<b>Liabilities and Provisions:</b>						
	Secured Loans	667.25	487.13	381.48	280.63	194.01	290.41
	Unsecured Loans		10.49			0.03	0.11
	Current Liabilities and Provisions	279.24	247.81	181.57	130.68	92.87	106.55
	Deferred Tax Liability	17.36	16.11	11.36	7.15	5.55	7.39
		<b>963.86</b>	<b>761.53</b>	<b>574.41</b>	<b>418.46</b>	<b>292.45</b>	<b>404.46</b>
<b>E</b>	<b>Networth</b>	<b>642.41</b>	<b>306.09</b>	<b>266.45</b>	<b>205.99</b>	<b>203.91</b>	<b>195.85</b>
<b>F</b>	<b>Represented by</b>						
	1. Share Capital	113.28	42.14	42.10	55.10	55.10	55.10
	2. Reserves	529.12	263.94	208.91	164.55	166.26	148.81
	Adjustments due to Restatements			15.61	(13.32)	(16.95)	(7.39)
	Less: Revaluation Reserves						
	Reserves (Net off Revaluation Reserves)	529.12	263.94	224.52	151.23	149.31	141.43
	<b>Total</b>	<b>642.41</b>	<b>306.09</b>	<b>266.62</b>	<b>206.33</b>	<b>204.42</b>	<b>196.53</b>
<b>G</b>	<b>Miscellaneous Expenditure to the Extent Not Written Off or Adjusted</b>			<b>0.17</b>	<b>0.34</b>	<b>0.51</b>	<b>0.68</b>
<b>H</b>	<b>Networth [(F) - (G)]</b>	<b>642.41</b>	<b>306.09</b>	<b>266.45</b>	<b>205.99</b>	<b>203.91</b>	<b>195.85</b>



## GROUP COMPANIES

### ***Everglades Holdings and Finance Private Limited***

Celebrity Investments & Finance Private Limited was incorporated under the Companies Act vide Certificate of Incorporation no. 18-22185 dated February 14, 1992. Vide resolution dated June 24, 2004, under section 21 of the Act, the name of the Company was changed to Everglades Holdings and Finance Private Limited and a fresh Certificate of Incorporation consequent to change of name was issued bearing no. U65933TN1992PTCO22185 on July 5, 2004. The registered office of the Company is No. 4, "Rangas", No. 1, 4<sup>th</sup> Main Road, R.A. Puram, Chennai – 600 028.

Everglades Holdings and Finance Private Limited is engaged inter alia in the business of brokers, technical advisors, managers, liaison agents, agents for financial services, buying and selling of movable and immovable properties of all kinds including land, buildings, plant, machinery, office equipments, negotiate loans, to draw, accept, endorse, discount, buy, sell and deal in bills of exchange, promisory notes, hundies, bills of lading, delivery orders, warrants, ware-house-keepers certificates etc. Everglades Holdings and Finance Private Limited is registered with the Reserve Bank of India, Department of Non-banking Supervision, Chennai to carry on the business of non-banking financial institution without accepting public deposits on July 26, 2004 bearing No. B-07.00147 under Section 45 IA of the Reserve Bank of India Act, 1934.

#### **Board of Directors:**

Mr. V. Rajagopal

Mrs. Rama Rajagopal

Mr. R. Venkatakrisnan

#### **Shareholding Pattern:**

The shareholding pattern of Everglades Holdings and Finance Private Limited is as follows:

Sr. No.	Name of Director	No. of shares	% of Shareholding
1.	Mr. V. Rajagopal	1,310,000	50
2.	Mrs. Rama Rajagopal	1,310,000	50
	<b>TOTAL</b>	<b>2,620,000</b>	<b>100</b>

#### **Financial Performance:**

*(figures in Rupees)*

Particulars	For the Financial Year ended March 31		
	2005	2004	2003
Total Income	3,521,634	2,662,219	2,830,002
Profit after taxation	1,055,746	446,777	553,809
Equity Share Capital (2,500,000 Equity Shares of Rs. 10/- each)	26,200,000	25,000,000	25,000,000
Share Application Money	–	1,200,000	1,200,000
Reserves (excluding revaluation reserves)	(1,787,850)	(2,843,596)	(3,290,373)
Networth	24,412,150	22,156,404	21,709,627
NAV per Share (Rs.)	9.32	8.86	8.68
EPS per Share (Rs.)	0.40	0.18	0.22

The Authorised Equity Share Capital of the Company was increased from Rs. 25,000,000 to Rs. 27,500,000 vide resolution dated October 29, 2004.

### ***Designer Home Steds Private Limited***

Designer Home Steds Private Limited was incorporated under the Companies Act vide Certificate of Incorporation No. 18 – 32275 of 1995 dated July 27, 1995. The registered office of the Company is No. 4, "Rangas", 1<sup>st</sup> Floor, No. 1, 4<sup>th</sup> Main Road, R.A. Puram, Chennai – 600 028.

Designer Home Steds Private Limited is engaged inter alia in the business of purchase, acquisition, take on lease, or in exchange or in any other lawful manner any areas, land, buildings, structures; developers of property, promoter of schemes of



housing and/or flats residential or commercial apartments; engineering contractors, undertaking and executing contract works of construction of building, roads, bridges and other super structures; to undertake on contract for lumpsum or at agreed rates repairs, demolition and construction works of all description; and to carry on the business of house, land and estate agents and to arrange or undertake to sell land and/or buildings or any other property on hire purchase, installment schemes, deferred payment schemes etc.

**Board of Directors:**

1. Mr. V. Rajagopal
2. Mrs. Rama Rajagopal
3. Mr. R. Venkatakrishnan

**Shareholding Pattern:**

The shareholding pattern of Designer Home Steds Private Limited is as follows:

Sr. No.	Name of Director	No. of shares	% of Shareholding
1.	Mr. V. Rajagopal	1,000,000	50
2.	Mrs. Rama Rajagopal	1,000,000	50
	<b>TOTAL</b>	<b>2,000,000</b>	<b>100</b>

**Financial Performance:**

*(figures in Rupees)*

Particulars	For the Financial Year ended March 31		
	2005	2004	2003
Total Income	1,351,576	1,637,067	1,473,531
Profit after taxation	286858	710,547	210,728
Equity Share Capital (2,000,000 Equity Shares of Rs. 10/- each)	20,000,000	20,000,000	20,000,000
Reserves (excluding revaluation reserves)	1,527,654	1,240,705	530,158
Networth	21,527,654	21,240,705	20,530,158
NAV per Share (Rs.)	10.76	10.62	10.27
EPS per Share (Rs.)	0.14	0.36	0.11

**M/s. Celebrity Connections (Partnership Firm)**

M/s. Celebrity Connections is a registered partnership firm between Mrs. Rama Rajagopal and Mr. K.A. Rajagopalan under a deed dated January 7, 1988. M/s. Celebrity Connections had its office at 7, 5<sup>th</sup> Trust Cross Street, Mandaivellipakkam, Chennai 600 028. The office of the partnership firm was subsequently changed to No. 17, Balaiah Avenue, Mylapore, Chennai – 600 004. Further, the address of the firm was changed to 107 – A, GST Road, Chrompet, Chennai – 600 044.

M/s. Celebrity Connections is engaged inter alia in the business of fabricating, manufacturing, tailoring, export of garments and to act as manufacturers, agents, distributors, importers and exporters of machines, fabrics, dyes and chemicals.

**Partners of M/s. Celebrity Connections:**

M/s. Celebrity Connections on registration had two partners and their profit sharing ratios were as follows:

1. Mrs. Rama Rajagopal 80%
2. Mr. K.A. Rajagopalan 20%

Vide a deed of Retirement and Reconstitution of Partnership dated October 16, 1991, Mr. K.A. Rajagopalan retired as partner of M/s. Celebrity Connections and two new partners Mr. V. Rajagopal and Mr. Bharath Subramanian entered into the partnership and their profit sharing ratios were as follows:

1. Mrs. Rama Rajagopal 50%
2. Mr. V. Rajagopal 48%
3. Mr. Bharath Subramanian 2%



Vide a deed of Retirement and Reconstitution of Partnership dated April 1, 1995, Mr. Bharath Subramanian retired as partner of M/s. Celebrity Connections and the revised profit sharing ratios among the two continuing partners, Mrs. Rama Rajagopal and Mr. V. Rajagopal are as follows:

1. Mrs. Rama Rajagopal 50%
2. Mr. V. Rajagopal 50%

**Financial Performance of M/s. Celebrity Connections:**

*(figures in Rupees)*

Particulars	For the Financial Year ended March 31		
	2005	2004	2003
<b>Total Income</b>	1,566	215,750,831	194,608,508
<b>Profit after taxation</b>	1,566	9,979,344	10,619,456
<b>Partners Capital</b>	51,413,054	54,605,048	54,169,296

**Disassociation**

The Promoters have not disassociated themselves from any of company/firms during preceding three years.



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

You should read the following discussion of our financial condition and results of operations together with our audited financial statements (as restated) for the five financial years ended March 31, 2005 and six months period ended September 30, 2005, including the notes thereto and the reports thereon, which appear elsewhere in this Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page vii of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. These financial statements are prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and restated as described in Auditors' Report of M/s CNGSN & Associates and M/s Anil Nair & Associates.

The following discussions is based on our restated financial statements for the five financial years ended March 31, 2005 and six months period ended September 30, 2005 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources. Our fiscal year ends on March 31 each year, so all references to a particular year are to the twelve-month period ended on March 31 of that year.

### BUSINESS OVERVIEW:

Our company is engaged in the business of designing, manufacturing and selling of men's garments and was set up in the year 1988 as a small 50 machine factory and 72 people venture in Chennai. We cater to the demand of leading international brands and also to the domestic market through our own brand "Indian Terrain". We have over the last two decades grown to 8 factories (4283machines), housed over 300,000 sq. ft. employing over 5000 employees.

We started our operations with a focus on exports of shirts when quota restrictions were still prevalent. Over the last two decades we have achieved the status of one of the leading exporters of men's shirts from India and have acquired the status of two star export house. Several international brands source their requirement of shirts from us. We have among our customers, top international brands both from America and Europe. Some of our regular customers are Kohl's Corporation- USA, Timberland – USA, Eddiebauer – USA, Diesel – Europe, Marlboro Classics-Europe and Armani – Europe.

Celebrity launched its foray into the domestic branded ready to wear men's garment market in the year 2000 under the brand name "Indian Terrain". The brand "Indian Terrain" has in a short span of five years established itself and has earned an image for quality and style. The Indian Terrain Brand products are sold through various channels – five of its own stores and retailed through 276 National Store Chains (NSC) / Multi Brand Outlets (MBO).

### Sales Mix in %:

Given below is the Product – wise split of our Sales Quantity in percentage terms.

Period / Year Ended	30.09.05	31.03.05	31.03.04	31.03.03
Men's Shirts	78%	87%	87%	81%
Ladies' Garments	8%	5%	4%	8%
Kids' Garments	7%	4%	5%	8%
Bottom Wear	6%	3%	3%	2%
Others	1%	1%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The marginal change in our product mix from 2003-04 and onwards is due to merger of domestic unit, Indian Terrain. As a dedicated bottoms factory is on the cards, the product mix would see a notable transformation in the immediate future.

### Inventory Turnover:

Inventory turnover is the number of times the business is able to turn over its stock in a year and is an essential tool particularly for those in the FMCG industry. It is arrived at by dividing the total sales (manufactured goods) for the year with the average inventory.

Year Ending - March 31,	2005	2004	2003
Inventory Turnover (no. of times)	3.56	4.26	3.99



**Average Selling price in FOB terms:**

Average FOB (Free on Board) Price of garments exported is arrived at by dividing the gross export sales made during the year with the number of garments exported.

Period/Year Ending	30.09.2005	31.03.2005	31.03.2004	31.03.2003
Average FOB (in USD)	7.50	7.59	6.84	6.97

The increase in FOB Price in 2004-05 was due to shipment of garments with relatively higher quality fabrics and with higher price tags.

Average MRP per Garment – Indian Terrain

Period/Year Ending	30.09.2005	31.03.2005	31.03.2004
Average Selling Price	1,117	1,059	955

**Sales Channels of Indian Terrain:**

We categorise the sales channels of Indian Terrain, our domestic arm as follows:

**Outright Sales:**

In this mode, as soon as we dispatch our merchandise, we raise the invoice and the ownership of the goods is passed on to our buyers. As we fix the Maximum Retail Price (a price beyond which our garments can not be sold to the ultimate consumer), the difference between this MRP and the invoice price will stand as the margin for our dealer-buyers.

**Consignment Sales:**

In this channel, the dealers act as our agents and they sell on our behalf. Hence no invoice would be raised immediately after the goods are dispatched; we account for the sales turnover only based on the actual sales made by our consignees, evidenced by their Fortnightly / Monthly Sales Memo. From that, they will be paid an amount towards Consignees' Commission.

**Direct-to-Retail Sales:**

Apart from the above modes of sales where we reach out the ultimate customer through our business partners, we also sell directly to them. This happens through our Exclusive Showrooms. As on date, we have five exclusive showrooms, of which three are managed directly by us and the two other stores are run by our franchisees.

Showrooms apart, every year we correct our surplus inventory by way of Annual Clearance Sales, wherein we give nominal discounts to our surplus garments by cutting down the MRP.

Of the above, in cases of Consignment and Direct Sales, we recognise income at MRP; and under Outright, income is recognised after netting off the Dealers' Margin from the MRP. So, it becomes essential for us to track the sales in MRP terms, as this is more congruous to analyse the behaviour of various costs. This analysing process will be uniform for the two primary sales channels, Outright and Consignment. The sales figure of the above channels are as under:

Period / Year Ended	30.09.05	31.03.05	31.03.04	30.09.05	31.03.05	31.03.04
<b>Indian Terrain - Sales Channels</b>	<b>Rs. in Millions</b>					
	<b>Sales in MRP Terms</b>			<b>Sales in Accounting Terms</b>		
Outright	221.90	201.27	143.01	145.70	132.69	94.68
Consignment	21.31	63.67	43.05	21.31	63.67	43.05
Showrooms	11.07	16.77	15.06	11.06	16.77	15.06
Clearance Sale	0.02	9.49	12.05	0.02	9.49	12.05
<b>Total</b>	<b>254.30</b>	<b>291.21</b>	<b>213.17</b>	<b>178.09</b>	<b>222.62</b>	<b>164.83</b>



## **SIGNIFICANT ACCOUNTING POLICIES:**

### **1. Accounting Convention:**

- The Financial Statements are prepared on accrual basis and in accordance with the requirements of Companies Act, 1956 and the applicable Accounting Standards.

### **2. Fixed Assets & Depreciation:**

- Fixed Assets are stated at cost less depreciation.
- Depreciation on fixed assets is provided on Written Down Value Method at the respective rates prescribed under Schedule XIV of the Companies Act, 1956.
- Borrowing Costs are charged to Profit and Loss a/c, as there were no Qualifying Assets to capitalise the same.

### **3. Inventories:**

- Raw Materials and Components are valued at lower of Cost or Net Realisable Value. Cost of the said inventories is computed by applying Specific Identification Method.
- Work in Progress and Finished Goods are valued at lower of Cost or Net Realisable Value. Cost of these inventories includes Costs of Conversion and Other Costs incurred in bringing them to the present location and condition.

### **4. Translation of Foreign Currency Items:**

- Foreign Currency transactions are initially recorded at the exchange rates prevailing on the date of transactions. Current Assets and Current Liabilities are reinstated at the year- end closing rates. The differences arising on such reinstatement are reflected in the Profit & Loss a/c as Exchange Gain / Loss.
- Premium / Discount on Forward Foreign Exchange Contracts are recognized over the life of the Contracts. The value of unperformed contracts is shown under Loans & Advances.

### **5. Accounting of Government Grants:**

- Government grants are recognized where it is reasonably certain that the ultimate collection will be made. The Company accounts for Revenue grants by adding to the Income in case of Export Incentives and adjusting the Interest Expenses in case of Interest Subsidy under TUF Scheme. Capital Grants were neither received nor accrued.

### **6. Revenue Recognition:**

- Sales are recorded when the significant risks and rewards of ownership are transferred. Domestic Sales include Excise Duty but excludes Sales Tax wherever applicable Consignment Sales are accounted on the basis of Sales Memo received from Consignees.

### **7. Preliminary Expenses:**

- It relates to the Expenses incurred by the erstwhile Indian Terrain Clothing P Ltd. The Policy of writing them off over a period of five years is continued even after merging the company in 2003-04.

### **8. Retirement Benefits:**

- Expenditure relating to Provident Fund and Superannuation Schemes are charged to Profit and Loss Account on accrual basis. Gratuity Liability under Payment of Gratuity Act is determined on the basis of an actuarial valuation made at the end of the financial year. Provision for accrued leave encashment is made on the basis of actuarial valuation at the end of each financial year.

### **9. Income Tax:**

- Provision for Current Tax has been made as per the provisions of Income Tax Act, 1961. Deferred Tax on timing differences between book and tax profits is accounted for using the rates that have been substantively enacted as of the balance sheet date.

### **10. Impairment of Assets - Accounting Standard 28:**

- The Company has a policy of comparing the Recoverable Value of Assets with the Carrying Costs and recognising impairment when required.

### **11. Provisions and Contingent Liabilities:**

- All Provisions and Contingent Liabilities are recognised in accordance with Accounting Standard - 29.



## TOTAL INCOME

Total Income, as restated for the last five financial years and the half-year period April to September '05 are as below:

Rs. in Millions

Period / Year Ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Income from Sales	874.28	1,327.48	990.34	406.16	346.17	267.06
Export Incentives	5.73	6.95	14.21	42.50	40.44	41.65
Job work income	–	–	–	3.37	0.37	0.85
Other Income	3.87	2.31	1.81	1.12	0.82	1.35
Increase / Decrease in Finished Goods inventory.	19.17	4.30	21.35	14.82	(3.98)	7.65
<b>Total Income</b>	<b>903.05</b>	<b>1,341.04</b>	<b>1,027.71</b>	<b>467.97</b>	<b>383.82</b>	<b>318.56</b>

Sales from 2003-04 are post merger sales. Of which the export sales account for 80% in 2004-05. In the domestic segment, turnover from Indian Terrain (net off excise duty) was 178.09 millions during the 1<sup>st</sup> half year ended September 30, 2005, 214.15 millions in 2004-05 and 148.29 millions in 2003-04, the share of which has increased marginally from 15% (in 2003-04) to 16% (2004-05) of the total turnover. Though this ratio increased to 20% during Apr – Sept 05, the half yearly figures are not directly comparable with that of the yearly figures.

Export incentives are the government grants received in the form of duty drawbacks. Job work income for the three financial years ending on March 31, 2003 relates to the garment stitching charges received for producing garments of the erstwhile Indian Terrain Clothing P Ltd. This company was merged with us in 2003-04. Other income predominantly includes the interest received out of Term Deposits made with State Bank of India, which is held as the margin money for the local bill discounting facility provided by that bank.

## PROFITABILITY

The Comparisons of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Profit After Tax (PAT) in both absolute terms and a percentage on Total Income are as below:

(Rs. In Mn)

Period / Year Ended	30.09.05	31.03.05	31.03.04	31.03.03	31.03.02	31.03.01
Total Income	903.05	1,341.04	1,027.71	467.97	383.82	318.56
Restated PAT	52.45	58.01	40.88	11.04	9.34	8.14
Add:						
Interest Expenses	21.08	31.88	29.76	15.13	13.97	11.93
Depreciation	20.06	32.55	29.41	17.65	17.18	17.67
Taxes	27.28	36.89	5.41	4.64	0.91	1.46
EBITDA	120.86	159.34	105.46	48.47	41.40	39.19
EBITDA as a % of Total Income	13.38%	11.88%	10.26%	10.36%	10.78%	12.30%
Restated PAT as a % of Total Income	5.81%	4.33%	3.98%	2.36%	2.43%	2.56%

EBITDA and PAT of the 1st half of 2005-06 are not comparable with the ratios of previous years, since they reflect the performance of only six months. Also, the absolute figures for the years ended March 31, 2004 and 2005 and the half-year ended September 30, 2005 are that of the merged entity and hence are not comparable with the earlier years. The increase in Taxes for the year ending March 31, 2005 is due to the fact that income tax benefits u/s 80HHC has been completely phased out. Although 30% of export profits were eligible for the said benefit in 2003-04, due to merger, the taxable profits have come down, and hence the taxation was low during that year. In spite of an increase in Taxation, EBITDA of 2004-05 has grown up mainly due to decrease in raw material consumption rate, and the reduction in Excise Duty of domestic business.



Besides the above, the proportion of Depreciation on Total Income has faced a gradual dropdown, which lifted up the PAT ratio. While the depreciation on additions to the fixed assets was compensated by the increase in revenues, one of the reasons for the said dropdown is that we follow the Written Down Value method of depreciation, which inherits the nature of charging higher amount in the initial years of the life of the asset.

In addition, there is a continual fall in the ratio of Interest Cost on Total Income, as we have grabbed the opportunity thrown by the RBI, which allowed the extending of foreign currency loans to the exporters. Consequently, we started converting our borrowings from Indian Rupees to Foreign Currency, which resulted in savings in interest costs, as the interest rates on foreign currency loans are LIBOR based.

### Our Results of Operations

The trend and behaviour of various items of our restated audited financial statements for the three financial years ended March 31, 2005 and the half-year ended September 30, 2005 are as below:

(Rs. in million)

Period / Year Ended	30.09.05	31.03.05	31.03.04	31.03.03
Total Income	903.05	1,341.04	1,027.71	467.97
<b>Raw Materials Consumed</b>	<b>428.41</b>	<b>662.93</b>	<b>540.82</b>	<b>251.39</b>
% of Raw Materials Consumed on Total Income	47.44%	49.43%	52.62%	53.72%
<b>Employees Costs</b>	<b>128.92</b>	<b>162.57</b>	<b>119.18</b>	<b>67.11</b>
% of Employees Costs on Total Income	14.28%	12.12%	11.60%	14.34%
<b>Other Manufacturing Costs</b>	<b>97.28</b>	<b>149.29</b>	<b>110.04</b>	<b>45.62</b>
% of Other Manufacturing Costs on Total Income	10.77%	11.13%	10.71%	9.75%
<b>Administrative &amp; Other Costs</b>	<b>53.19</b>	<b>87.53</b>	<b>62.71</b>	<b>29.73</b>
% of Administrative & Other Costs on Total Income	5.89%	6.53%	6.10%	6.35%
<b>Selling &amp; Distribution Costs</b>	<b>67.00</b>	<b>106.06</b>	<b>71.38</b>	<b>19.13</b>
% of Selling & Distribution Costs on Total Income	7.42%	7.91%	6.95%	4.09%
<b>Interest &amp; Other Finance Costs</b>	<b>28.47</b>	<b>45.04</b>	<b>40.16</b>	<b>21.65</b>
% of Interest & Other Finance Costs on Total Income	3.15%	3.36%	3.91%	4.63%
<b>Preliminary Expenses Written Off</b>		<b>0.17</b>	<b>0.17</b>	
% of Preliminary Expenses on Total Income		0.01%	0.02%	
<b>Depreciation</b>	<b>20.06</b>	<b>32.55</b>	<b>29.41</b>	<b>17.65</b>
% of Depreciation on Total Income	2.22%	2.43%	2.86%	3.77%
<b>Taxes</b>	<b>27.28</b>	<b>36.89</b>	<b>5.41</b>	<b>4.64</b>
% of Taxes on Total Income	3.02%	2.75%	0.53%	0.99%
<b>Total Restatement</b>			<b>7.55</b>	
% of Total Restatement on Total Income			0.73%	
<b>Restated PAT</b>	<b>52.45</b>	<b>58.01</b>	<b>40.88</b>	<b>11.04</b>
% of Restated PAT on Total Income	5.81%	4.33%	3.98%	2.36%

### COMPARISON OF FY 2002-03 WITH 2001-02:

Some of the key developments that occurred during 2002-03 include the following:

Our seventh manufacturing facility was set up at Porur, Chennai.

#### Total Income:

2002-03 was a challenging period for Garment Export Industry, as the United States, which is one of the major markets for Indian Garment Exports, has witnessed an economic slowdown. This has resulted in the dropdown of average FOB price per garment from USD 7.25 (2001-02) to USD 6.97 (2002-03). Despite this, we registered a growth of 17% in turnover.

Also the duty draw back rates have come down by 2.5% from June 2002, which has lowered our income from Export Incentives marginally.

**Raw Materials Consumed:**

The Raw Materials to Total Income ratio has gone up by just above 1%, which was mainly due to the drop in Export Incentives and change in the fabric mix used.

**Employees Costs:**

*Staff Costs, though increased by about 6.5 millions in absolute terms, as a percentage of Total Income, it had come down by about 1.2% which was due to a marginal increase in outsourcing costs and better sales realisations as mentioned earlier in this discussion.*

**Other Manufacturing Costs:**

These are conversions costs other than Staff Costs, which includes Power & Fuel, Factory Expenses and cost of outsourcing. We maintained almost the same rate of expenditure as a proportion of total income. As against 9.31% in 2001-02, it was 9.75% in 2002-03.

**Administrative & Other Costs:**

The expenses covered here are semi variable in nature like, Traveling, Security, Consultancy etc which was maintained in between 6.15% to 6.35% of total income during 2001-02 & 2002-03 respectively.

**Selling & Distribution Costs:**

It has increased by just above 2 million during 2002-03, over the previous year for an increase of 84 millions in total income. Hence as a portion of total income, Selling Costs being directly variable to sales has dropped down narrowly by 0.34%

**Interest and Other Finance Costs:**

This interest cost on total income ratio has also come down slightly by 0.10%, inspite of the increase of about 3 millions in value terms.

**Depreciation:**

It has increased in value by a mere 0.47 million against the previous fiscal.

**Taxes:**

Provision for Taxation for the year-ended 31.03.2003 has gone up from 0.24% (in 2001-02) to 0.99% because the tax deduction u/s 80HHC of the Income Tax Act, 1961, was lowered to 50% of the export profits as against 70% (in FY 2001-02) and Deferred Tax has been provided as per the mandatory Accounting Standard which became applicable only from 2002-03. However, this deferred tax adjustment has been separately dealt with under "Impact on account of adjustments required by Para 6.18.7 (b) of Chapter VI of the Guidelines."

**Adjustments for fiscal 2003:**

*There were no adjustments required to be made on account of changes in accounting policies for the fiscal 2003.*

**COMPARISON OF FY 2003-04 with 2002-03:**

Some of the key developments that occurred during 2003-04 include the following:

The group companies, M/s Celebrity Designs (India) Pvt. Ltd., and M/s Indian Terrain Clothing Pvt. Ltd., were merged with effect from 01/Arp/2003. Besides this, the garment manufacturing division of M/s Celebrity Connections was also acquired on 31/Mar/2004. Also, during this fiscal, the Centralised Stores for our Raw Materials has been set up at Narayanapuram, Chennai.

Since the figures of 2003-04 are that of the merged entity, the same is not comparable with the previous year figures.

**COMPARISON OF FY 2004-05 with 2003-04:**

Some of the key developments that occurred during 2004-05 include the following:

Our expansion went on as we acquired one existing garment manufacturing unit at Poonamalle, Chennai. This took our total manufacturing factories count to eight. The production activities were started from March 2005 in this unit. On the other side, we entered into a share subscription agreement with M/s Bennett Coleman & Co. wherein the consideration for the shares would be adjusted by them by way of issuing advertisements of our Domestic brand Indian Terrain, in their publications (viz., The Times Of India, The Economic Times etc.)

**Total Income:**

Our total income increased by over 30% in FY 2005 as compared to FY2004. This was mainly due to the increase in our production capacity.

**Raw Materials Consumed:**

Raw Materials Consumption grew by 22.5%, as compared to increase in total income of about 30.5%, thus helped us report higher returns in our business.

**Employees Costs:**

Because of the increase in the head counts due to increase in the production capacity and due to inflationary increments, the Staff Costs on total income has gone just over 12% as against 11.6% in the previous financial year.

**Other Manufacturing Costs:**

It increased by 35.66% over the previous fiscal, and as a percentage on total income, it has marginally gone up by 0.42%, which was mainly due to the increase in our outsourcing costs as certain orders had to go through special wash programs.

**Administrative & Other Costs:**

Our total administrative and other costs as a ratio on total income is maintained in between 6% and 7%, though it moves in either ways narrowly.

**Selling & Distribution Costs:**

The selling and distribution costs to total income ratio has increased from 6.95% to 7.91% on account of increase in consignment commissions and discounts in case of domestic business besides the increase in shipping costs in case of exports.

**Interest and Other Finance costs:**

The increase of almost Rs 5 million is due to the increase in our working capital utilization; however, as a percentage of total income, this ratio has come down by 0.55%

**Depreciation:**

As there was a substantial increase in the manufacturing facility, the depreciation has increased by 3 millions, in absolute terms.

**Taxes:**

During the previous fiscal 2003-04, as the accumulated losses of amalgamating company were absorbed, the taxation was less in that year. Hence the provisions of income tax figures are not comparable.

**Adjustments for year 2004-05:**

There were no adjustments made on account of changes in accounting policies for the fiscal ending March 31, 2005

**COMPARISON OF HALF YEAR ENDED SEPTEMBER 30, 2005 WITH F.Y. 2004-05:**

Some of the key developments that occurred during the above period include the following:

M/s New Vernon Bharat Ltd. has invested Rs. 340 Millions in the Equity Capital of our Company.

The bonus equity shares have been issued in the ratio of 1:1

A Share Subscription and Share holder agreement has been entered into with M/s Reliance Capital Limited authorizing the said company to acquire 9,35,000 Equity Shares.

**Total Income:**

Our Total Income for the half year ended September 30, 2005, stood at Rs. 903 million as against Rs. 1,341 million in the previous year ending March 31, 2005.

**Raw Materials Consumed:**

One of our prime costs, Raw Materials was consumed for Rs. 428 million or 47.44% of our Total Income. This resulted in a drop of 1.7% over previous year.

**Employees Costs:**

As against the previous financial year, Staff Costs has shot up by 2.16%. This was mainly due to the upward revision by the State Government in the Minimum Wages payable to workers. This apart the inflationary increments have also made the Employee Cost ratio move upwards. As this cost is fixed in nature, this increase would be compensated in the balance period of the year when the Total Income increases.

**Other Manufacturing Costs:**

Other Manufacturing Cost to Total Income was at 10.77% for the three months ended September 30, 2005.

**Administrative & Other Costs:**

Rs. 53.19 million of Administrative & Other Costs for the I Half Year made this ratio come down by 0.64% which is due to the increase in Sales.

**Selling & Distribution Costs:**

There is a marginal drop in the selling and distribution costs from 7.9% for FY 2004-05 to 7.42% for the half year ended September 2004. The drop is on account of advertisement, selling & distribution commission which have not increased in relation to increase in sales.

**Interest and Other Finance costs:**

Interest and Other Finance Cost incurred during the said period was Rs. 28.47 million which is just above 3% to total income.

**Depreciation:**

Depreciation for the period April to September 2005 was Rs. 20.06 million.

**Taxes:**

The Corporate tax rate has been lowered by Finance Act 2005. However the Tax rate of our Company has marginally increased from 2.75% for FY 2004-05 to 3.02% on account of fringe benefit tax imposed by Finance Act 2005.

**Adjustments for the half year ended September 30, 2005:**

There were no adjustments made on account of changes in accounting policies for the half year ended September 30, 2005

**Information required as per clause 6.10.5.5 (a) of SEBI DIP Guidelines****Unusual or infrequent events or transactions**

There are no unusual or infrequent events or transactions that has significantly affected the business of our Company.

**Significant economic changes that materially affected or are likely to affect income from continuing operations**

Quantitative Restrictions under Multi Fibre Agreement have been removed with effect from January 2005. This removal of quantitative Restriction expected to bring change in global apparel trade.

**Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations**

There are no known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

**Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known**

Not Applicable

**The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.**

Please refer the heading "Total Income" under chapter "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page no. 115 of this Prospectus

**Total turnover of each major industry segment in which the Company operated (for the FY 05)**

Primary and only segment in Geographical.



Period / Year ended	31.03.05			31.03.04		
SI # Particulars	India	Rest of the World	Total	India	Rest of the World	Total
	<b>Rs. in millions</b>					
<b>A Segment Revenue:</b>						
Revenue from External Customers	230.91	1,110.13	1,341.04	169.30	858.41	1,027.71
Inter Segment Revenue		9.83	9.83		11.27	11.27
Total Segment Revenue	230.91	1,119.96	1,350.87	169.30	869.67	1,038.97
<b>Less:</b> Inter Segment Elimination	9.83		9.83	11.27		11.27
	<b>221.08</b>	<b>1,119.96</b>	<b>1,341.04</b>	<b>158.03</b>	<b>869.67</b>	<b>1,027.71</b>

**Status of any publicly announced new products or business segment**

Our Company proposes to enter into new product line Men's bottom for export market. This new product line will be manufactured out of facility which we propose to acquire.

**The extent to which business is seasonal**

The Business of our Company is not seasonal in nature.

**Any significant dependence on a single or few suppliers or customers**

Please refer to section "Our Business" on page 49 of this Prospectus.

**Competitive conditions**

Please refer to section "Our Business" on page 49 of this Prospectus.



## SECTION VI: LEGAL AND REGULATORY INFORMATION

### OUTSTANDING LITIGATIONS, MATERIAL DEVELOPMENTS AND OTHER DISCLOSURES

There are no outstanding litigations against our Company, our Subsidiary, our Directors, our Promoters and our Promoter Group or any disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against our Company, our Subsidiary, our Directors and our Promoters, except the following:-

#### **A. Outstanding litigation and contingent liabilities of our Company**

##### **A.I. Contingent liabilities of our Company as on June 30, 2005 [statutory report by auditors]**

The Contingent liabilities of our Company as on June 30, 2005 is in terms of Bank Gurantees given by Banks nad Counter Guarantee given by us amounting to Rs. 19.10 Mn.

##### **A.I. Cases filed against our Company**

###### ***i. Metropolitan Trading Company v. Celebrity Fashions Private Limited (Civil Suit No. 88 of 2005)***

Metropolitan Trading Company, a partnership firm has filed a civil suit against us in the High Court of Calcutta bearing number 88 of 2005 whereby they have alleged that we are in infringement of their registered design and copyright of the buttons used by the Petitioner (three hole buttons) which has a unique shape and configuration and is registered under the Designs Act, 2000, bearing Registration No. 188550 dated March 26, 2002 in class 02 – 07 and also renewed up to its full term till March 26, 2017. The Petitioners have prayed for a decree for permanent injunction restraining us from infringing the registered design and the copyright, a decree for perpetual injunction restraining us from using the registered design being the ‘three hole button’ in any of our shirts or other article, a decree of mandatory injunction directing us to deliver all our articles on which three hole buttons of the plaintiff’s registered design or any fraudulent or obvious imitation thereof has been applied and to deliver up all our publicity materials in respect thereof, a decree of mandatory injunction to be made to direct us to furnish accounts of all sales of shirts and other products using three hole buttons of the plaintiff’s design. We have to filed our reply to the said petition on December 06, 2005.

##### **A.II Notices Issued to our Company**

###### ***i. Notice issued under section 148 of the Income Tax Act, 1961.***

The office of the Deputy Commissioner of Income Tax, Company Circle – I (3), Chennai has issued a notice to the Company dated March 31, 2005 stating that the income chargeable to tax for the assessment year 1998 – 1999 has escaped the assessment within the meaning of section 147 of the Income Tax Act, 1961 and therefore proposes to assess / re-assess the income for the said assessment year and has asked the Company to deliver a return in the prescribed form of the Company’s income for the said assessment year. Our Company has filed the necessary documents and has requested the Assistant Commissioner of Income Tax to provide reasons for the said notice issued to our Company.

###### ***ii. Notice issued under section 142 (1) of the Income Tax Act, 1961.***

The office of the Assistant Commissioner of Income Tax, Company Circle – I (3), Chennai has issued a notice under section 142 (1) of Income Tax Act, 1961 to the Company dated September 6, 2005 to furnish in writing and verified in the prescribed manner information called for as per annexures which include *inter alia* details of additions to fixed assets; show cause why deduction of Rs. 2,895,712 under section 80 HHC claimed by our Company should not be disallowed; confirmation letters for the balance outstanding secured loans as on March 31, 2003; details of assets taken on hire purchase; explanation as to why stock in transit worth Rs. 11,114,157 has not been shown to the credit side of Profit and Loss account; break up and details of advances; break up of sundry creditors and other current liabilities; details of fabric and garment processing charges; details of expenses; explanation as to why software expenses claimed of Rs. 744,611 should not be capitalised and details of claims of Rs.2,135,371 deited under head selling expenses. We have filed a reply on the same with the Assistant Commissioner of Income Tax vide our letter dated September 19, 2005 and await their reply on the same.



### **A.III. Cases filed by us**

#### ***i. Celebrity Fashions Private Limited vs. CIT (A)***

An appeal was filed by the Company against the order of the Assistant Commissioner of Income Tax, Chennai (“ACIT”) wherein the order of the ACIT that barring an income of Rs. 5,041 (Rupees five thousand and forty one only), which is profit on sale of assets, rest of the income is in the nature of income assessable under the head income from other sources. Therefore the same needs to be deducted from the income while computing profits of the business for the purpose of determining the deduction under section 80 HHC of the IT Act, 1961. The CIT (A) upheld the order of the ACIT vide its order dated January 31, 2005 and stated that barring an income of Rs. 5,041 (Rupees five thousand and forty one only), which is profit on sale of assets, rest of the income is in the nature of income assessable under the head income from other sources.

#### **B. Outstanding litigation of the Promoters**

There is no litigation pending against any of our Promoters.

#### **C. Penalties**

Revisonal Orders dated August 11, 2005 issued by the Commercial Tax Officer, Tambaram II, Chennai and a penalty of Rs. 4,112 under section 24 (3) was levied.

#### **Litigation involving our Group Companies**

There are no cases filed by or against any of our Group Companies till date.

#### **Litigation involving our Promoters and Directors**

There are no cases filed by or against any of our Promoters or Directors till date. The Promoters or Directors have not defaulted in relation to any loan payments.



## **MATERIAL DEVELOPMENTS**

Apart from the changes mentioned elsewhere in this Prospectus, including in the share capital as mentioned in section Capital Structure on page 13 of this Prospectus, which have occurred since the date of the last financial statements disclosed (i.e. March 31, 2005) in this Prospectus, the Board of Directors of the Company are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.



## GOVERNMENT/STATUTORY AND BUSINESS APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals are required from any Government authority for us to continue our activities.

The Company has received the necessary consents, licenses, permissions and approvals from the Government and various Government agencies required for its present business and no further approvals are required for carrying on the present as well as the proposed business except as mentioned below.

### **The Company has received the following Government approvals / licenses / permissions:**

1. Certificate of Incorporation bearing no. 18-15655 dated April 28, 1988 from the Registrar of Companies, Tamil Nadu.
2. Certificate wherein the word 'Private' from the name of the Company was deleted with effect from July 1, 1998 on conversion from private company to deemed public company under Section 43A (1A).
3. Fresh certificate of incorporation dated June 8, 1999 wherein the name of the Company was converted back to Celebrity Fashions Private Limited pursuant to amendment in section 43A (1A).
4. Order of the High Court of Judicature at Madras, dated October 14, 2004 sanctioning the scheme of amalgamation of Indian Terrain Clothing Private Limited and Celebrity Designs (India) Private Limited with Celebrity Fashions Private Limited.
5. Permanent Registration Certificate issued by the Director of Industries, District Industries Centre, Government of Tamil Nadu, for registration as a small scale industry bearing registration number 180761676 dated May 25, 1992.
6. Permanent Registration Certificate issued by the Director of Industries, District Industries Centre, Government of Tamil Nadu, for registration as a small-scale industry bearing registration number 180342017 dated July 26, 1998.
7. License from the SIA, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry dated December 11, 2000 to the Company to Carry – on – Business for the industrial undertakings located at (i) 362/1C –1A, 100n ft, By-pass Road, Velachery, Chennai – 600 042 (ii) 107 A, GST Road, Chrompet, Chennai – 600 044, (iii) 1-A, Shanti Complex, Thirumurugan Nagar, Arcot Road, Porur, Chennai – 600 016 and (iv) Survey No. 70/2 & 70/3A, Thiruvancheri Village, Tambaram Taluk, Kancheepuram District, Tamil Nadu.
8. License from the SIA, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry dated April 30, 2004 to the Company for effecting the expansion in the industrial undertaking to the unit located at 208, Velachery Tambaram, District Kancheepuram.

### **Statutory approvals:**

#### **Plant - 107A, GST Road, Chrompet, Chennai – 44**

1. License from the Inspector of Factories in favour of the Company, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 7221 – KM 5201 renewed until December 31, 2005 for a maximum of 500 employees and horsepower of 250 HP.
2. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order no. 117/DEE/KPM/2001) bearing proceeding number DEE/TNPC B/KPM/OM-196/A/2005 dated May 13, 2005 under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 authorising continuance of the existing discharge of emissions and valid until March 31, 2006.
3. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order number 117/DEE/KPM/2001) bearing proceeding number DEE/TNPC B/KPM/OM-196/W/2005 – dated May 13, 2005 under section 25 of the Water (Prevention and Control of Pollution) Act, 1974 authorising continuance of the existing discharge of sewage or trade effluents and valid until March 31, 2006
4. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2285/A/2005 dated March 15, 2005 for storage of diesel (2 Kilo Litres) for the generator set at the unit valid for a period of one year.
5. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2283/A/2005 dated March 15, 2005 for manufacture of readymade garments at the unit valid for a period of one year.
6. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 649/EI/KPM/MW/GEN/2003 dated February 10, 2003 for commissioning the M.V Generator Set of capacity 160 KVA, 415 volts, and 145 KW under Rule 47A of the Indian Electricity Rules, 1956



7. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 4/EI/KPM/T/MVG/96 dated August 6, 1996 for commissioning the M.V Generator Set of capacity 250 KVA, 3 phase 415 volts along with control panel and changeover switch board installed as standby under Rule 47A of the Indian Electricity Rules, 1956 at the unit.
8. Certificate of Stability issued by Dass & Thomas – Chartered Engineers and Competent Persons, Approved Valuers & Safety Auditors dated February 18, 2003 for inspection of the unit as per Rule 12-B of the Tamil Nadu Factories Rules 1950 after construction of the building as per the site plans approved by the Joint Chief Inspector of Factories and is valid till February 17, 2006.

**Plant – 85, Velachery Main Road, Pallikaranai – 601302 – Unit IX**

1. License from the Inspector of Factories in favour of Celebrity Designs (India) Private Limited, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 7960 – KM 5545 renewed until December 31, 2005 for employing a maximum of 500 employees and horse power of 250 HP. The name of the factory has changed from Celebrity Designs (India) Private Limited to Celebrity Fashions Private Limited Unit IX.
2. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order number 30/DEE/KPM/2000) bearing proceeding number DEE/TNPC B/KPM/GL-01/A/2004 – dated May 3, 2004 under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 authorising the operation of the industrial plant in the air pollution control areas as notified by the Government and to continue to make the existing discharge from the stacks and valid until March 31, 2005.
3. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order number 30/DEE/KPM/2000) bearing proceeding number DEE/TNPC B/KPM/GL-01/W/2005 – dated June 1, 2005 under section 25 of the Water (Prevention and Control of Pollution) Act, 1974 authorising continuance of the existing discharge of sewage and valid until March 31, 2006.
4. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2289/A/2005 dated March 15, 2005 for storage of diesel (2 Kilo Litres) at the unit valid for a period of one year.
5. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2287/A/2005 dated March 15, 2005 for manufacture of readymade garments at the unit valid for a period of one year.
6. Certificate of Stability issued by Dass & Thomas – Chartered Engineers and Competent Persons, Approved Valuers & Safety Auditors dated April 1, 2004 for inspection of the unit as per Rule 12-B of the Tamil Nadu Factories Rules 1950 after construction of the building as per the site plans approved by the Joint Chief Inspector of Factories and is valid till April 1, 2007.
7. Consent granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 3067/EI/KPM/T/MVG/98 dated September 2, 1998 to install 2 generators (Kirloskar – 160 KVA and 415volts) under section 44 of the Electricity (Supply) Act, 1948.

**Plant – 70/2 and 70/3A, Selaiyur Agaram Road, Thiruvanchery Village, Tambaram Taluk, Kancheepuram District, Chennai – 600 073**

1. License from the Inspector of Factories in favour of Celebrity Fashions Private Limited, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 7155 – KM 6284 renewed until December 31, 2005 for employing a maximum of 250 employees and horse power of 500 HP.
2. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order 312) bearing proceeding number – DEE/TNPC B/KPM/OM-162/A/2005 dated May 12, 2005 under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 authorising the industrial plant in the air pollution control area as notified by the Government of Tamil Nadu and to continue existing discharge of emissions from the stacks and valid until March 31, 2006.
3. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order 297) bearing proceeding number – DEE/TNPC B/KPM/OM-162/W/2005 dated May 12, 2005 under section 21 of the Water (Prevention and Control of Pollution) Act, 1974 authorising to continue existing discharge of sewage or trade effluents and valid until March 31, 2006.
4. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2291/A/2005 dated March 15, 2005 for storage of diesel (3 KL) at the unit valid for a period of one year.
5. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2292/A/2005 dated March 15, 2005 for manufacture of readymade garments at the unit valid for a period of one year.
6. Certificate of Stability issued by Dass & Thomas – Chartered Engineers and Competent Persons, Approved Valuers & Safety Auditors dated February 16, 2004 for inspection of the unit as per Rule 12-B of the Tamil Nadu Factories Rules



1950 after construction of the building as per the site plans approved by the Joint Chief Inspector of Factories and is valid till February 16, 2007.

7. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 56/EI/KPM/T/MVG/SC/2000 dated January 29, 2001 for commissioning a generator with 125 KVA, 415 volts and 151 BHP under Rule 47A of the Indian Electricity Rules, 1956.
8. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 55EI/KPM/T/MVG/SC/2000 dated January 29, 2001 for commissioning a generator with 125 KVA, 415 volts and 151 BHP under Rule 47A of the Indian Electricity Rules, 1956.
9. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 54/EI/KPM/T/MVG/SC/2000 dated January 29, 2001 for commissioning a generator with 125 KVA, 415 volts and 151 BHP under Rule 47A of the Indian Electricity Rules.

**Plant – 208, Velachery Tambaram, Main Road, Narayanapuram, Pallikaranai, Kancheepuram District – 601302 – Unit VII**

1. License from the Inspector of Factories, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 31923 – KM 7046 renewed until December 31, 2005 for employing a maximum of 500 employees and horse power of 500 HP.
2. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 9206/A/2005 dated August 17, 2005 for storage of diesel (2000 litres) at the unit valid for a period of one year.
3. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 9092/A/2005 dated August 17, 2005 for manufacture of readymade garments at the unit valid for a period of one year.
4. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number KPM/629/CEIG/03 2005-2 dated January 27, 2005 for commissioning two diesel generators with 225 KVA, 415 volts and 280 BHP and 200 KVA, 415 volts under Rule 63 of the Indian Electricity Rules.

**Plant – 208, Velachery Tambaram, Main Road, Narayanapuram, Pallikaranai, Kancheepuram District – 601302**

1. License from the Inspector of Factories, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 30578 – KM 6994 renewed until December 31, 2005 for employing a maximum of 250 employees and horse power of 129 HP.
2. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 8101/A/2004 dated July 30, 2004 for receipts, storage and issue of fabric and accessories at the unit valid for a period of one year.
3. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 8100/A/2004 dated August 4, 2004 for storage of diesel at the unit valid for a period of one year.

**Plant – 208 II Floor, Velachery Tambaram, Main Road, Narayanapuram, Pallikaranai, Kancheepuram District – 601302 – Unit VIII**

1. License from the Inspector of Factories, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 32165 – KM 7162 renewed until December 31, 2005 for employing a maximum of 500 employees and horse power of 500 HP.

**Plant – 1-A, Shanti Complex, Thirumurugan Nagar, Arcot Road, Porur, Chennai – 600 116**

1. License from the Inspector of Factories, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 5888 – TVR 6027 renewed until December 31<sup>st</sup>, 2005 for employing a maximum of 500 employees and horse power of 500 HP.
2. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order 21) bearing proceeding number – JCEE/TNPC B/TLR/GS-408/A/05 dated September 28, 2005 under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 authorising the industrial plant in the air pollution control area as notified by the Government of Tamil Nadu and to continue existing discharge of emissions from the stacks and valid until March December 31, 2006.
3. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order 21) bearing proceeding number – JCEE/TNPC B/TLR/GS-408/A/05 dated September 28, 2005 under section 25 of the Water (Prevention and Control of Pollution) Act, 1974 authorising to continue existing discharge of sewage or trade effluents and valid until December 31, 2006.
4. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2735/A/2005 dated March 28, 2005 for storage of diesel (600 litres) at the unit valid for a period of one year.
5. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2734/A/2005 dated March 28, 2005 for manufacture of readymade garments and 100% total exports at the unit valid for a period of one year.



6. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 5067/EI/KPM/MV/GEN/SC/2001 dated November 19, 2001 for commissioning the M.V Generator Set of capacity 150 KVA, under Rule 47A of the Indian Electricity Rules, 1956

**Plant – 17/21A, P.V Complex, Arcot Road, Porur, Chennai – 600 116**

1. License from the Inspector of Factories, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 5499 – TVR 6878/03 renewed until December 31, 2005 for employing a maximum of 500 employees and horsepower of 250 HP.
2. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order 509) bearing proceeding number – JCEE/TNPCB/TLR/GS-40/A/2004 dated December 10, 2004 under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 authorising the industrial plant in the air pollution control area as notified by the Government of Tamil Nadu and to continue existing discharge of emissions from the stacks and valid until December 31, 2006.
3. License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order 504) bearing proceeding number – JCEE/TNPCB/TLR/GS-40/W/2004 dated December 10, 2004 under section 25 of the Water (Prevention and Control of Pollution) Act, 1974 authorising to continue existing discharge of sewage and valid until December 31, 2006.
4. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2736/A/2005 dated March 28, 2005 for storage of diesel (3000 litres) at the unit valid for a period of one year.
5. License under section 13 of the Tamil Nadu Fire Service Act No. 40 of 1985 bearing number 2737/A/2005 dated March 28, 2005 for manufacture of readymade garments and 100% total exports at the unit valid for a period of one year.
6. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 2294/EI/KPM/MV/GEN/SC/2003 dated June 19, 2003 for commissioning the M.V Generator Set of capacity 200 KVA, 415 Volts under Rule 47A of the Indian Electricity Rules, 1956.
7. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 2293/EI/KPM/MV/GEN/SC/2003 dated June 19, 2003 for commissioning the M.V Generator Set of capacity 125 KVA, 415 Volts under Rule 47A of the Indian Electricity Rules, 1956.
8. Certificate of Stability issued by Dass & Thomas – Chartered Engineers and Competent Persons, Approved Valuers & Safety Auditors dated March 10, 2003 for inspection of the unit as per Rule 12-B of the Tamil Nadu Factories Rules 1950 after construction of the building as per the site plans approved by the Joint Chief Inspector of Factories and is valid till March 9, 2006.

**Plant – 362 /1C – 1A, 100 Feet, By-pass Road, Velachery, Chennai - 600042**

1. License from the Inspector of Factories, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 bearing number 6391 – CH 5305 renewed until December 31, 2005 for employing a maximum of 500 employees and horsepower of 250 HP.
2. Renewal application for consent under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and section 25 of the Water (Prevention and control of Pollution) Act, 1974 dated February 9, 2004 and May 18, 2004.
3. License under section 13 of the Tamil Nadu Fire Service Act, 1985 bearing number 3561/A/2005 dated March 23, 2005 for storage of HSD (1000 litres) at the unit valid for a period of one year.
4. License under section 13 of the Tamil Nadu Fire Service Act, 1985 bearing number 3535/A1/2005 dated March 23, 2005 for manufacture of readymade garments at the unit valid for a period of one year.
5. License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number 6/EI/KPM/MV/GEN/SC dated August 6, 1996 for commissioning the M.V Generator Set of 3 phase, capacity 415 volts, under Rule 47A of the Indian Electricity Rules, 1956.
6. Certificate of Stability issued by Dass & Thomas – Chartered Engineers and Competent Persons, Approved Valuers & Safety Auditors dated April 1, 2004 for inspection of the unit as per Rule 12-B of the Tamil Nadu Factories Rules 1950 after construction of the building as per the site plans approved by the Joint Chief Inspector of Factories and is valid till April 1, 2007.

**Plant – 72/1/2, 3 Senneerkhuppam, Ponnammalle By-pass Road, Thiruvallore Dt., Chennai – 600 054**

1. License from the Inspector of Factories, under rule 4(6) of the Tamil Nadu Factories Rules, 1950 in favour of Span Eicher Designs Limited bearing number 5580 – LF 4262 renewed until December 31, 2005 for employing a maximum of 1000 employees and horsepower of 500 HP. The license has been transferred from Span Eicher Designs Limited to the Company.



- License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order 8141) bearing proceeding number – JCEE/TNPCB/TLR/OM-176/A/05 dated May 23, 2005 under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 authorising the industrial plant in the air pollution control area as notified by the Government of Tamil Nadu and to continue existing discharge of emissions from the stacks and valid until March 31, 2007.
- License from the Tamil Nadu Pollution Control Board bearing proceeding number – JCEE/TNPCB/TLR/OM-176/W&A/2005 dated May 23, 2005 under section 27 of the Water (Prevention and Control of Pollution) Act, 1974 and section 21 of the Air (Prevention and Control of Pollution) Act, 1981 to manufacture ready made garments 78000 nos/month.
- License from the Tamil Nadu Pollution Control Board (Renewal of Consent Order 11286) bearing proceeding number – JCEE/TNPCB/TLR/OM-176/W/2005 dated May 23, 2005 under section 27 of the Water (Prevention and Control of Pollution) Act, 1974 to continue existing discharge of sewage and valid until March 31, 2007.
- License under section 13 of the Tamil Nadu Fire Service Act, 1985 bearing number 4887/B/2005 dated May 2005 for manufacture of readymade garments at the unit valid for a period of one year.
- License under section 13 of the Tamil Nadu Fire Service Act, 1985 bearing number 5274 / B / 2005 dated May 26, 2005 for storage of 2000 litres of diesel at the unit valid for a period of one year.
- License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number CGL/230/EI/KPM/T/SC/96 dated April 4<sup>th</sup>, 1996 for the electrical installations at the premises under Rule 63 of the Indian Electricity Rules, 1956.
- License granted by the Electrical Inspectorate, Government of Tamil Nadu bearing letter number CGL 230/EI/KPM/T/SC/2000 dated June 13<sup>th</sup>, 2000 for commissioning the electrical installations at the premises under Rule 47A of the Indian Electricity Rules, 1956.

#### Other Statutory Licenses

The Tax Deduction at Source numbers, Permanent Account numbers, the Tamilnadu General Sales Tax registration number, the Central Sales tax registration number and the Central Excise registration number for the Company, Celebrity Designs (India) Private Limited, Indian Terrain Clothing Private Limited and Celebrity Connections are as follows:

Name	TAN No.	PAN No.	TNGST No.	CST No.	Central Excise No.
Celebrity Fashions Private Limited	CHECO 0658 A	AAACC3696D	0942071/99-2000	723113/20.05.92	AAACC 3696 D XM001
Celebrity Designs (India) Private Limited	CHECO 2499 A	AAACC3107B	0942144/2000-01	655930/11.04.97	AAACC 3107 B XM001
Indian Terrain Clothing Private Limited	CHECO 2500 B	AABCC1891K	0942083/1999-00	723120/22.03.2000	AABCC 1891 K XM002
Celebrity Connections	CHECO 0633 D	AACFC0724D	0942072/1999-00	723114/24.02.88	AACFC 0724 D XM001

- Certificate of registration issued in favour of Indian Terrain Clothing Private Limited under the Bombay Sales Tax Act, 1959 bearing number 400705/S/5041 dated February 10<sup>th</sup>, 2004 and effective from December 19, 2003.
- Registration of the Indian Terrain Clothing Private Limited as a dealer bearing number 9183 under the section 13 of the Cess Rules for flat no. F-12, Centre One, Ward C, Vashi, sector 30-A issued by the Cess Department, Navi Mumbai Municipal Corporation for carrying on the activity of a dealer for ready made garments effective from March 6, 2004.
- Registration under the Bombay Shops and Establishments Act, 1948 for Indian Terrain Clothing Private Limited issued on December 10, 2003 bearing number 000650 for flat no. F-12, Centre One, Ward C, Vashi, sector 30-A, Navi Mumbai.
- Registration under the Punjab Shops and Establishments Rule Act, 1958 for Indian Terrain Clothing Private Limited issued on July 21, 2003 bearing number CGN/2003/302 for Shop no. 208 A, Sahara Mall, Mehrauli Road, Gurgaon.
- Certificate of recognition as two star export house to the Company by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce dated November 8, 2004 valid for a period from April 1, 2004 until March 31, 2009.
- Certificate of Importer Exporter Code (IEC) bearing IEC number 0489014747 issued on September 7, 1998 by the office of the Joint Director General of Foreign Trade.

**Memberships:**

1. Registration-cum-membership certificate issued by the Apparel Export Promotion Council bearing registration number 101032 registered on November 27, 1998 and valid for a period from June 29, 2004 until April 29, 2006
2. Membership with Confederation of Indian Apparel Exporters – fee and form filed with the Confederation of Indian Apparel Exporters on March 23, 2005.
3. Registration-cum-membership certificate issued by the Federation of Indian Export Organisations bearing registration number FIEO/SR(3540/EH/3540/EH) issued on April 4, 2005.
4. Registration-cum-membership certificate issued by the Cotton Textiles Export Promotion Council bearing registration number XP/XM/27356 (2004) – C dated July 20, 2004 and valid until March 31, 2009.
5. Andhra Chamber of Commerce (ACC) – The Company has represented to us that they are a member of the Andhra Chamber of Commerce, however they have not provided us with any certificate for the same.

**Software licenses:**

1. License authorisation bearing number 15962515ZZS0501 and license agreement number 16013095 for Windows Server 2000 (one) and Windows CAL 2000 (six) issued on January 22, 2003 and maintenance coverage until January 31, 2005.
2. License authorisation bearing number 15890878ZZS0412 and license agreement number 15941631 for Windows Server 2000 (two), Windows CAL 2000 (one hundred and fifty five), Outlook 2002 (twelve) and Windows XP Professional (four) issued on December 27, 2002 and maintenance coverage valid until December 31, 2004.
3. License authorisation bearing number 15889933ZZS0412 and license agreement number 15941126 for Windows CAL 2000 (ten) issued on December 27, 2002 and maintenance coverage valid until December 31, 2004.
4. License authorisation bearing number 15890405ZZS0412 and license agreement number 15941127 for Windows Server 2000 (four) and Windows CAL 2000 (Fifteen) issued on December 27, 2002 and maintenance coverage valid until December 31, 2004.

**Approval for Expansion Project**

Letter (bearing Ref. No. F.No.A/2005/78/EOU-TN) dated November 16, 2005 issued by the Development Commissioner, MEPZ - Special Economics Zone and HEOUs in Tamil Nadu, Pondicherry, Andaman and Nicobar Island, Chennai approving the setting up of a 100% Export Oriented Unit (EOU) at Plot No. K- 56 &59 , SIPCOT Apparel Park, Irungattukottai Village, Sriperumpudur Taluk – 602 105 ,under the EOU Scheme 2004-2009 for import of capital goods, raw materials, spares and consumable, etc, free of import duty for production of readymade Garments.



## OTHER REGULATORY AND STATUTORY DISCLOSURES

### AUTHORITY FOR THIS ISSUE

The Board of Directors have, pursuant to a resolution passed at its meeting held on July 4, 2005, authorised the Issue, subject to the approval of the shareholders of our Company under Section 81 (1A) of the Companies Act. Our shareholders have authorised the Issue vide a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting held on August 19, 2005.

### PROHIBITION BY SEBI

Our Company, our directors, our Promoters, the directors and persons in control of our Promoters, our subsidiary, other companies promoted by our Promoters and companies with which our Company's 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.

### ELIGIBILITY FOR THIS ISSUE

The Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- The Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- The Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- The Company has not changed its name within the last one year
- The proposed Issue size does not exceed five times the pre-Issue net worth of the Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.

The Company's unconsolidated net profit, dividend, net worth, net tangible assets and monetary assets as certified by M/s Anil Nair & Associates and M/s CNGSN & Associates, vide their certificate dated September 24, 2005 and included in the Section titled "Report of our Statutory Auditor" on page 86 of this Prospectus for the last five years ended March 31, 2005 are set forth below:

(Rs. million)

Year ended March 31,	2005	2004	2003	2002	2001
Net Tangible Assets <sup>(1)</sup>	819.92	647.91	332.31	223.94	265.78
Monetary Assets <sup>(2)</sup>	84.76	33.07	5.68	9.60	21.74
Net profits, as restated	58.01	40.88	11.04	9.34	8.14
Net worth, as restated	306.09	256.47	143.40	132.37	123.03

<sup>(1)</sup> Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)

<sup>(2)</sup> Monetary assets include cash on hand and bank. Detailed figures are given on page 86 in this Prospectus

The Promoters, the Company, its subsidiary, directors of the Company and associate companies are not detained as willful defaulters by the RBI/Government of India authorities and there are no violations of securities laws committed by them in the past or pending against them other than as disclosed in this Prospectus.

No penalty has been imposed by SEBI and other regulatory bodies against us, our directors, our Promoters, directors of our Promoters and companies promoted by our Promoters.

Therefore, we are eligible to make this Issue.



Further, the Issue is subject to the fulfillment of the following conditions as required by the Securities Contracts (Regulations) Rules, 1957:

- a) A minimum of 2,000,000 Equity Shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;
- b) The Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 819 million; and

Our Company undertakes that the number of allottees in the Issue shall be at least 1000. Otherwise, the entire application money shall be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

#### **DISCLAIMER CLAUSE**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THIS ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. 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 DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED OCTOBER 31, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

**“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 DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

**ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, IT’S DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THIS ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

**WE CONFIRM THAT:**

- A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THIS 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 DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**
- D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**
- E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”**

**All legal requirements pertaining to this issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Chennai, Tamil Nadu, in terms of Section 56, Section 60 and Section 60B of the Companies Act.**



**The filing of the Draft Red Herring 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 offer. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Manager, any irregularities or lapses in the Draft Red Herring Prospectus.**

#### **Disclaimer of our Company and the BRLM**

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in this 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.

Our Company is obliged to update this Prospectus and keep the public informed of any material changes till the listing and trading of Equity Shares offered in this issue are commenced.

We shall not be liable to the bidders for any failure in downloading the bids due to faults in any software/ hardware system or otherwise.

#### **Caution**

The BRLM accepts no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and the Company and the Memorandum of Understanding between the BRLM and the Company.

Our Company and the BRLM shall make all information available 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**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other Trust law and who are authorised under their constitution to hold and invest in shares) and to NRIs, FIIs and Foreign Venture Capital Funds Registered with SEBI. This Prospectus does not, however, constitute an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Chennai only.

No action has been or will be taken to permit a public Issuing in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the Red Herring Prospectus was filed with Registrar of Companies, Tamil Nadu as per the provisions of the Companies Act. Accordingly, the Equity Shares, represented thereby may not be Issued or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **Disclaimer Clause of Bombay Stock Exchange Limited**

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated November 21, 2005 permission to this Company to use Exchange's name in this offer document as one of the stock exchanges on which the Company's securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. The Exchange does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. warrant that this company's securities will be listed or will continue to be listed on the Exchange; or
3. take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of



any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Disclaimer Clause of the National Stock Exchange of India Limited**

As required, a copy of this Offer document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter ref.: NSE/LIST/18652-P dated November 24, 2005 permission to the Issuer to use the Exchange's name in this Prospectus as one of the stock exchanges on which the Issuer's securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Offer Document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Offer Document ; nor does it warrant that the Issuer's securities will be listed or will continue to be listed on Exchange ; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

#### **Filing**

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been delivered to the Registrar of Companies, Tamil Nadu at Shashtri Bhavan, II Floor, 26, Haddows Road, Chennai – 600 006. A copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with Registrar of Companies, Tamil Nadu, at Chennai. A copy of the Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

#### **Listing**

Applications have been made to Bombay Stock Exchange Limited and the National Stock Exchange of India Limited for permission to deal in and for an official quotation of our Equity Shares. Bombay Stock Exchange Limited shall be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after our Company become liable to repay it from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such 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.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 working days of finalization and adoption of the Basis of Allotment for this Issue.

#### **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to this Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to this Issue and Legal Advisor to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Tamil Nadu located at Chennai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Tamil Nadu.

M/s. Anil Nair & Associates and M/s CNGSN & Associates , Chartered Accountants, our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Tamil Nadu.

M/s. Anil Nair & Associates and M/s CNGSN & Associates , Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for registration with the Registrar of Companies, Tamil Nadu.



### Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

### Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be met out of the proceeds of the Issue. The estimated Issue Expenses are as follows:

ACTIVITY	EXPENSE (RS. IN MILLION)	% OF TOTAL ISSUE EXPENSES	% OF TOTAL ISSUE SIZE*
Lead management, underwriting and selling commission	32.76	52.33	4.00
Advertisement and marketing expenses	10.54	16.84	1.29
Printing, stationery including transportation of the same	11.00	17.57	1.34
Others (Registrar's fees, Legal fee, listing fee, etc.)	8.30	13.26	1.01
Total estimated Issue expenses	62.60	100.00	7.64

### Fees Payable to the Book Running Lead Manager

The total fees payable to the Book Running Lead Manager will be as per the letter of appointment dated July 29, 2005 with IL&FS Investsmart Limited, issued by our Company, a copy of which is available for inspection at our registered office.

### Fees Payable to the Registrar to this Issue

The fees payable to the Registrar to this Issue will be as per the Agreement dated August 26, 2005, a copy of which is available for inspection at our registered office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

### Fees Payable to the Escrow Bankers

No fees is payable to the Escrow Bankers

### Commission and Brokerage on Previous Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring for, or agreeing to procure subscription for any of the Equity Shares of the Company since its inception.

### Previous Rights and Public Issues

We have not made any other previous rights or public issues during the last five years except mentioned in the section Capital Structure of page 13 of this Prospectus.

### Outstanding Debenture or Bond Issues

As on the date of filing of this Prospectus, the Company does not have any outstanding Debenture or Bond Issue.

### Outstanding Preference Shares

As on the date of filing of this Prospectus, the Company does not have any outstanding preference shares.

### Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash except mention in the section Capital Structure on page 13 of this Prospectus.

### Companies Under the same Management

There are no companies under the management within the meaning of section 370(1B) of the Companies Act, 1956, other than our Group Companies on page 112 of this Prospectus.

**Option to Subscribe**

Equity shares being offered through the Red Herring Prospectus can be applied for in dematerialized form only.

**Stock Market Data for our Equity Shares**

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

**Particulars Regarding Public Issues during the Last Five Years**

We have not made any public issues during the last five years.

**Performance Vs projections for listed ventures of the Promoters**

There is no other listed company promoted by our Promoters

**Mechanism for Redressal of Investor Grievances**

The agreement between the Registrar to this Issue and us will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

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

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. V.V. Naresh, Company Secretary as the Compliance Officer and he may be contacted at Celebrity Fashions Limited, Patanjali Plaza, 3<sup>rd</sup> Floor, No: 15, Old Trunk Road, Pallavaram, Chennai – 600 043., Tel +91-44-23450232; +91-44-23450233; Fax: +91-44-23450234, Email: investor@celebritygroup.com. Investors can contact him for redressal of any complaints.

**Changes in Auditors during the last three financial years and reasons thereof**

There have been no changes of the Auditors of our Company for the last three years.

**Capitalisation of Reserves or Profits**

We have not capitalised its reserves or profits at any time since inception.

**Revaluation of assets**

We have not revalued our assets in the past five years.



## SECTION VII – ISSUE RELATED INFORMATION

### TERMS OF THIS ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of our Company, the terms of this 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 this Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to this Issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of this Issue and to the extent applicable.

#### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the other existing shares of our Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of Allotment.

#### Mode of payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

#### Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Prospectus at a Price of Rs. 180 per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

#### Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

#### Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For further details on the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see “Main Provisions of Articles of Association of the Company” on page 160 of this Prospectus.

#### Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

**Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one equity share.**

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Share to the successful bidders subject to a minimum Allotment of 35 Equity Shares. For details of allocation and allotment, see “Other Regulatory and Statutory Disclosures” on page 133 of this Prospectus.



## **Jurisdiction**

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Chennai, India.

## **Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares 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 share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our 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, our 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 this Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.**

## **Minimum Subscription**

If we do not receive the minimum subscription of 90% of the Issue amount including devolvement of the Syndicate Member, if any, within 60 days from the Bid/Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

## **Subscription by Non Residents/ NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI.**

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security to a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI/ Multilateral and Bilateral Development Financial Institutions to invest in shares of an Indian company by way of subscription in a public issue. However, such investments would be subject to other investment restrictions under RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/ RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for non-residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial Institutions and all applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in this Issue.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.**



## ISSUE PROCEDURE

### Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. Our Company, in consultation with the BRLM, may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, we would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

### Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the Registrar of Companies, Tamil Nadu, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized us to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the Registrar of Companies, Tamil Nadu and as would be required by Registrar of Companies, Tamil Nadu after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund applying on repatriation basis	Blue
Permanent Employees of the Company	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 and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign 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, subject to compliance with applicable laws, rules, regulations, guidelines and approval to the Issue.
8. FIIs registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue.



9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in Equity Shares;
13. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
14. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws;
15. Any other QIBs permitted to invest, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals to the Issue.
17. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares
18. Permanent employees of the company as on September 30, 2005.

Note: Further, the BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

#### **Bid by Mutual Fund**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 112,500 Equity Shares, full Allocation shall be made to Mutual Funds, to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIBs, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

#### **Multiple Bids**

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

#### **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 by 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. Further, bidders may bid as per the limits prescribed above.

5% of the QIB portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

#### **As per current regulations, the following restrictions are applicable for investment by FIIs:**

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of 17,796,218 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

#### **As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:**

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 BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

#### **Maximum and Minimum Bid Size**

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter, subject to maximum Bid amount of Rs. 100,000. In case the maximum Bid amount is more than Rs. 100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIBs Bidders:** The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Net Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB margin upon submission of the Bid cum Application Form. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Prospectus.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at 'Cut-Off'.

- (c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. 1 million. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 100,000 may bid at "Cut-off".

#### **Information for the Bidders**

- (a) Our Company will file the Red Herring Prospectus with the Registrar of Companies, Tamil Nadu.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLM/Syndicate Member.
- (d) Investors who are interested in subscribing for our Company's Equity Shares should approach BRLM or any of the members of the Syndicate or any of their authorized agent(s) to register their Bid.
- (e) 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.

#### **Method and Process for Bidding**

- a) Our Company, the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with Registrar of Companies, Tamil Nadu and also publish the same in one English national daily, one Hindi national daily and one Tamil daily newspaper. This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of SEBI Guidelines. The BRLM and Syndicate Member shall accept Bids from the Bidders during the Issue Period.
- b) The Bidding Period shall be a minimum of three working days and not shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a Tamil newspaper also by indicating on the websites of the BRLM and at the terminals of the



members of the Syndicate the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.

- c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled “Bids at Different Price Levels” given 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.
- d) The Bidder cannot bid on another Bid-cum-Application Form after his or her Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Build up of the Book and Revision of Bids” on page 146 of this Prospectus.
- e) During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every member of the Syndicate Member 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” on page 145 of this Prospectus.
- g) The BRLM and members of the Syndicate will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

#### **Bids at Different Price Levels**

- (a) The Price Band was fixed at Rs. 160 to Rs. 180 per Equity Share of Rs. 10 each, Rs. 160 being the Floor Price and Rs. 180 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, the Company in consultation with the BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, 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 Company in consultation with BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
- (b) 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 Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at “Cut-off” Price. 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.
- (c) Retail Bidders or Employees who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Bidders or Employees bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the Allocation Amount payable by the Retail Bidders or Employees, who Bid at Cut off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Bidders or Employees, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (d) 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.
- (e) Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.
- (f) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 35 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price



Band, with the members 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. 100,000, the Bid will be considered for allocation under the Non Institutional category in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.

- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees who have bid at Cut off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account

### **Escrow Mechanism**

#### **Escrow Account**

We and the BRLM shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement to be entered into amongst the Company, the BRLM, Escrow Bankers and Registrar to the Issue. 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. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, the Registrar to the Issue, BRLM to facilitate collections from the Bidders.

#### **Terms of Payment and Payment into the Escrow Account**

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (For further details, see "Issue Procedure - Payment Instructions") and submit the same to the members of the Syndicate to whom the Bid is being submitted. In case of the QIB Portion, the Margin Amount has to be submitted along with the Bid to the Syndicate. Bid-cum-Application Forms accompanied by cash and stock invests shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until 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 Account 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 allotment 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. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page no. 33 of this Prospectus and shall be uniform across all the bidders in the same category. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favoring 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 BSE and NSE . 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 Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member 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 Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) BSE and NSE 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 accessed 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 such as 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 request and obtain the TRS from the members of the Syndicate.** The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) Consequently, the members of the Syndicate may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Non-Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed on Page 154 in this Prospectus.
- (h) It is to be distinctly understood that the permission given by BSE and NSE 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 our Company, BRLM are cleared or approved by BSE and NSE ; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the 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 BSE and NSE should not in any way be deemed or construed that this Prospectus has been cleared or approved by the BSE and NSE ; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE .

### 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 BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.



- (d) Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
- (f) 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 this Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) In case of discrepancy of data between BSE or NSE and the Syndicate Member, the decision of the BRLM based on physical records of Bid cum Application Forms shall be final and binding to all concerned.

#### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.
- (b) The Company, BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based *inter-alia* on the quality of the Bidder determined broadly by the size, price and time of the Bid.
- (c) The allocation for QIBs for up to 50% of Net Issue would be on proportionate basis (with minimum 5% allocation of QIB portion reserved for Mutual funds, and such mutual funds can participate in the remaining allocation to QIBs) in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price, in the manner described in the section titled "Basis of Allotment- Allotment to QIB Bidders" given on page no. 156 of this Prospectus. The allocation to Non-Institutional Bidders, and Retail Individual Bidders of not less than 15% and 35% of the Net Issue, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of the Company, BRLM. However, if the aggregate demand by Mutual Funds is less than 112,500 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs and the Designated Stock Exchange.
- (e) Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.
- (f) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.



### **Signing of Underwriting Agreement and Registrar of Companies, Tamil Nadu Filing**

- (a) The Company, the BRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalization 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 Registrar of Companies, Tamil Nadu, 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 Registrar of Companies, Tamil Nadu. This advertisement in addition to the information 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 Red Herring Prospectus and the Prospectus shall be included in the advertisement.

### **Issuance of Confirmation of Allocation Note**

After the determination of Issue Price, the following steps would be taken

- (a) The BRLM or Registrar to the Issue shall send to the Syndicate Member a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or Syndicate Member would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed 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 realization of their cheque or demand draft paid into the Escrow Account. The dispatch 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) After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization and adoption of the basis of allotment.
- (b) All allottees will receive credit for the Equity Shares directly in their depository account. Equity Shares will be issued only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

### **Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

### **GENERAL INSTRUCTIONS**

#### **Do's:**

- a) Check if you are eligible to apply;
- b) Complete the Bid-cum-Application Form after reading all the instructions carefully;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- e) Ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- g) Ensure that the bid is within price band;



- h) 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 sequence as they appear in the Bid-cum- Application Form;
- i) If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached a copy of your PAN card or PAN allotment letter with the Bid cum application Form. If you have mentioned “Applied For” or “Not Applicable”, in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, togetherwith permissible documents as address proof. For details refer to section “Issue Procedure – PAN” on page 153 of this Prospectus

**Don'ts:**

- 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 member of the Syndicate;
- d) Do not pay the Bid amount in cash;
- e) Do not provide your GIR number instead of your PAN.
- f) Do not send Bid-cum-Application Forms by post; instead submit the same to members of the Syndicate only;
- g) Do not Bid at cut off price (for QIBs and non-institutional bidders);
- h) 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; and
- i) Do not submit Bid accompanied with Stock invest.

**Bids by Permanent Employees of the Company**

- i. For the purpose of this reservation, Permanent Employee means permanent employees of our Company as on Septemebr 30, 2005.
- ii. Bids under Employee Reservation Portion by Permanent Employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink colour Form).
- iii. Permanent Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form.
- iv. Employee Number.
- v. The sole/ first bidder should be Permanent Employees as defined above.
- vi. Only Permanent Employees, as defined above, would be eligible to apply in this Issue under this Reservation Portion.
- vii. Bids by Permanent Employees, as defined above, 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.
- viii. Permanent Employees, as defined above, who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Permanent Employees whose minimum Bid amount exceeds Rs. 100,000.
- ix. The maximum bid in this category can be for 35 Equity Shares.
- x. If the aggregate demand in this category is less than or equal to 50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Permanent Employees, as defined above, to the extent of their demand.
- xi. Under subscription in this category would be added back to the Net Issue.
- xii. If the aggregate demand in this category is greater than 50,000 equity shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to para “Basis of Allotment” on page 156 of this Prospectus.



### **Instructions for Completing the Bid-cum-Application Form**

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or member of the Syndicate.

#### **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 and blue colour for NRI or FII or Foreign Venture Capital Fund applying on repatriation basis)
- (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 35 Equity Shares and in multiples of 35 thereafter subject to a maximum Bid amount of Rs. 100,000/-.
- (d) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs. 100,001 and in multiples of 35 Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds Rs. 100,000 would be considered under this category. Bids cannot be made for more than the Net Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- (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.

#### **Bidder's Bank Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

#### **Bidder's Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED 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 ("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.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same



once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case 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 therefore.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

#### **Bids by NRIs**

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Company's Office, No:15, Patanjali Plaza, 3<sup>rd</sup> Floor, Old Trunk Road, Pallavaram, Chennai – 600 043 or the Registrars to the Issue or Syndicate Member.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Eligible NRIs and FIIs on a repatriation basis

#### **Bids and revision to Bids must be made:**

On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in **BLOCK LETTERS in ENGLISH** in accordance with the instructions contained therein.

In a single name or joint names (not more than three).

By FIIs for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter.

For further details refer section "Issue Procedure - Maximum and Minimum Bid Size" on page 143 of this Prospectus.

Bids by NRIs for a Bid Amount of up to or less than Rs. 100,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, for a minimum of such number of Equity Shares and in multiples of 35 Equity Shares thereafter so that the Bid Amount exceeds Rs. 100,000; for further details see "- Maximum and Minimum Bid Size".



In the names of individuals or in the names of FII's or in the names of Foreign Venture Capital Fund registered with SEBI, but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.

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. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for eligible NRIs and FII's. All eligible NRIs and FII's will be treated on the same basis with other categories for the purpose of allocation.

### **Payment Instructions**

We and the BRLM shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

#### **Payment into Escrow Account:**

- (a) The Bidders for whom the Margin Amount is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- (b) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account 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 by the BRLM.
- (c) The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (i) In case of resident QIB Bidders: "Escrow Account – Celebrity Fashions Public Issue – QIB-R"
  - (ii) In case of non resident QIB Bidders: "Escrow Account – Celebrity Fashions Public Issue – QIB-NR"
  - (iii) In case of Resident Bidders: "**Escrow Account- Celebrity Fashions Public Issue**"
  - (iv) In case of Non Resident Bidders: "**Escrow Account- Celebrity Fashions Public Issue- NR**"
  - (v) In case of Permanent Employees of the Company "**Escrow Account-Celebrity Fashions Public Issue - 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 authorized 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 FII's, 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.
- (d) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.
- (e) The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.
- (f) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.



- (g) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the 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/ stock invest/money orders/postal orders will not be accepted.

#### **Payment by Stock invest**

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 instrument in lieu of cheques or bank 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 Syndicate Member 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. However, for QIB Bidders the Syndicate Member shall collect the margin amount and deposit the same in the specified escrow account.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

#### **OTHER INSTRUCTIONS**

##### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

##### **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.

Bidders in the Employees Reservation category can also bid in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.

##### **Permanent Account Number (PAN)**

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid Cum 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 (UIN) and the requirement to contain/quote UIN under the MAPIN Regulations/ Circulars vide its circular MAPIN/Cir- 13/2005.

#### **Our Right to Reject Bids**

In case of QIB Bidders, the Company, in consultation with the BRLM may reject a bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of QIB Bidders, Non- Institutional Bidders and Retail Individual Bidders, we 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 among others on the following technical grounds:

- 1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
- 2) Age of First Bidder not given;
- 3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
- 4) PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
- 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 35;
- 10) Category not ticked;
- 11) Multiple bids as defined in the Red Herring Prospectus;
- 12) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- 13) Bids accompanied by Stock invest/ money order/postal order/cash;
- 14) Signature of sole and / or joint bidders missing;
- 15) Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Member;
- 16) Bid-cum-Application Form does not have Bidder's depository account details;
- 17) In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;
- 18) Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form;
- 19) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations.
- 20) Bids by OCBs; and
- 21) Bid by U.S. residents or U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.



- 22) Bids by Employees of the Company not eligible to apply in the Employee Reservation Portion;
- 23) Bids by persons who are not eligible to acquire Equity shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.
- 24) Bids that are not accompanied by the applicable Margin Amount.

#### **Equity Shares in Dematerialized Form with NSDL or CDSL**

**As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).**

In this context, two agreements have been signed among us, the respective Depositories and the Registrar to the Issue:

- a) a tripartite agreement dated October 6, 2005 with NSDL, us and Registrar to the Issue;
- b) a tripartite agreement dated September 26, 2005 with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized mode. Bids from any investor without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's Identification number) appearing in the Bid-cum-Application Form or Revision Form.
- c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
- f) If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
- g) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.
- h) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- i) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors.
- j) Non-transferable allotment, advise or refund orders will be directly sent to the Bidder by the Registrar to the Issue.

#### **Communications**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque number and issuing bank thereof.

#### **Dispatch of Refund Orders**

We shall ensure dispatch of refund orders of value over Rs. 1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us.



**Refund orders shall be payable at par at all centers where bidding terminals was set-up to receive bids from bidders.**

### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years.”

### **Basis of Allotment or Allocation**

#### **Basis of Allotment**

##### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue less allocation to Non-Institutional and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,575,000 equity shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 1,575,000 equity shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allotment, refer to page 157 of this Prospectus.

##### **B. For Non-Institutional Bidders**

- Bids received from Non Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 675,000 equity shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 675,000 equity shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares. For the method of proportionate basis of allotment refer to page 157 of this Prospectus.

##### **C. For 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 allocation to all the QIBs will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIBs who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.



(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

(b) In the second instance allocation to all QIBs shall be determined as follows:

- (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
- (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis

Under-subscription, if any, in the Non-Institutional and Retail Individual categories would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLM.

#### **D. For Employees:**

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 50,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Employees to the extent of their demand.
- In case the aggregate demand in this category is greater than 50,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 35 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allocation refer below.
- Only Employees may apply under the Employee Reservation Portion.

#### **Method of Proportionate Basis of Allotment**

In the event the Issue is over-subscribed, the basis of allotment shall be finalised by our 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 BRLM and the Registrar to the Issue shall be responsible for ensuring that basis of allotment is finalized in a fair and proper manner. Allotment to Bidders shall be as per the basis of allocation as set out in this Prospectus under "Issue Structure".

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category, as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of bidders in the category multiplied by number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful bidders will be arrived at on a proportionate basis which is total number of Equity Shares applied for by each bidder in that category multiplied by the inverse of the over-subscription ratio in that category subject to minimum allotment of 35 Equity Shares. The minimum allotment lot shall be the same as the Minimum Application lot irrespective of any revisions to the Price Band.
- d) In case the proportionate allotment to any Bidders is in fractions, then the same would be rounded off to nearest integer.
- e) In all bids where the proportionate allotment is less than 35 per bidder, the allotment shall be made as follows:
  - Each successful bidder shall be allotted a minimum of 35 Equity Shares; and
  - The successful bidders out of the total bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
  - If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising of bidders applying for minimum number of Equity Shares.



### **Undertaking by the Company**

The Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refund order or allotment advice to NRIs or FIIs or multilateral or bilateral development financial institution, foreign venture capital investors registered with SEBI shall be dispatched within the specified time.

### **Utilization of Issue proceeds**

The Board of Directors of our Company certify that:

- (a) 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;
- (b) details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such unutilized monies have been invested; and
- (c) Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.
- (d) The Company shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

### **Procedure and Time Schedule for Allotment of Equity Shares**

We, in consultation with the BRLM, may reject any Bid procured from QIBs, by any or all members of the Syndicate, for reasons to be recorded in writing provided that such rejection shall be made at the time of acceptance of the Bid and the reasons therefor shall be disclosed to the Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders we have 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. We shall ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and we 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.

### **Disposal of Applications and Applications Money**

We shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalization of allotment of Equity Shares. We 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 allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- allot Equity Shares only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and



- **Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders in Case of Public Issues** - we shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15-day time prescribed above.

**We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.**

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us as 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 centers will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

**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 GoI, 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.

**Rectification of Register of Members**

The Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

**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 Reserve Bank of India ("RBI") as per the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and rules, regulations and guidelines there-under. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there- under, 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 the GoI is required, the same may be obtained through the Foreign Investment Promotion Board ("FIPB").

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 prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

For details, see "Issue Procedure" on page no. 141 this Prospectus. The above information is given for the benefit of the bidders and neither the Company nor BRLM are liable for any modifications that may happen after the date of this Prospectus.



## SECTION VIII - MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

### MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF CELEBRITY FASHIONS LIMITED

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI guidelines, the important provisions of the Articles of Association of our Company relating to members voting rights, lien on Equity Shares and process for modification of such rights, forfeiture of Equity Shares, restrictions on transfer and transmission of Equity Shares and debentures and on their consolidation and splitting are detailed below.

Capitalized terms in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

### CAPITAL INCREASE AND REDUCTION OF CAPITAL

#### Capital

3. The Authorised Share Capital of the Company is Rs 20,00,00,000/- (Rupees Twenty crores) divided into 2,00,00,000 (Two Crores) Equity Shares of Rs. 10/ (Rupees ten only) each.

#### Increase of capital by the Company and how carried into effect.

4. The Company in General Meeting may, from time to time, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amount as the resolution shall prescribe. Subject to the provisions of the Act, any share of the original or increase capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction is given, as the Directors shall determine; and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at general meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company is increased under the provisions of these Articles, the Directors shall comply with the provisions of Section 97 of the Act.

#### New capital same as existing capital

5. Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

#### Redeemable Preference Shares

6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares which are liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

#### Provisions to apply on issue of Redeemable Preference Shares

7. On the issue of Redeemable Preference Shares under the provisions of Article 6 hereof the following provisions shall take effect: -
  - (a) no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of the redemption;
  - (b) no such shares shall be redeemed unless they are fully paid;
  - (c) the premium, if any, payable on redemption must have been provided for out of the profits of the Company or the Company's Share Premium Account before the shares are redeemed;
  - (d) where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the "Capital Redemption Reserve Account", a sum equal to the nominal amount of the shares redeemed and the provisions of the Act, relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paidup share capital of the Company.

#### Reduction of Capital

8. The Company may (subject to the provisions of Section 78, 80 and 100 to 105 inclusive, of the Act) from time to time by Special Resolution, reduce its share capital and any capital Redemption Reserve Account or Share Premium Account in



any manner for the time being authorised by law and in particular capital may be paid off on the footing that it may called upon again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted.

#### **Sub-division and consolidation of shares**

9. Subject to the provisions of Section 94 of the Act the Company in General Meeting may, from time to time, subdivide or consolidate its shares, or any of them, and the resolution whereby any share is subdivided, may determine, that, as between the holder of the shares resulting from such subdivision one or more of such shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the others or other. Subject to aforesaid the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

#### **Modification of rights**

10. Whenever the capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act be varied, modified, commuted, affected or abrogated, or dealt with by Agreement between the Company and any person purporting to contract on behalf of that class provided such agreement is ratified in writing by holders of at least three fourths in nominal value of the issued shares of the class or is confirmed by a Special Resolution passed at a separate General Meeting of the holders of shares of that class. This Article is not to derogate from any power the Company would have if this Article were omitted.

### **SHARES AND CERTIFICATES**

#### **Register and Index of Members**

11. The Company shall cause to be kept a Register and Index of Members in accordance with Sections 150 and 151 of the Act. The Company shall be entitled to keep in any State or country outside India a Branch Register of Members resident in that State or Country.
- (a) Notwithstanding anything herein contained a person whose name is at any time entered, in the Register of Members of the Company as the holders of a share in the Company, but who does not hold the beneficial interest in such share, shall, within such time and in such form as may be prescribed, make a declaration to the Company specifying the name and other particulars of the person or persons, who hold the beneficial interest in such share in the manner provided in Section 187C of the Act;
  - (b) A person who holds a beneficial interest in a share or a class of shares of the Company shall, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person in whose name the shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in Section 187C of the Act;
  - (c) Whenever there is a change in the beneficial interest in a share referred to above, the beneficial owner shall, within the time prescribed from the date of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed as provided in Section 187C of the Act;
  - (d) Notwithstanding anything herein contained in Section 153 of the Act and SubArticle (a), (b), (c) above, where any declaration referred to above is made to the Company, the Company shall make a note of such declaration, in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Registrar with regard to such declaration.

#### **Shares to be numbered progressively and no share to be sub-divided**

12. The shares in the capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned no share shall be subdivided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

#### **Further issue of capital**

13. (a) Subject to the provisions of the Act where at any time after the expiry of two years from the formation of the Company or the expiry of one year from the allotment of shares 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, whether out of unissued share capital or out of increased share capital, then such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on these shares at the date. Such offer shall be made by a notice specifying the number



of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they think most beneficial to the Company.

- (b) Notwithstanding anything contained in the preceding subclause the Company may:
- i) by a special resolution; or
  - ii) where no such special resolution is passed, if the votes cast (whether on a show of hands, or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company, offer further shares to any person or may not include the persons who at the date of the offer, are the holders of the equity shares of the Company.
- (c) Notwithstanding anything contained in sub clause (a) above, but subject, however, to Section 81 (3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures issued or loans raised by the Company to convert such debenture or loans into shares, or to subscribe for shares in the Company.

#### **Shares under control of Directors**

14. Subject to the provisions of these Articles and of the Act, the shares (including any shares forming part of any increased capital of the Company) shall be under the control of the Directors; who may allot or otherwise dispose of the same to such persons in such proportion on such terms and conditions and at such times as the Directors think fit and subject to the sanction of the Company in General Meeting with full power, to give any person the option to call for or be allotted shares of any class of the Company either (subject to the provisions of Sections 78 and 79 of the Act) at premium or at par or a discount and such option being exercisable for such time and for such consideration as the Directors think fit. The Board shall cause to be filed the returns as to allotment provided for in Section 75 of the Act.
15. The Board shall observe the restrictions as to allotment of shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

#### **Power also to Company in General Meeting to issue shares**

16. In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 13 and 14 the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such person (whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option to call for or be allotted shares of any class of the Company either (subject to compliance with the provisions of Section 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any shares.

#### **Acceptance of Shares**

17. Any application signed by or on behalf an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is entered on the Register of Members shall, for the purposes of these Articles, be a Member.

#### **Deposit and call etc. to be a debt payable immediately**

18. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

#### **Liability of Members**

19. Every Member, or his heirs, executors, or administrator shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in



such manner as the Board shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof.

#### **Share Certificates**

20. (a) Every Member or allottee of shares shall be entitled with or without payment to receive one share certificate specifying the name of the person in whose favour it is issued, the shares to which it relates and the amount paid up thereon. Such certificate shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in case of issues against letters of acceptance or of renunciation or in case of issue of bonus shares. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of two Directors or persons acting on behalf of the Directors under a duly registered power of attorney and the Secretary or some other person appointed by the Board for the purpose, and two Directors or their Attorneys and the Secretary or other person shall sign the share certificate, provided that if the composition of the Board permits of it, at least one of the aforesaid two Directors shall be a person other than a Managing or whole time Director. Particulars of every share Certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued, indicating the date of issue.
- (b) Any two or more joint allottees of a share shall, for the purpose of this Article, be treated as a single Member, and the certificate of any share, which may be the subject of joint ownership, may be delivered to anyone of such joint owners on behalf of all of them. For any further certificate the Board shall be entitled, but shall not be bound, to prescribe a charge not exceeding Rupee One. The Company shall comply with the provisions of Section 113 of the Act.
- (c) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

#### **Renewal of Share certificate**

21. (a) No certificate of any share or shares shall be issued either in exchange for those which are subdivided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the cages on the reverse for recording transfers have been duly utilised unless the certificate in lieu of which it is issued is surrendered to the Company.
  - (b) When a new share certificate has been issued in pursuance of clause (a) of this Article, it shall state on the face of it and the stub or counterfoil to the effect that it is "issued in lieu of share certificate No. and subdivided/ replaced/on consolidation of shares".
  - (c) If a share certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with the prior consent of the Board and on such terms, if any, as to evidence and indemnity as to the payment of out of pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit.
  - (d) When a new share certificate has been issued in pursuance of clause (c) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "duplicate issued in lieu of share certificate No. "The word "Duplicate" shall be stamped or punched in bold letters across the face of the share certificate.
  - (e) Where a new share certificate has been issued in pursuance of clause (a) or clause (c) of this Article, particulars of every such share certificate shall be entered in a Register of Renewal and Duplicate Certificates indicating against the name of the persons to whom the certificate is issued, the number and date of issue of the share certificate in lieu of which the new certificate is issued, and the necessary changes indicated in the Register of Members by suitable cross reference in the "Remarks" Column.
  - (f) All blank forms to be issued for issue of share certificates shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine numbered and the forms and the blocks, engravings, fascimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or of such other person as the Board may appoint for the purpose and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.
  - (g) The Managing Director of the Company for the time being or, if the Company has no Managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates except the blank forms of shares certificates referred to in SubArticle (f).
22. If any share stand in the names of two or more persons, the person first named in the Register of Members shall as regards receipt of dividends or bonus or service of notices and all or any other matter connected with Company, except



voting at meetings, and the transfer of the shares, be deemed the sole holder thereof but the jointholders of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

#### **Company not bound to recognise any interest in share other than that of registered holder**

23. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognise any equitable, contingent, further or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof, but the Board shall be at liberty at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.
24. None of the funds of the Company shall be applied in the purchase of any shares of the Company, and it shall not give any financial assistance for or in connection with the purchase or subscription of any shares in the Company or in its holding Company save as provided by Section 77 of the Act.
25. 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, as amended from time to time or any statutory modification thereto or re-enactment thereof.

#### **Dematerialisation of Securities**

26. Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing securities, rematerialise its securities held in the Depositories and / or offer its fresh securities in a dematerialised form pursuant to the Depositories Act, and the rules framed thereunder, if any.
27. Every person subscribing to or holding securities of the Company shall have the option to receive security certificates or to hold the securities with a Depository.

#### **Option to receive Securities certificates or hold Securities with Depository**

28. If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its records the name of the allottees as the Beneficial Owner of the security.

#### **Securities in Depositories**

29. All securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act, shall apply to a Depository in respect of the securities held by it on behalf of the Beneficial Owner.

#### **Rights of Depositories and Beneficial Owners**

30. Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be registered owner for the purpose of effecting transfer of ownership of security on behalf of the Beneficial Owner.
31. Save as otherwise provided in (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 security held by it.
32. Every person holding securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a member of the Company. The Beneficial Owner of 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.

#### **Beneficial Owner deemed as absolute owner**

33. 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 the holder of any share or where the name appears as the Beneficial Owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other person whether or not it has express or implied notice thereof, but the Board shall be entitled at their sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them.



#### **Depository to furnish information**

34. Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

#### **Cancellation of certificates upon surrender by a person**

35. 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.

#### **Option to opt out in respect of any security**

36. If a Beneficial Owner seeks to opt out of a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly.

37. The Depository shall on receipt of information as above make appropriate entries in its records and shall inform the Company.

38. The Company shall within thirty (30) days of the receipt of the intimation from the Depository and on fulfillment of such conditions and 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.

#### **Service of Documents**

39. Notwithstanding anything in the Act, or these Articles to the contrary, where securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

#### **Provisions of Articles to apply to shares held in Depository**

40. Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares in physical form subject to the provisions of the Depository Act.

#### **Allotment of Securities dealt with in a Depository**

41. Notwithstanding anything 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.

#### **Distinctive number of securities held in a Depository**

42. The shares in the capital shall be numbered progressively according to their several denominations provided, however, that the provision relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Except 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.

#### **Register and Index of Beneficial Owners**

43. The Company shall cause to keep a Register and index of Members and a Register and index of Debentureholders in accordance with Section 151 and 152 of the Act, respectively, and the Depositories Act, with details of shares and debentures held in material and dematerialised form in any media as may be permitted by law including in any form of electronic media. The Register and Index of Beneficial Owners maintained by a Depository under Section 11 of the Depositories Act, shall be deemed to be Register and Index of Members and Register and Index of Debentureholders, 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.

#### **Register of Members**

44. The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any share held in material form.



## **CALLS**

### **Directors may make calls**

48. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such call as it thinks fit upon the Members in respect of all moneys unpaid on the shares held by them respectively and each Member shall pay the amount of every call so made on him to the person or persons and at all times and places appointed by the Board. A call may be made payable by instalments.
49. Whenever any calls for further share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purposes of this Article, shares of the same nominal value of which different amounts have been paid up shall not be deemed to fall under the same class.
50. Fifteen days' notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

### **Call to date from resolution**

51. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board and may be made payable by the Members whose names appears on the Register of Members on such date or at the discretion of the Board on such subsequent date as may be fixed by the Board.

### **Call may be revoked or postponed**

52. A call may be revoked or postponed at the discretion of the Board.

### **Liability of joint holders**

53. The jointholder of a share shall be jointly and severally liable to pay all calls in respect thereof.

### **Directors may extend time**

54. The Board may, from time to time at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the Members who from residence at a distance or other cause, the Board may, deem fairly entitled to such extension but no Member shall be entitled to such extension save as a matter of grace and favour.

### **Calls to carry interest**

55. If any Member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such Member.

### **Sums deemed to be calls**

56. Any sum, which by the terms of issue of a share become payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purpose of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of nonpayment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

### **Proof on trial of suit for money due on shares**

57. On the trial or hearing of any action or suit brought by the Company against any Member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the Member in respect of whose shares the money is sought to be recovered appears entered on the Register of Members as the holder, at or subsequently to the date at which the money is sought to be recovered is alleged to have become due on the share in respect of which such money is sought to be recovered; that the resolution making the call is duly recorded in the Minute Book, and that notice of such call was duly given to the Member or his representatives issued in pursuance of these Articles, and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.



#### **Partial payment not to preclude forfeiture**

58. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

#### **Payment in anticipation of calls may carry interest**

59. (a) The Board may, if it thinks fit, agree to and receive from any Member willing to advance the same, all or any part of the amounts of his respective shares beyond the sums, actually called up and upon the moneys so paid in advance or upon so much thereof, from time to time, and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares on account of which such advances are made the Board may pay or allow interest, at such rate as the Member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time the amount so advanced or may at any time repay the same upon giving to the Member three months' notice in writing. Provided that moneys paid in advance of calls on any shares may carry interest but shall not confer a right to dividend or participate in profits.

#### **Voting rights in respect of calls in advance**

(b) No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

#### **Company's lien on shares**

60. (a) The Company shall have a first and paramount lien on every share (other than fully paid-up shares) for all moneys (whether presently payable or not) payable at a fixed time in respect of such share. PROVIDED THAT the Board may, at any time, declare any share to be wholly or in part exempt from the provisions of this Articles.

61. The Company's lien, if any, on a share shall extend to all dividends payable thereon.

62. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares, as against the transferor.

#### **As to enforcing lien by sale**

63. For the purpose of enforcing such lien as aforesaid, the Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made:

(a) unless a sum in respect of which the lien exists is presently payable; and

(b) until the expiration of seven days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists and as is presently payable, has been given to the registered holder for the time being of the share or to the person entitled thereto by transmission, and default shall have been made by him in payment of the sum payable as aforesaid for seven days after such notice.

#### **Application of proceeds of sale**

64. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and 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 person entitled to the shares at the date of sale.

#### **FORFEITURE OF SHARES**

65. If any Member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such nonpayment.

#### **Form of notice**

66. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or instalment and such interest thereon at such rate as the Directors shall determine from the day on which such call or instalment ought to have been paid and expenses as aforesaid are to be paid. The notice shall also state that, in the event of the nonpayment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment is payable, will be liable to be forfeited.



#### **In default of payment, shares to be forfeited**

67. If the requirements of any such notice as aforesaid shall not be complied with, every or any share in respect of which such notice has been given, may at any time thereafter before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share not actually paid before the forfeiture.

#### **Notice of forfeiture to a Member**

68. When any share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members but no forfeiture shall be in any manner invalidated by any commission or neglect to give such notice or to make any such entry as aforesaid.

#### **Forfeited Share to be property of the Company and may be sold etc.**

69. Any share so forfeited shall be deemed to be the property of the Company and may be sold, re allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

#### **Members still liable to pay calls owing at the time of forfeiture and interest**

70. Any member whose shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon from the time of the forfeiture until payment at such rate as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

#### **Effect of forfeiture**

71. The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.

#### **Evidence of forfeiture**

72. A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

#### **Validity of sale under Articles 40 and 48**

73. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold and may cause the purchaser's name to be entered in the Register of Members in respect of the shares sold, and the Purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

#### **Cancellation of share certificate in respect of forfeited shares**

74. Upon any sale, reallocation or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a duplicate or certificates in respect of the said shares to the person or persons entitled thereto.

#### **Power to annul forfeiture**

75. The Board may at any time before any share so forfeited shall have been sold, reallocated or otherwise disposed of, annul the forfeiture thereof upon such conditions as it think fit.

### **TRANSFER AND TRANSMISSION OF SHARES**

#### **Register of Transfers**

76. The Company shall keep a "Register of Transfer" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any share.



### **Form of Transfer**

77. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, and or any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and their restrictions thereof.
78. The Instrument of transfer duly stamped and executed by the Transferor and the Transferee shall be delivered to the Company in accordance with the provisions of the Act. The Instrument of Transfer shall be accompanied by such evidence as the Board may require to prove the title of Transferor and his right to transfer the shares and every registered Instrument of Transfer shall remain in the custody of the Company until destroyed by order of the Board. The Transferor shall be deemed to be the holder of such shares until the name of the Transferee shall have been entered in the Register of Members in respect thereof. Before the registration of a transfer, the certificate or certificates of the shares must be delivered to the Company.

### **Closure of Register of members or Debenture holders**

79. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate to close the Transfer Books, the Register of Members or Register of Debentureholders at such time or times and for such period or periods, not exceeding in the aggregate fortyfive days in each year, and thirty days at one time.

### **Director's power to refuse to register a transfer**

80. Subject to the provisions of Section 111 of the Act, the Board may, at its own absolute and uncontrolled discretion and without assigning any reason, decline to register or acknowledge any transfer of shares (whether fully paid or not and notwithstanding that the proposed Transferee be already a member), but in such case it shall, within two months from the date on which the instrument of transfer was lodged with the Company, send to the Transferee and the Transferor notice of the refusal to register such transfer provided that the registration of a transfer shall not be refused on the ground that the Transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except a lien on shares.

### **Notice of application when to be given**

81. Where, in the case of partly paid share, an application for registration is made by the transferor, the company shall give notice of the application to the Transferee in accordance with the provisions of Section 110 of the Act.

### **Death of one or more joint-holders of shares**

82. In the case of the death of any one or more of the persons named in the Register of Members as the jointholders 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 estate of a deceased joint holder from an liability on shares held by him jointly with any other person.

### **Title to shares of deceased holders**

83. The executors or administrators of holders of a Succession Certificate or the legal representatives of a deceased member (not being one or two or more jointholders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such Member and the Company shall not be bound to recognise such executors or administrators or holders of a Succession Certificate or the legal representatives unless such executors or administrators or legal representatives shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be, from a duly constituted court in the Union of India; provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with production of Probate or Letters of Administration or Succession Certificate, upon such terms as to indemnify or otherwise as the Board in its absolute discretion may think necessary and under Article 63 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a Member.
84. No share shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.

### **Transmission Clause**

85. Subject to the provisions of the Act and Articles 60 and 61 any person becoming entitled to share in consequence of the death, lunacy, bankruptcy, insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the share or elect to have some person nominated by



him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an Instrument of Transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the shares. This clause is hereinafter referred to as the “transmission clause”.

86. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends or money as hereinafter provided, be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the share.
87. There shall be paid to the Company, in respect of the transfer or transmission of any number of shares to the same party, such fee, if and, as the Directors may require.

#### **The Company is not liable for disregard of notice prohibiting registration of transfer**

88. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to an transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.
89. The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in the case of a transfer of shares presented for registration.

#### **Right of successors**

90. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividend and other advantages to which he would be entitled if he were the registered holder of the shares, except that that he shall not, before being registered as a Member in respect of the shares, be entitled to exercise any right conferred by membership in relation to meetings of the Company PROVIDED THAT the directors shall, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the shares and if the notice is not complied with within ninety days, the directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the shares until the requirements of the notice have been complied with.

#### **NOMINATION**

91. Every shareholder or debentureholder of the Company, may at anytime, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death.
92. Where the shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company as the case may be, shall vest in the event of death of all the joint holders.
93. Notwithstanding anything contained in any other law for the time being a force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or debentureholder or, as the case may be, on the death of the joint holders, become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner.
94. Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority.

#### **TRANSMISSION OF SECURITIES BY NOMINEE**

95. A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either -
- (a) to be registered himself as holder of the share or debenture, as the case may be; or



- (b) to make such transfer of the share or debenture, as the case may be, as the deceased shareholder or debentureholder, could have made;
- (c) if the nominee elects to be registered as holder of the share or debenture, himself, s the case may be, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased shareholder or debenture holder as the case may be;
- (d) a nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the share or debenture except that he shall not, before being registered as a member in respect of his share or debenture, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company.

Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable or rights accruing in respect of the share or debenture, until the requirements of the notice have been complied with.

### **BUY BACK OF SHARES**

96. Subject to the provisions of sections 77A, 77AA, 77B and 217 (2B) of the Act, the Company is hereby authorised to buy-back the Company's shares or other specified securities out of its free reserves or its securities premium account or from the proceeds of any shares or other specified securities; Provided that no buy-back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or the same kind of other specified securities.
97. The Company may, subject to the Act and these Articles, in general meeting, alter the conditions of its Memorandum as follows :
- (a) Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.
  - (b) Sub-divide its shares, or any of them, into shares of smaller amounts than those originally fixed by the Memorandum, subject nevertheless to the provisions of the Act and of these Articles. The resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regard dividend, capital or otherwise over or as compared with the others.
  - (c) Cancel any shares which, at the date of such general meeting, 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.
98. Whenever the share capital of the Company, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may, subject to written consent or a Special Resolution under the provisions of Section 106 and the right of dissident Members comprising not less than 10% of the issued capital of that class to apply to the court to have a variation of Shareholders rights cancelled under section 107 of the Act and these Articles be varied, modified or dealt with, with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a Special Resolution passed at a separate meeting of the holders of the issued shares of that class, and all the provisions contained in these Articles as to general meetings, (including the provisions relating to quorum at such meetings), shall mutatis mutandis apply to every such meeting.
99. 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 the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.
100. The Company shall not issue any shares, (not being preference shares), which carry voting right, or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attached to the holders (not being preference shares).
101. All equity shares shall be of the same class and shall rank *pari passu* and shall be alike in all respects and the holders thereof shall be entitled to identical rights and privileges including, without limitation, to identical rights and privileges with respect to dividend, voting rights, and the distribution of the assets in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company. If two or more persons are registered as jointholders of any shares, any of such persons may give effectual receipts for any dividends or other moneys payable in respect of such shares.
102. All further issues of shares or increases in the share capital of the Company shall require the prior approval of the Board.



103. The new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and if no direction is given on the directions as the Board shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with special or without any voting rights.

#### **COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO MEMBERS**

##### **Copies of Memorandum and Articles of Association to be sent by the Company**

104. A copy of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be sent by the Company to every member at his request within seven days of the request on payment of the sum of Rupee One for each copy.

#### **BORROWING POWERS**

##### **Borrowing Powers**

105. Subject to the provisions of Sections 58A, 292 and 293 of the Act the Board may, from time to time at its discretion by a resolution passed at a meeting of the Board, accept deposit from members either in advance of calls or otherwise and generally raise or borrow or secure the repayment of any sum or sums of money for the purposes of the Company. Provided, however, where the moneys to be borrowed together with the moneys already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of the business) exceed the aggregate of the paid up capital of the Company and its free reserves (not being reserves set apart for any specific purpose) the Board shall not borrow such moneys without the consent of the Company in General Meeting.
106. Subject to the provisions of Article 68 hereof, the payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Ordinary Resolution shall prescribe including by the issue of debentures or debenturestock of the Company, charged upon all or any part of the property of the Company (both present and future), including its uncalled capital for the time being and debentures, debenturestock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

##### **Terms of issue of Debentures**

107. Any debentures, debentures stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares and attending (but not voting) at General Meetings, appointment of Directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in general meeting accorded by a Special Resolution.

##### **Register of mortgages, etc. to be kept**

108. The Board shall cause a proper Register to be kept in accordance with the provisions of Section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company and shall cause the requirements of Section 118, 125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with.

##### **Register and Index of Debenture holders**

109. The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company shall have the power to keep in any state or country outside India branch Register of Debentureholders resident in that State or country.

#### **SHARE WARRANTS**

110. The Company may issue share warrants subject to, and in accordance with, the provisions of Section 144 and 115 of the Act and accordingly the Board may in its discretion, with respect to any share which is fully paid, upon application in writing, signed by the person registered as holder of the share, from time to time, require as to identity of the person signing the application, on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.
111. The bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposits, as if his name was inserted in the Register of Members as the holder of the share including in the deposited warrant.



112. Not more than one person shall be recognised as depositor of the share warrant.
113. The Company shall, on two days' written notice, return the deposited share warrant to the depositor.
114. (a) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notices from the Company.
- (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the share included in the warrant and he shall be a member of the Company.
115. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

## **CONVERSION OF SHARES INTO STOCK AND RECONVERSION**

### **Shares may be converted into stock**

116. The Company in General Meeting may convert any paidup shares into stock, and when any shares shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations as, and subject to which shares from which the stock arise might have been transferred if no such conversion had taken place or as near thereto as circumstances, will admit. The Company may at any time convert any stock into paidup shares of any denomination.

### **Rights of stock holders**

117. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings, of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets of winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

## **MEETING OF MEMBERS**

118. The Company shall within a period of not less than one month nor more than six months from which it is entitled to commence business, hold the Statutory Meeting of the members of the Company subject to and in accordance with the provisions of Section 165 of the Act.

### **Annual General Meeting and Annual Return**

119. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings. An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of the next. Provided that it will be permissible to hold its first Annual General Meeting within a period of not less than eighteen months from the date of its incorporation; and if such meeting is held within that period it shall not be necessary for the Company to hold any Annual General Meeting in the year of its incorporation or in the following calendar year. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 166 (i) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the Registered office of the Company or at some other place within the city in which the Registered office of the Company is situate as the Board may determine and the notice calling the Meeting shall specify it as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meetings. Every member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors Report and Audited Statement of Accounts. Auditors' Report (if not already incorporated in the Audited Statement of Accounts), the Proxy Register with Proxies and the Register of Directors' shareholdings which latter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the Annual List of Members, Summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with Section 159, 161 and 220 of the Act.



### **Extraordinary General Meeting**

120. The Board may, whenever it thinks fit, call on Extra ordinary General Meeting and it shall do so upon a requisition in writing by any Member or Members holding in the aggregate not less than one tenth of such of the paidup capital as at that date carries the right of voting in regard to the matter in respect of which the requisition has been made.

### **Requisition of Members to state object of Meeting**

121. Any valid requisition so made by Members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionists and be deposited at the office provided that such requisition may consist of several documents in like form each signed by one or more requisitionists.

### **On receipt of requisition, directors to call Meeting and in default requisitionists may do so.**

122. Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting and if they do not proceed within twentyone days from the date of the requisition being deposited at the office and cause a meeting to be called on a day not later than fortyfive days from the date of deposit of the requisition, the requisitions, or such of their number as represent either a majority in value of the paidup share capital held by all of them or not less than one tenth of such of the paidup share capital of the Company as is referred to in Section 169 (4) of the Act, whichever is less, may themselves call the Meeting, but in either case any Meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.

### **Meeting called by requisitionists**

123. Any Meeting called under the foregoing Articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meeting are to be called by the Board.

124. Save and except the Statutory Meeting, twentyone days' notice at the least of every General Meeting, Annual or ExtraOrdinary, and by whomsoever called specifying the day, place and hour of Meeting, and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting with the consent in writing of all the members entitled to vote thereat and in case of any other Meeting, with the consent of the Members holding not less than 95 per cent of such part of the paidup share capital of the Company as gives a right to vote at the Meeting, a Meeting may be convened by a shorter notice. In the case of an Annual General Meeting if any business other than (i) the consideration of the Accounts, Balance Sheet and Reports of the Board of Directors and Auditors (ii) the declaration of dividend (iii) the appointment of Directors in place of those retiring , (iv) the appointment of, and fixing of the remuneration of the Auditors, is to be transacted, and in the case of any other Meeting in any event there shall be annexed to the notice of the Meeting a statement setting out all material facts concerning each such item of business including in particular the nature of the concern or interest, if any, therein of every Director, and the Manager (if any). Where any such item or special business relates to, or affects any other company, the extent of share holding interest in the other company of every Director, and the Manager, if any of the Company shall also be set out in the statement if the extent of such shareholding interest is not less than 2 percent of the paidup share capital of that other company. Where any item of business consists of the according of approval to any documents by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

### **Omission to give notice not to invalidate a resolution passed**

125. The accidental omission to give any such notice as aforesaid to any of the Members, or the non receipt thereof shall not invalidate any resolution passed at any such Meeting.

### **Meeting not to transact business not mentioned in notice**

126. No General Meeting, Annual or Extraordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices upon which it was convened.

### **Quorum for the General Meeting**

127. Five Members present in person shall be a quorum for a General Meeting. The Quorum for the meeting shall be as provided in Section 174 of the Act.

### **Body Corporate deemed to be personally present**

128. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.



#### **If quorum not present, meeting to be dissolved or adjourned**

129. If, at the expiration of half an hour from the time appointed for holding a Meeting of the Company, a quorum is not present, the Meeting, if convened by or upon the requisition of Members, shall stand dissolved and in any other case the Meeting shall stand adjourned to the same day in the next week or if that day is a public holiday, until the next succeeding day which is not a public holiday at the same time and place or to such other day and at such other time and place in the City or town in which the Registered Office of the company is for the time being situate, as the Board may determine, and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the Meeting, the Members present shall be a quorum, and may transact the business for which the meeting was called.

#### **Chairman of General Meeting**

130. The chairman (if any) of the Directors shall be entitled to take the Chair at every General Meeting, whether Annual or Extraordinary. If there be no such Chairman of the Directors, or if at any Meeting he shall not be present within fifteen minutes of the time appointed for holding such Meeting or if he shall be unable or unwilling to take the chair then the members present shall elect another Director as Chairman, and if no Director be present or if all the Directors present decline to take the Chair, then the Members present shall elect one of their number to be Chairman.

#### **Business confined to election of Chairman whilst chair vacant**

131. No business shall be discussed at any General Meeting except the election of a Chairman, whilst the Chair is vacant.

#### **Chairman with consent may adjourn**

132. The Chairman with the consent of the Members may adjourn any Meeting from time to time and from place to place where the Office is situated. But no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

#### **Question at General Meeting how decided.**

133. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll is ordered to be taken by the Chairman of the meeting of his own motion or unless a poll is demanded by any member or members present in person or by proxy and holding shares in the company

134. (a) which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution or

(b) on which an aggregate sum of not less than Rupees 50,000 has been paid up.

135. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

136. Unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Minutes Book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

137. In the case of an equality of votes, the Chairman shall both on a show of hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

138. If a poll is demanded as aforesaid the same shall subject to Article 98 be taken at such time (not later than fortyeight hours from the time when the demand was made) and place in the City or town in which the Office of the Company is for the time being situate and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

#### **Scrutineers at poll**

139. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting provided such a Member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineer arising from such removal or from any other cause.



#### **In what case poll taken without adjournment**

140. Any poll duly demanded on the election of a Chairman of a Meeting or on any question of adjournment shall be taken at the Meeting forthwith.

#### **Demand for poll not to prevent transaction of other business**

141. The demand for a poll except on the questions of the election of the Chairman and on an adjournment shall not prevent the continuance of a Meeting for the transaction of any business other than the question on which the poll has been demanded.

#### **VOTE OF MEMBERS**

##### **Member in arrears not to vote**

142. No Member shall be entitled to vote either personally or by proxy at any General Meeting or Meeting of a class of shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.

##### **Number of votes to which member entitled**

143. Subject to the provisions of the Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every Member, not disqualified by the last preceding Article shall be entitled to be present, and to speak and vote at such Meeting, and on a show of hands every Member present in person shall have one vote and upon a poll the voting right of every Member present in person or by proxy shall be in proportion to his share of the paidup equity share capital of the Company. Provided, however, if any preference shareholder be present at any Meeting of the Company, save as provided in clause (b) of sub section (2) of Section 87, he shall have a right to vote only on resolutions placed before the Meeting which directly affect the rights attached to his preference shares.

##### **Casting of votes by a Member entitled to more than one vote**

144. On a poll taken at a meeting of the Company, a Member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

##### **Vote of Member of unsound mind or who is a minor**

145. A Member of unsound mind or and in respect of whom an order has been made by any Court having jurisdiction in lunacy, may not vote, whether on a show of hands or upon a poll in respect of any shares registered in his name and any such committee or guardian may, on poll vote by proxy, if any Member be a minor the vote in respect of his share or shares shall be by his guardian, or any one of his guardian, if more than one, to be selected in case of dispute by the Chairman of the meeting.

##### **Votes of joint member**

146. If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a Member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the Meeting, and if more than one of such jointholders be present at any Meeting, that one of the said persons so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares, but the other or others of the jointholders shall entitled to be present at the meeting. Several executors or administrators of a deceased Member in whose names shares stand shall for the purpose of these Articles be deemed jointholders thereof.

##### **Voting in person or by Proxy**

147. Subject to the provisions of these Articles votes may be given either personally or by proxy. A body corporate being a Member may vote either by a proxy or by a representative duly authorised in accordance with Section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual Member.

##### **Votes in respect of shares of deceased and insolvent Member**

148. Any person entitled under Article 63 to transfer any share may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that fortyeight hours at least before the time



of holding the Meeting or adjourned Meeting, as the case may be, at which he proposes to vote he shall satisfy the Directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such Meeting in respect thereof.

#### **Appointment of proxy**

149. Every proxy (whether a Member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any Committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the Meeting.

#### **Proxy either for specified meeting or for a period**

150. An instrument of proxy may appoint a proxy either for the purpose of a particular Meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every Meeting of the Company or of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

#### **Votes by members present or by proxy**

151. A member present by proxy shall be entitled to vote only on a poll. However where such Member is a body corporate present by a proxy who is not himself a Member in which case such proxy shall also be eligible to vote on show of hands as if he were a Member.

#### **Deposit of instrument of appointment**

152. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the office not later than fortyeight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument or proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

#### **Form of proxy**

153. Every instrument of proxy whether for a specified Meeting or otherwise shall as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.

#### **Validity of votes given by proxy notwithstanding death of member**

154. 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 the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the office before the meeting.

#### **Time for objection to vote**

155. No objection shall be made to the validity of any vote, except at any Meeting or poll at which such vote shall be tendered and every vote whether given personally or by proxy, not disallowed at such Meeting or poll shall be deemed valid for all purposes of such Meeting or poll whatsoever.

#### **Chairman of the meeting to be the Judge of the validity of every vote**

156. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

### **MINUTES OF MEETING**

#### **Minutes of General meetings and inspection thereof by Members**

157. The Company shall cause minutes of all proceedings of every General Meeting to be kept within thirty days of the conclusion of every such Meeting concerned entries thereof in books kept for that purpose with their pages consecutively numbered.

158. Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each Meeting in such book shall be dated and signed by the Chairman of the same Meeting within the aforesaid period of thirty days or in the event of the death or inability of that Chairman within that period by a Director duly authorised by the Board for the purpose.



159. In no case the minutes of proceedings of a Meeting shall be attached to any such book as aforesaid by pasting or otherwise.
160. The minutes of each Meeting shall contain a fair and correct summary of the proceedings thereat.
161. All appointments of Officers made at any Meeting aforesaid shall be included in the minutes of the Meeting.
162. Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the Meeting (a) is or could reasonably be regarded as defamatory on any person, or (b) is irrelevant or immaterial to the proceedings, or (c) is detrimental to the interests of the Company. The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or noninclusion of any matter in the minutes on the aforesaid grounds.
163. Any such minutes shall be evidence of the proceedings recorded therein.
164. The book containing the Minutes of proceedings of General Meetings shall be kept at the office of the Company and shall be open during business hours, for such periods not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any Member without charge.

## **DIRECTORS**

### **Number of Directors**

165. Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three and not be more than twelve excluding Exofficio Directors/Nominee Directors/Debenture Directors and Alternate Directors.
166. The following are the Promotor Directors of the Company:
  - (1) Mr.V.Rajagopal
  - (2) Mrs. Rama Rajagopal
167. Mr.V.Rajagopal shall be the Chairman and the Managing Director of the company and his term of office shall be governed by the terms and conditions of the service agreement and by Article 168.

## **RIGHT OF PROMOTORS TO APPOINT MAJORITY OF DIRECTORS**

### **Appointment of Directors**

168. Promoters shall as long as they hold not less than 26% of the total Paidup Share Capital of the Company be entitled by a notice in writing addressed to the Company by its authorised representative, to appoint such number of person or persons as Director or Directors of the Company as shall, together with the Managing Director or Managing Directors constitute majority of the total number of Directors for the time being of the Company, and to remove such person or persons from office of Director or Directors and on a vacancy being caused in such office due to any cause whatsoever whether by resignation, retirement, death, removal or otherwise, of any such person or persons so appointed, to appoint another or others to fill such vacancy or vacancies. An appointment or removal of the Director or Directors under this Article shall become effective forthwith upon receipt by the Company of the aforesaid writing. Subject to the provisions of the Act, the Director or Directors so appointed by Promoters shall not be liable to retire at any General Meeting of the Company.

### **Provision to appoint ex-officio Directors**

169. Whenever directors enter into a contract with any Government, Central, State or Local, any bank or financial institution or any person or persons (hereinafter referred to as the "appointer") for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or for underwriting or enter into any other arrangement whatsoever, the Directors shall have, subject to the provisions of Section 255 of the Act, the power to agree that such appointer shall have the right to appoint or nominate by a notice in writing addressed to the Company, one or more Directors on the Board for such period and upon such conditions as may be mentioned in the agreement and that such Director or Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Directors may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill in any vacancy, which may occur as a result of any such Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the Directors of the Company including payment of remuneration and travelling expenses to such Director or Directors as may be agreed by the Company with the appointer.



## NOMINEE DIRECTOR/INVESTOR DIRECTOR

170. (a) Notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to the Industrial Development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India Limited (ICICI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Insurance Corporation of India (GIC), National Insurance Company Limited (NIC), The Orient Fire and General Insurance Company Limited (OFGI), The New India Assurance Company Limited (NIA), United India Insurance Company Limited (UI) or a State Financial Corporation or any financial institution owned or controlled by the Central Government or a State Government or the Reserve Bank of India or by two or more of them or by Central Government or State Government by themselves (each of the above is hereinafter in this Article referred to as “the Corporation”), out of any loans/debenture assistance granted by them to the company or so long as the Corporation holds or continues to hold Debentures/Shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, wholetime or non wholetime, (which Director or Directors, is/are hereinafter referred to as “Nominee Director/s”) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.
- (b). The Board shall until the expiry of two years from the date of listing of the equity shares of the company on a recognized stock exchange appoint and maintain in office any person as the Investor-NVBL may from time to time nominate as a director of the Company and as a representative of Remuneration & Compensation Committee and remove any director so appointed, and upon such removal reappoint such person or appoint another director in his place.
- (c) The Board shall until their shares are subject to Lock-in appoint and maintain in office any person as the Investor-RCL may from time to time appoint a representative to attend as an observer of each and every meeting on the Board and Audit Committee.
171. The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation, such Nominee Director/s shall not be liable to retirement by rotation of Directors. The Company agrees that if the Board of Directors of the Company has constituted or proposes to constitute any management committee or other committee(s) it shall, if so required by the Corporation include the Nominee Director as a member of such management committee or other committee(s). Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Directors of the Company.
172. The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as the Corporation holds or continues to hold Debentures/Shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacate such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation.
173. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meeting, Board Meetings and of the Meetings of the Committee of which the Nominee Director/s is/are member/s also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.
174. The Nominee Director/s shall be entitled to the same sitting fees, commission, remuneration and expenses as are applicable to other Directors of the Company. The Company shall pay the sitting fees and other expenses to the Nominee Director/s directly, but the commission, remuneration or other monies and fees to which the Nominee Director/s is entitled shall accrue due to the Corporation and shall accordingly be paid by the Company directly to the Corporation.
- Provided that if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.
175. Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Director/s.



176. Provided also that in the event of Nominee Director/s being appointed as whole time Director/s such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director/s shall be entitled to receive such remuneration, fees, commission and monies as may be approved by the Corporation.
177. If it is provided by the Trust Deed, securing or otherwise, in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a Director of the Company, then in the case of any and every such issue of debenture, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to as "Debenture Director". A Debenture Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares.

#### **Appointment of Alternate Directors**

178. The Board may appoint an Alternate Director recommended for such appointment by the Director (hereinafter called the original Director) in whose place is being appointed during his absence for a period of not less than three months from the State in which the meeting of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to that State. If the term of office of the original Director is determined before he so returns to that State, any provisions in the Act or in these Articles for the automatic reappointment of retiring Director in default of another appointment shall apply to the original Director and not to the Alternate Director.

#### **Directors power to add to the Board**

179. (a) Subject to the provisions of Sections 260 of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be an Additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under Article 165. Any such additional Director shall hold office only upto the next Annual General Meeting.
- (b) Subject to the provisions of Sections 262, 264 and 284 of the Act the Board shall have power at any time and from time to time to appoint any other qualified person to be a Director to fill a casual vacancy. Any person so appointed shall hold office only upto the date upto which the Director in whose place he is appointed would have held office if it had not been vacated by him.

#### **Qualification of Directors**

180. A Director shall not be required to hold any share qualification.

#### **Remuneration of Directors**

181. (a) Subject to the provisions of the Act, a Managing Director or Directors, who is in the wholetime employment of the Company may be paid remuneration either by way of monthly payment or at specified percentage of the net profits of the Company or partly by one way and partly by the other.
- (b) Subject to the provisions of the Act, a Director who is neither in the whole time employment nor a Managing Director may be paid remuneration either;
- (i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or
- (ii) by way of Commission if the Company by a special resolution authorised such payment.
182. The fee payable to a Director for attending a meeting of the Board or committee thereof shall be as prescribed under the Act.
183. If any Director is called upon to perform extra services or special exertion or efforts (which expression shall include work done by a Director as a member of any Committee formed by the Directors) the Board may arrange with such Director for such special remuneration for such extra services or special exertion or efforts either by a fixed special otherwise as may be determined by the Board and the said remuneration may be either in addition to or in substitution for the remuneration may be either in addition to or in substitution for the remuneration otherwise provided.



**Travelling expenses incurred by Director not a bonafide resident or by Director going out on Company's business**

184. The Directors may allow and pay to any Director, who travels for the purpose of attending and returning from meetings of the Board of Directors or any Committee thereof or General Meetings, or in connection with the business of the Company, his travelling and hotel and other expenses incurred by him in consequence or for the purpose of his attendance, and in connection with the business of the Company in addition to his fees for attending such meetings as above specified and other remuneration payable to him.

Provided that if so desired by the Corporation appointing a Corporation Director, the Company may instead reimburse the Corporation appointing such Director any sums that may be paid by it to that Director in respect of his attendance at the meeting of the Board.

**Directors may act notwithstanding any vacancy**

185. The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the minimum fixed by Article 165 hereof the continuing Directors not being less than two may act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting but for no other purpose.

**When the office of Director may become vacant**

186. Subject to Section 283 (2) of the Act the Office of a Director shall become vacant if :

- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) he applies to be adjudicated an insolvent; or
- (c) he is adjudged an insolvent or
- (d) he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the last date fixed for the payment of such call unless the Central Government has by notification in the Official Gazette removed the disqualification incurred by such failure; or
- (e) he absents himself from three consecutive meetings of the Directors or from all meetings of the Directors for a continuous period of three months, whichever is longer, without obtaining leave of absence from the Board; or
- (f) he becomes disqualified by an order of the Court under Section 203 of the Act; or
- (g) he is removed in pursuance of Section 284; or
- (h) he (whether by himself or by any person for his benefit or on his account) or any firm in which he is a partner or any private company of which he is a director accepts a loan or any guarantee or security for a loan from the Company in contravention of Section 295 of the Act; or
- (i) he acts in contravention of Section 299 of the Act; or
- (j) he is convicted by a court of an offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months; or
- (k) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company; or
- l) he resigns his office by a notice in writing addressed to the Company.

187. (a) A Director or his relative, firm in which such Director or relative is a partner, or any other partner in such firm or a private company of which the Director is a member or Director, may enter into any contract with the Company for the sale, purchase or supply of any goods, materials or services or for underwriting the subscription of any shares in or debentures of the Company, the sanction of the Board and the previous approval of the Central Government as may be required shall be obtained in accordance with Section 297 of the Act.

- (b) No sanction shall, however, be necessary for
  - (i) any purchase of goods and materials from the Company, or the sale of goods or materials to the Company by any such Director, relative, firm, partner or private company as aforesaid for such cash at prevailing market prices; or
  - (ii) any contract or contracts between the Company on, one side and any such Director, relative, firm, partner or private company on the other for sale, purchase or supply of goods, materials and services in which either the Company or the Director, relative, firm, partner or private company, as the case may be regularly trades



or does business, where the value of the goods and materials or the cost of such services does not exceed Rs.5,000/ in the aggregate in any year comprised in the period of the contract or contracts.

Provided that in circumstances of urgent necessity, a Director, relative, firm, partner or private company as aforesaid may without obtaining the consent of the Board enter into any such contract with the Company for the sale, purchase or supply of any goods, materials or services even if the value of such goods or the cost of such services exceeds Rs.5,000/ in the aggregate in any year comprised in the period of the contract if the consent of the Board shall be obtained to such contract or contracts at a meeting within three months of the date on which the contract was entered into.

188. A Director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 299(2) of the Act. Provided that it shall not be necessary for Director to disclose his concern or interest in any contract or arrangement entered into or to be entered into between two companies where any of the Directors of the Company or two or more of them together holds or hold not more than two per cent of the paidup share capital in any such other company.
189. A General notice given to the Board by the Director, to the effect that he is a director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such General notice and no renewal thereof shall be of effect unless, either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.
190. No Director shall as a Director, take any part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is any way, whether directly, or indirectly concerned or interested in such contract or arrangement, nor shall his presence be counted for the purpose of forming a quorum at the time of any such discussion or vote, and if he does vote, his vote shall be void, provided however, that nothing herein contained shall apply to :
191. (a) any contract of indemnity against any loss which Directors, or any one or more of them, may suffer by reason of becoming or being a surety or sureties for the Company.
- (b) any contract or arrangement entered into or to be entered into with a Public Company or a Private Company which is a subsidiary of Public Company in which the interest of the Director consist solely in his being :
- (i) a director of such company, and
- (ii) the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such director by the Company.
- (iii) in his being a member holding not more than 2% of its paidup share capital.

#### **Register of Contracts in which Directors are interested**

192. The Company shall keep a Register in accordance with Section 301(1) and shall within the time specified in Section 301(2) enter therein such of the particulars as may be relevant having regard to the application thereto of Section 297 or Section 299 of the Act as the case may be. The Register aforesaid shall also specify, in relation to each Director of the Company the names of the bodies corporate and firms of which notice has been given by him under Article 190. The Register shall be kept at the office of the Company and shall be open to inspection at such office, and extracts may be taken therefrom and copies thereof may be required by any member of the Company to the same extent, in the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of Section 163 of the Act shall apply accordingly.

#### **Directors may be Directors of Companies promoted by the Company**

193. A Director may be or become a Director of any company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise and no such Director shall be accountable for any benefit received as director or shareholder of such company except in so far Section 309(6) or Section 314 of the Act may be applicable.



### **Retirement and rotation of Directors**

194. At every Annual General Meeting of the Company, onethird of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to onethird shall retire from Office of Directors. The nonretiring Directors ExOfficio Directors/Nominee Directors and Debentures Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the rotation of retirement or the number of Directors to retire.
195. Subject to provisions of the Act, the Directors to retire by rotation under Article 194 at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire, shall in default of and subject to any agreement among themselves, be determined by lot.
196. A retiring Director shall be eligible for reelection.

### **Company may increase or reduce the number of Directors**

197. Subject to Section 258 of the Act the Company at the General Meeting at which a Director retires in the manner aforesaid may fill up the vacated office by electing a person thereto.
198. (a) If the place of the retiring Director is not so filled up and the Meeting has not expressly resolved not to fill the vacancy, the Meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.
- (b) If at the adjourned Meeting also, the place of the retiring Director is not filled up and that Meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned Meeting unless :
- (i) at the Meeting or at the previous Meeting resolution for the re appointment of such Director has been put to the Meeting and lost;
  - (ii) the retiring Director has, by notice in writing addressed to the Company or its Board, expressed his unwillingness to be so appointed;
  - (iii) he is not qualified or is disqualified for appointment;
  - (iv) a resolution, whether special or ordinary, is required for the appointment or reappointment by virtue of any provisions of the Act, or
  - (v) the proviso to subsection (2) of Section 263 of the Act is applicable to the case.
199. Subject to Section 258 of the Act the Company may by Ordinary Resolution from time to time, increase or reduce the number of Directors within the limits fixed in that behalf by these Articles, and may alter their qualifications and the Company may (subject to the provisions of Section 284 of the Act) remove any Director before the expiration of his period of office and appoint another qualified person in his stead. The person so appointed should hold office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.
200. (a) No person not being a retiring Director, shall be eligible for appointment to the office of Director at any General Meeting unless he or some Member intending to propose him has, not less than fourteen days before the Meeting, left at the office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such Member to propose him as a candidate for that office.
- (b) Every person (other than a Director retiring by rotation or otherwise or a person who has left at the office of the Company a notice under Section 257 of the Act signifying his candidature for the office of a Director) proposed as candidate for the office of a Director shall sign and file with the Company the consent in writing to Act as a Director, if appointed.
- (c) A person other than a Director re appointed after retirement by rotation or immediately on the expiry of his term of office or an Additional or Alternate Director, or a person filling a casual vacancy in the office of a Director under Section 262 of the Act, appointed as a Director or reappointed as an Additional or Alternate Director, immediately on the expiry of his term of office, shall not act as a Director of the Company, unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such Director.
201. (a) The Company shall keep at its office a Register containing the particulars of its Directors, Manager, Secretary and other persons mentioned in Section 303 of the Act, and shall otherwise comply with the provisions of the said Section in all respects.



- (b) The Company shall in respect of each of its Directors also keep at its office a Register, (as required by subsection (1) of Section 307 of the Act), and shall otherwise comply with the provisions of the said Section.
202. (a) Every Director (including a person deemed to be a Director by virtue of the Explanation to subsection (1) of Section 303 of the Act), Managing Director, Manager or Secretary of the Company shall within twenty days of his appointment to any of the above offices to any other body corporate disclose to the company the particulars relating to his office in the other body corporate which are required to be specified under subsection (1) of Section 303 of the Act.
- (b) Every Director and every person deemed to be a Director of the Company by virtue of subsection (1) of Section 307 of the Act, shall give notice to the Company of such matters relating to himself as may be necessary for the purpose of enabling the Company to comply with the provisions of that Section.
203. Promoters shall as long as they hold not less than 26% of the total Paidup Share Capital of the Company, be entitled by a notice in writing addressed to the Company by its authorised representative, to appoint any Director as Chairman of the Board of Directors of the Company and to cancel such appointment and on a vacancy being caused in such office due to any cause whatsoever whether by such cancellation or by resignation, retirement, death, removal or otherwise, of any such person so appointed, to appoint any Director to fill such vacancy. An appointment or cancellation of such appointment under this Article shall become effective forthwith upon receipt by the Company of the aforesaid writing.
204. (a) Promoters shall as long as they hold not less than 26% of the total paidup Share Capital of the Company is entitled by a notice in writing addressed to the Company by its authorised representative, to appoint a Director appointed pursuant to the provisions of Articles 168 of the Articles of Association as the Managing Director of the Company and to remove such person from office and on a vacancy being caused in such office from any cause whatsoever whether by resignation, retirement, death, removal or otherwise, of any such person so appointed, to appoint another to fill such vacancy. An appointment or removal of the Director under this Article shall become effective forthwith upon receipt by the Company of the writing aforesaid.
- (b) Subject to the superintendence, direction, control of the Board, the Managing Director, shall have the Management of the affairs of the Company. The remuneration of the Managing Director shall be such as may be determined by the Board from time to time and may be by way of monthly payment, fee for each meeting or participation in profits or by any or all these modes or any other mode not expressly prohibited by the Act.

#### **Restriction on Management**

205. The Managing Director or Managing Directors shall not exercise the power to :
- (a) make calls on shareholders in respect of money unpaid on the shares in the Company,
  - (b) issue debentures, and except to the extent mentioned in the resolution passed at the Board meeting under Section 292 of the Act, shall also not exercise the power to :
  - (c) borrow moneys, other than on debentures,
  - (d) invest the funds of the company and
  - (e) make loans.

#### **Certain persons only to be appointed Managing / Wholetime Directors**

206. The Company shall not appoint or employ, or continue the appointment or employment of a person as its Managing or Wholetime Director who
- (a) is a undischarged insolvent, or has at any time been adjudged an insolvent.
  - (b) suspends, or has at any time suspended, payment to his creditors, or makes, or has at any time made, a composition with them, or
  - (c) is or has at any time been, convicted by a Court of an offence involving moral turptitude.
207. A Managing Director shall not while he continues to hold that office be subject to retirement by rotation, in accordance with Article 194 if he ceases to hold the office of Director he shall ipso facto and immediately cease to be a Managing Director.



## **PROCEEDINGS OF THE BOARD OF DIRECTORS**

### **Meeting of Directors**

208. The Directors may meet together as a Board for the despatch of business from time to time and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The Directors may adjourn and otherwise regulate their meetings, as they think fit.

### **Notice of Directors Meeting**

209. Notice of every meeting of the Board shall be given in writing to every Director whether in or outside India, and otherwise regulate their meetings, as they think fit.

### **Quorum at Board Meeting**

210. Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be onethird of its total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that onethird being rounded off as one) or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two third of the total strength the number of the remaining Directors, that is to say, the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such meeting provided further that where the Board includes a Director or Directors appointed under Article 168 no quorum for meeting of the Board shall be constituted unless the Director referred to in Article 203 or his Alternate Director is present at such meeting.

### **Adjournment of meeting for want of quorum**

211. If a meeting of the Board could not be held for want of a quorum then, the meeting shall stand adjourned to such other date and time (if any) as may be fixed by the Chairman.

212. The Secretary shall, as and when directed by a Director as detailed in Article 168, to do so, convene a meeting of the Board by giving a notice in writing to every other Director.

213. If at any meeting of the Board, the Chairman is not present within fifteen minutes after the time appointed for holding the same, the Directors present may choose one of their number to be Chairman of the meeting.

### **Questions at Board meetings how to be decided**

214. Questions arising at any meeting of the Board of Director or a committee or subcommittee thereof or in resolution to be passed by circular shall be decided by a majority of votes and in the case of a equality of votes, the Chairman shall have a second or casting vote provided, however that no resolution (whether passed at meeting or by circular) shall be deemed to have been passed unless a Director appointed by Promotors under Article 168 or his Alternate Director designated by Promotors for the purpose of this Article has voted in favour of the Resolution.

### **Powers of Board in Meetings**

215. A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretions which by or under the Act or the Articles of the Company are for the time being vested in or exercisable by the Board generally.

### **Directors may appoint Committees**

216. Subject to the restrictions contained in Section 292 of the Act, the Board may delegate any of their powers to one or more Committees of the Board consisting of such member or members of its body as it thinks fit, and it may from time to time revoke and discharge any such Committee of the Board either wholly or in part, and either as to persons or purposes; but every Committee of the Board so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfilment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board. Provided that every such Committee shall have as one of its member the Director referred to in Article 210 or his alternate Director.

### **Meeting of Committee how to be governed**

217. The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulations made by the Directors under the last preceding



Article provided that no resolution shall be deemed to have been passed by the Committee unless the Director referred to in the proviso to Article 210 or his Alternate Director has voted in favour of the Resolution.

#### **Resolution by circulation**

218. No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board, or a Committee, as the case may be), and to all other Directors or Members of the Committee at their usual address in India and has been approved by such of the Directors or Members as are then in India, or by a majority of such of them, as are entitled to vote on the resolution. The provisions of this Article shall be subject to the provision of Article 210.

#### **Acts of Board or Committee valid notwithstanding informal defect in appointment**

219. All acts done by any meeting of the Board or by a Committee of the Board, or by any person acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Director or persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director and had not vacated his office or his appointment had not been terminated; provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.

#### **Minutes of proceedings of the Board**

220. (a) The Company shall cause minutes of all proceedings of every meeting of the Board and Committee thereof to be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for that purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialled or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the next succeeding meeting.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) The minutes shall also contain
- (i) The name of the Directors present at the meeting and
  - (ii) In the case of each resolution passed at the meeting, the name of the Directors, if any, dissenting from or not concurring in the resolution.
- (g) Nothing contained in subclause (1) to (6) shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting
- (i) is, or could reasonably be regarded as defamatory of any person,
  - (ii) is irrelevant or immaterial to the proceedings; or
  - (iii) is detrimental to the interest of the Company.
- (h) The Chairman shall exercise an absolute discretion in regard to the inclusion or non inclusion of any matter in the minutes on the grounds specified in this subclause.
- (i) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein.

#### **Powers of the Board**

221. The Board may exercise all such powers of the Company and do all such acts and things as are not, by the Act, or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting, subject nevertheless to these Articles, to the provisions of the Act, or any other Act and to such regulations being not inconsistent with the aforesaid regulations, as may be prescribed by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been



valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting :

- (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking;
- (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 cannot 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 paidup capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose;

Provided further that the powers specified in Section 292 of the Act shall subject to these Articles be exercised only at meetings of the Board, unless the same be delegated to the extent therein stated; or

- (e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding whichever is greater.

#### **Certain powers of the Board**

222. Without prejudice to the general powers conferred by the last preceding Article and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the last preceding Article, it is hereby declared that the Directors shall have the following powers, that is to say, power :
- (a) To pay the cost, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
  - (b) To pay and charge to the capital account of the Company commission or interest lawfully payable thereout under the provisions of Section 76 and 208 of the Act.
223. Subject to Section 293 and 360 of the Act to purchase or otherwise acquire for the Company any property, right or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or other acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfied.
224. At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially in cash or in share, bonds, debentures, mortgages, or otherwise securities of the Company, and any such shares may be issued either as fully paidup or with such amount credited as paidup thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged.
225. To secure the fulfilment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.
226. To accept from any Member, as far as may be permissible by law a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
227. To appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purpose and to execute and do all such deeds and things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees.
228. To institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demands by or against the Company and to refer any differences to arbitration and observe and perform any awards made thereon.



229. To act on behalf of the Company in all matters relating to bankrupts and insolvents.
230. To make and give receipts, releases and other discharges for moneys payable to the Company and for the claims and demands of the Company.
231. Subject to the provisions of Sections 292, 295, 370 and 372 of the Act, to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit, and from time to time vary or realise such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
232. To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
233. To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose.
234. To distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company and to give to any office or other person employed by the Company a commission on the profits of any particular business or transaction, and to charge such bonus or commission as part of the working expenses of the Company.
235. To provide for the welfare of Directors or ex Directors or employees or ex employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwelling or chawls, or by grants of moneys, pension, gratuities, allowances, bonus or other payments, or by creating and from time to time subscribing or contributing provident and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards place of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit, and to subscribe or contribute or otherwise to assist or to guarantee any charitable, benevolent, religious, scientific, national or other institutions or object which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise.
236. Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as Reserve Fund or any special fund to meet contingencies or to repay debentures or debentures stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may in their absolute discretion, think conducive to the interest of the Company and subject to Section 292 of the Act, to invest several sums so set aside or so much thereof as required to be invested, upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any such part thereof for the benefit of the Company, in such a manner and for such purposes as the Board in their absolute discretion, think conducive to the interest of the Company notwithstanding that the matters to which the Board apply or upon which they expend the same or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special funds as the Board may think fit with full power to transfer the whole or any portion of Reserve Fund or division of a Reserve Fund and with full power to employ assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of debentures or debenture stock, and without being bound to pay interest on the same with power however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.
237. To appoint, and at their discretion, remove or suspend, such general managers, managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit and to determine their powers and duties, and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think and the provisions contained in the four next following sub clauses shall be without prejudice to the generally conferred by this subclause.
238. From time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person to be members of such local Boards, and to fix their remuneration.



239. Subject to Section 292 of the Act, from time to time and at any time to delegate to any person so appointed any of the powers, authorities and discretions for the time being vested in the Board, other than their power to make calls or to make loans or borrow money, and to authorise the members for the time being of any such Local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms and subject to such terms and subject to such conditions as the Board may think fit, and Board may at any time remove any person so appointed, and may annul or vary any such delegation.
240. At any time and from time to time by Power of Attorney under the Seal of the Company, to appoint any person or persons to be the Attorney or Attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and subject to the provisions of Section 292 of the Act) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board think fit) be made in favour of any company, or the shareholders, directors, nominees, or managers of any company or firm or otherwise in favour of any fluctuating body of persons whether nominated directly or indirectly by the Board and such Power of Attorney may contain such Powers for the protection or convenience of persons dealing with such Attorneys as the Board may think fit, and may contain powers enabling any such delegates or attorneys as aforesaid to subdelegate all or any of the powers authorities and discretions for the time being vested in them.
241. Subject to Section 294 and 297 of the Act, for or in relation to any of the matters aforesaid or, otherwise for the purposes of the Company to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts deeds and things in the name and on behalf of the Company as they may consider expedient.
242. From time to time to make, vary and repeal by laws for the regulations of the business of the Company, its officers and servants

#### **MANAGEMENT**

243. The Company shall not appoint or employ at the same time more than one of the following categories of managerial personnel namely Managing Director or Manager.
244. The Directors shall from time to time appoint a Secretary and, at their discretion, remove any such Secretary to perform any functions, which by the Act are to be performed by the Secretary and to execute any other ministerial or administrative duties, which may from time to time be assigned to the Secretary by the Directors. The Directors may also appoint at any time any person or persons (who need not be the Secretary) to keep the Registers required to be kept by the Company.

#### **DIVIDENDS**

##### **Division of profits and dividends in proportion to amount paid up**

247. The profits of the Company, subject to any special rights relating thereof created or authorised to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the members in proportion to the amount of capital paid up or credited as paid up and to the period during the year for which the capital is paid up on the shares held by them respectively.

##### **The Company in General Meeting may declare a dividend**

248. The Company in general Meeting may declare dividends to be paid to Members according to their respective rights, but no dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller dividend.

##### **Dividends only to be paid out of profits**

249. No dividend shall be declared or paid otherwise by the Company for any financial year out of profits for the year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act except after the transfer to the reserves of the Company of such percentage of its profits for the year as may be prescribed or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both provided that :
- (a) If the Company has not provided for depreciation for any previous financial year or years shall before declaring or paying a dividend for any financial year, provide for such depreciation out of the profits of the financial year or out of the profits of any other previous financial year or years;



- (b) If the Company has incurred any loss in any previous financial year or years the amount of loss or any amount which is equal to the amount provided for depreciation for that year or these years whichever is less shall be set off against the profits of the Company for the years for which the dividend is provided to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of Subsection (2) of Section 205 of the Act or against both.

Provided further that, no dividend shall be declared or paid for any financial year out of the profits of the Company for the year arrived at after providing for depreciation as above, except after the transfer to the reserves of the Company of such percentage of its profits for that year as may be prescribed in accordance with Section 205 of the Act or such higher percentage of its profits as may be allowed in accordance with that Section.

#### **Interim dividend**

250. The Board may, from time to time, pay to the Members such interim dividend as in their judgement the position of the Company justifies.

#### **Capital paid up in advance at interest not to earn dividend**

251. Where Capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.
252. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.
253. The Board may retain dividends payable upon shares in respect of which any person is, under Article 64 entitled to become a Member, or which any person under that Article is entitled to transfer, until such person shall become a Member, in respect of such shares or share duly transfer the same.

#### **Dividend, etc. to joint-holders**

254. Any one of several persons who are registered as the jointholder of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.

#### **No Member to receive dividend while indebted to the Company and Coompany's rights of reimbursement thereof**

255. No Member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money be due or owing from him to the Company in respect of such share or shares or otherwise howsoever, either alone or jointly with any other person or persons, and the Board may deduct from the interest or dividend payable to any Member all sums of money so due from him to the Company.
256. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.
257. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Provided, however, that where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered, the company shall :

- (a) transfer the dividend in relation to such shares to the special account referred to in Section 205A unless the company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer, and
- (b) keep in abeyance in relation to such shares any offer of rights shares under clause (a) of subsection (1) of Section 81 and any issue of fully paid up bonus shares in pursuance of subsection (3) of section 205.
258. (a) If the Company has declared a dividend but which has not been paid or a dividend warrant in respect thereof has not been paid within 30 days from the date of declaration to any shareholders entitled to the payment of the dividend the Company shall within 7 days from the date of the expiry of the said period of 30 days open a special account in that behalf in any Scheduled bank called "the unpaid dividend account of "Celebrity Fashions Private Limited".
- (b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.



259. Any dividend which has not been claimed or the warrant in respect whereof has not been encashed within the period prescribed under Section 205 A, shall be deposited in a special account as provided for in the said Section 205 A of Act.

260. No unpaid dividend shall bear interest as against the Company.

#### **Dividend and call together**

261. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the meeting fixes so that the call on each Member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the Member, be set off against the calls.

262. (a) The Company in General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserve Fund, or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend for representing premium received on the issue of shares and standing to the credit of the Share Premium Account be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full either at par or at such premium as the resolution may provide, any unissued shares or debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares or debentures stock and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum, provided that a Share Premium Account and a Capital Redemption Reserve Account may, for the purposes of this Article only be applied in the paying of any unissued shares to be issued to members of the Company as fully paid bonus shares.

(b) A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company, or in investments representing the same, or any other undistributed profit of the Company not subject to charge for income tax be distributed among the members on the footing that they receive the same as capital.

(c) For the purpose of giving effect to any resolution under the preceding paragraphs of this Article the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates, and may fix the value for distribution of any specific assets, and may determine that such cash payments shall be made to any members upon the footing of the value so fixed or that fraction of less value than Rs.10/ may be disregarded in order to adjust the rights of all parties, and may vest any such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board. Wherever requisite a proper contract shall be delivered to the Registrar for registration in accordance with Section 75 of the Companies Act, 1956, and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund, and such appointment shall be effective.

#### **WINDINGUP**

##### **Liquidator may divide assets in specie**

282. The Liquidator on any windingup (whether voluntary, under supervision or compulsory) may, with the sanction of a Special Resolution, but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit.

#### **INDEMNITY AND RESPONSIBILITY**

##### **Indemnity**

283. Subject to Section 201 of the Act, every Director, Officer or Agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings, whether civil or criminal in which judgement is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.



## SECRECY CLAUSE

### Secrecy Clause

284. (a) Every Director, Manager, Auditor, Treasurer, Trustee, member of a committee, officer, servant, agent, accountant, or other person employed in the business of the Company shall, if so required by the Board, before entering upon his duties sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.
- (b) No member shall be entitled to visit or inspect any works of the Company without the permission of the Directors or to require discovery of or any information respecting any details of the Company's trading, or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process of any other matter, which may relate to the conduct of the business of opinion of Directors, it would be inexpedient in the interest of the Company to disclose.
285. The Company acknowledges that the Promotors have the exclusive right, title and interest to the name "Celebrity " and that the Company is using the same as part of its name only with the permission of Promotors. The Company undertakes and agrees that it has been allowed to use and shall use "Celebrity" in its name only so long as the Promotors hold not less than 26 % of the total Paidup Share Capital of the Company, Promotors, upon ceasing to hold, at least 26% of the total voting power of the shareholders for the time being of the Company, for any reason whatsoever, be entitled by a written notice to the Company to call the Company to discontinue the use of the word "Celebrity " in any form or manner as a part of its corporate or trade name or trading or operating style, and to change its name in such manner as to delete the word "Celebrity " appearing in the name of the Company and the Company shall within Ninety days from the date of receipt of such notice (a) discontinue the use of the word "Celebrity" as part of its corporate or trade name or trading or operating style, and (b) take all such steps as may be necessary for the purpose of changing its corporate or trade name or trading or operating style as aforesaid. Any new corporate or trade name or trading or operating style which the Company may adopt thereafter shall not consist of any letter, word or expression or letters, words or expressions similar to or substantially or deceptively similar to "Celebrity" All shareholders of the Company shall be deemed to have undertaken to exercise their right as shareholders and specifically their voting rights in such manner as would enable the Company to comply with or implement the provisions of this clause and shall be deemed to have joined the Company on this basis. The Directors of the Company are authorised to enter into an Agreement with Promotors to the foregoing effect.

### MATTERS REQUIRING INVESTOR-NVBL CONSENT

286. Notwithstanding anything contrary to the provisions of law, the Company shall not, without the prior consent of the Investor-NVBL affect any of the following matters until the expiry of two years from the date of listing of the Equity Shares of the Company on a recognized stock exchange:
- (a) Any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of Equity shares and warrants;
  - (b) Any action that authorises, creates or issues shares of any class of stock having preferences superior to the existing equity or warrants;
  - (c) Any amendment to the Company's Articles of Association or Memorandum of Association after the disbursement by the Investors;
  - (d) Diversification projects which are not in line with the Annual Business Plan;
  - (e) Any merger, consolidation, acquisition, strategic sale or similar transaction of the Company with one or more other corporations;
  - (f) Sale of all or substantially all the Company's assets or closure of an existing business or commencement of any business beyond the purview of the revised Annual Business Plan;
  - (g) Liquidation or dissolution of the Company;
  - (h) Material deviations from the Annual Business Plan as approved by the Board of Directors of the Company, including:



- Incurring of any unplanned debt, guarantee or security more than 10% of the networth of the company;
  - Revisions in annual operating plans by more than 20% of the approved budgets;
  - Purchase of assets not covered in the Annual Business Plan or in the quarterly budget, moveable or immovable, directly or indirectly, whether new hand or second hand, whether in a single transaction or a series of transactions, the aggregate value of which, exceeds Rs. 5,000,000 (Rupees five million only).
- (i) Redemption or repurchase of any securities which are in excess of 10% of the networth;
  - (j) Any increase or decrease in the authorised number of directors of the Company;
  - (k) Modifications to capital structure, issue of any new shares, creation of options or warrants, creating new classes of shares, buy backs, splits, issuance of convertible debt, bonuses, debt restructuring involving conversion into equity
  - (l) Creation of new subsidiaries/joint ventures;
  - (m) Transactions with the Sponsor Group/Management Team or their affiliates which are not approved by the Board;
  - (n) Appointment/re-appointment/removal of statutory and internal auditors;
  - (o) Any changes to the accounting year and significant changes to accounting policies;
  - (p) Transactions with the group companies beyond the approved cumulative annual limits;
  - (q) Any amendment to or waiver of any of the significant agreements as specified in the SSA;
  - (r) Change in name of the Company;
  - (s) All decisions with respect to listing of the Company;
  - (t) Any investment in securities for treasury operation other than bank deposits and Government Bonds;
  - (u) Transfer of brand rights/IPR assets of the Company;
  - (v) Acceptance of contracts which may involve contrary/debatable ethical issues;
  - (w) Employees Stock Options Scheme or plan by whatever name called.
  - (x) Payment of dividend or any other distribution including bonus shares or the like by the Company or its subsidiaries.

#### **MATTERS REQUIRING INVESTOR-RCL CONSENT**

287. Notwithstanding anything contrary to the provisions of law, the Company shall not, without the prior consent of Investor-RCL affect any of the following matters until the expiry of two years from the date of listing of the Equity Shares of the Company on a recognized stock exchange:

- (a) Any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of Equity shares and warrants;
- (b) Any action that authorises, creates or issues shares of any class of stock having preferences superior to the existing equity or warrants;
- (c) Any amendment to the Company's Articles of Association or Memorandum of Association after the disbursement by the Investor RCL;
- (d) Diversification projects, other than in Textiles, which are not in line with the Annual Business Plan
- (e) Any merger, consolidation, acquisition, strategic sale or similar transaction of the Company with one or more other corporations;
- (f) Sale of all or substantially all the Company's assets or closure of an existing business or commencement of any business beyond the purview of the revised Annual Business Plan;
- (g) Liquidation or dissolution of the Company;
- (h) Redemption or repurchase of any securities which are in excess of 10% of the networth;



- (i) Modifications to capital structure, issue of any new shares, creation of options or warrants, creating new classes of shares, buy backs, splits, issuance of convertible debt, bonuses, debt restructuring involving conversion into equity
  - (j) Creation of new subsidiaries/joint ventures;
  - (k) Transactions with the Sponsor Group/Management Team or their affiliates which are not approved by the Board;
  - (l) Transactions with the group companies beyond the approved cumulative annual limits;
  - (m) Any amendment to or waiver of any of the significant agreements as specified in the SSA;
  - (n) Change in name of the Company;
  - (o) All decisions with respect to listing of the Company if QIPO does not happen within 6 months from the date of this agreement;
  - (p) Transfer of brand rights/IPR assets of the Company;
  - (q) Acceptance of contracts which may involve contrary/debatable ethical issues;
  - (r) Any changes to the Stock Options Scheme as detailed in Schedule 4.1.5.of SSA.
288. In the event that the initial public offering of the Company does not occur prior to March 31, 2006, the Articles of the Company shall be so amended in the next General Meeting of the Company post March 31, 2006 to reflect the shareholders agreement entered into with NVBL and RCL respectively.



## SECTION IX – OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or contracts entered into more than two years before the date of filing of this 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 this Prospectus have been delivered to the Registrar of Companies, Tamil Nadu, Chennai for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company located at 107-A, GST Road, Chrompet, Chennai 600 044, from 10.00 a.m. to 4.00 p.m. on working days from the date of filing of this Prospectus until the date of closure of this Issue.

#### Material Contracts for Inspection

1. Letter of Engagement dated July 29, 2005 from IL&FS Investsmart Limited offering its services to act as BRLM and Company's acceptance thereto.
2. Memorandum of Understanding dated October 11, 2005 between the Company and the BRLM to this Issue.
3. Memorandum of Understanding dated August 26, 2005 between the Company and Intime Spectrum Registry Limited as Registrars to this Issue.
4. Escrow Agreement dated December 15, 2005 between Escrow Collecting Banks, BRLM, Registrar and the Company.
5. Syndicate Agreement dated December 15, 2005 between BRLM and the Company.
6. Underwriting Agreement dated December 23, 2005 between BRLM and the Company.

#### Material 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 April 28, 1988.
3. Fresh Certificate Incorporation issued due change of name on conversion to public limited company dated September 12, 2005.
4. Annual General Meeting resolution dated August 19, 2005 and the resolution of the Board dated July 4, 2005 authorizing this Issue.
5. Sanction of New Term Loan of Rs. 200 Mn. under TUF scheme dated July 14, 2005 issued by State Bank of India, Chennai.
6. Share subscription and Shareholders' Agreement between Bennett, Coleman & Co. Limited and Celebrity Fashions Private Limited and Mr. V. Rajagopal dated January 20, 2005 and Supplementary Share subscription and Shareholders' Agreement dated May 13, 2005 and September 27, 2005.
7. Share subscription and Shareholders' Agreement and amongst Celebrity Fashions Private Limited and Mr. V. Rajagopal and Mrs. Rama Rajagopal and New Vernon Bharat Limited dated May 19, 2005 and Supplementary Share Subscription and Shareholders' Agreement dated October 14, 2005.
8. Share subscription and Shareholders' Agreement and amongst Celebrity Fashions Private Limited and Mr. V. Rajagopal and Mrs. Rama Rajagopal and Reliance Capital Limited dated September 30, 2005.
9. Memorandum of Understanding dated December 2, 2005 between M/s Celebrity Fashions Limited and M/s Ambattur Clothing Ltd(ACL) for acquisition of ACL's undertaking engaged in the manufacturing of readymade garments.
10. Agreement for sale dated March 31, 2004 entered into between M/s. Celebrity Connections and Celebrity Fashions Private Limited.
11. Business Transfer Agreement dated January 2, 2005 entered into between Span Eicher Designs Limited and Celebrity Fashions Private Limited.
12. Service Agreement between Managing Director Mr. V. Rajagopal and Whole-time Directors Mrs. Rama Rajagopal and Mr. S. Suryanarayanan dated October 1, 2005
13. Copies of the Annual Reports of the Company for the years ended March 31, 2001, 2002, 2003, 2004 and 2005.



14. Copy of the tax benefit report dated Novemeber 21, 2005 from M/s Anil Nair & Associates and M/s CNGSN & Associates, Chartered Accountants.
15. Report of the Statutory Auditors dated Novemeber 21, 2005 from M/s. from M/s Anil Nair & Associates and M/s CNGSN & Associates , Chartered Accountants.
16. Consents of Auditors, Bankers to the Company, BRLM, Management Advisor to the Company, Legal Advisor to this Issue, Legal Advisor to the Company, Directors, Company Secretary, Registrar to this Issue, Compliance Officer as referred to, in their respective capacities.
17. General Powers of Attorney executed by the Directors of the Company for signing and making necessary changes in this Draft Red Herring Prospectus, Red Herring Prospectus and Prospectus.
18. Listing application filed with the BSE and the NSE.
19. Tripartite agreement between the NSDL, our Company and Intime Registry Spectrum Indiadated October 06, 2005
20. Tripartite agreement between the CDSL, our Company and Intime Registry Spectrum India dated September 26, 2005.
21. Due Diligence Certificate dated October 31, 2005 to SEBI from IL&FS Investsmart Limited
22. Resolution of the Members of our Company passed at the Annual General Meeting held on August 19, 2005 reappointing, M/s. from M/s Anil Nair & Associates and M/s CNGSN & Associates as statutory auditors for the year 2005-06.
23. SEBI observation letter no. CFD/DIL/ISSUES/V/55470/2005, dated December 09, 2005

Any of the contracts or documents mentioned in this 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

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the disclosures made in this Prospectus are true and correct.

### SIGNED BY ALL THE DIRECTORS

Sd/-  
Mr. V. Rajagopal,  
Chairman & Managing Director

Sd/-  
Mrs. Rama Rajagopal,  
Executive Director

Sd/-  
Mr. S. Surya Narayanan,  
Executive Director

Sd/-  
Ms. Nidhi Reddy,  
Director

Sd/-  
Mr. P.S. Raman,  
Director

Sd/-  
Mr. N.K. Ranganath,  
Director

Sd/-  
Mr. V.V. Naresh,  
Company Secretary and Compliance officer

**Place:** Chennai

**Date:** December 26, 2005



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