



RAJ RAYON LIMITED

(Incorporated as a limited company under the Companies Act, 1956 on August 17, 1993 with the Registrar of Companies, Maharashtra having its registered office at 3A/205, Mittal Industrial Estate, Sakinaka, Andheri (East), Mumbai 400 059. For details of changes in our Registered Office since incorporation, refer to paragraph titled "Changes in Registered Office" on page 71 of this Red Herring Prospectus. Our Company obtained Certificate of Commencement of Business dated September 01, 1993).

Tel: 91-22- 2850 8905 / 06 Fax: 91-22- 2852 3574 E-mail: rrlpublicissue@rajrayon.com

Website: www.rajrayon.com Contact Person: Mr. Pradeep Kumar Agrawal

Public Issue of 85,00,000 Equity Shares of Rs. 10/- each for cash at a Price of Rs. [●] per Equity Share aggregating Rs. [●] Lacs (the "Issue") by Raj Rayon Limited ("Raj Rayon" or the "Company" or the "Issuer") out of which 8,50,000 Equity Shares have been reserved for subscription by Permanent Employees of the Company (the "Employee Reservation Portion") and 8,50,000 Equity Shares have been reserved for subscription by shareholders of Group Company (the "Shareholders of Group Company Portion").

The Issue would constitute 49.95% of the Post Issue Paid-up Capital of the Company.

Price Band: Rs. 55 To Rs. 65 Per Equity Share of Face Value Rs.10 Each.

The Issue Price is 5.5 times of the Face Value at the Lower End of the Price Band and 6.5 times of the Face Value at the Higher End of the Price Band.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three working days after such revision, subject to the Bidding/ Issue Period not exceeding ten (10) working days. Any revision in the Price Band, and the revised Bidding/ Issue Period, if applicable, shall be widely disseminated by notification to Bombay Stock Exchange Limited ("BSE"), where the Equity Shares of our Company are proposed to be listed and to National Stock Exchange of India Limited (NSE), whose online IPO system will only be available for bidding, by issuing a press release and by indicating the change on the websites of the Book Running Lead Manager, Co-Book Running Lead Manager and the terminals of the Syndicate.

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

GENERAL RISK

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of Raj Rayon Limited and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI") nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the statements on Risk Factors beginning on page 9 of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of our Company are presently listed on Bombay Stock Exchange Limited, (BSE) {Designated Stock Exchange}. Further, the Equity Shares to be issued through this Red Herring Prospectus are proposed to be listed on BSE, for which the in-principle approval of BSE has been received vide letter dated August 17, 2005.

BOOK RUNNING LEAD MANAGER (BRLM)



UTI Securities Limited

SEBI Regn. No.: INM000007458

MAPIN No.: 100000489

1st Floor, Dheeraj Arma, Anant Kanekar Marg, Station Road
Bandra (East), Mumbai – 400 051.

Tel: 91-22- 5551 5806 / 801

Fax: 91-22- 5502 3194

Website: www.utisel.com

E-mail: rajrayon@utisel.com

Contact Person: Mr. Hitesh Mandot

REGISTRAR TO THE ISSUE



Intime Spectrum Registry Limited

SEBI Regn. No.: INR000003761

MAPIN No.: 100002071

C-13, Pannalal Silk Mills Compound, L.B.S. Marg,
Bhandup (W), Mumbai – 400 078.

Tel: 91-22- 2596 0320 (9 Lines)

Fax: 91-22- 2596 0329

Website: www.intimespectrum.com

E-mail: rajrayonpi@intimespectrum.com

Contact Person: Mr. Vishwas Attavar

ISSUE SCHEDULE

BID / ISSUE OPENS ON: JANUARY 12, 2006

BID / ISSUE CLOSES ON: JANUARY 18, 2006

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I. DEFINITIONS AND ABBREVIATIONS

1. Conventional / General terms

Term	Description
A.Y.	Assessment Year
AGM	Annual General Meeting
CAGR	Compounded Annual Growth Rate
CMD	Chairman and Managing Director
EGM	Extra Ordinary General Meeting
EPS	Earning Per Share
GDP	Gross Domestic Product
GIR Number	General Index Register Number
HUF	Hindu Undivided Family
IRR	Internal rate of return
NAV	Net Asset Value
P/E	Price to Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBDIT	Profit Before Depreciation, Interest and Tax
PBIT	Profit Before Interest and Tax
PBT	Profit Before Tax
PLR	Prime Lending Rate
RONW	Return on Net Worth
SSI	Small Scale Industries
TNW	Total Net Worth
WTO	World Trade Organisation

2. Issue Related Terms

Term	Description
"Issuer Company", "Raj Rayon", "the Company", "Our Company", "we" or "us"	Unless the context otherwise requires, refers to, Raj Rayon Limited, a public limited company incorporated under the Companies Act, 1956
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder
Allotment / Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue
Applicant	Any prospective investor who makes an application for Equity Shares in terms of this Red Herring Prospectus
Application Form	The Form in terms of which the investors shall apply for the Equity Shares of our Company
Articles / Articles of Association / AoA	Unless the context otherwise requires, refers to Articles of Association of our Company, i.e. Raj Rayon Limited
Banker(s) to this Issue	HDFC Bank Ltd., HSBC Ltd., ICICI Bank Ltd. and Standard Chartered Bank

Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper.
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-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 this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors / The Board	The Board of Directors of our Company
Book Building Process / Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
BRLM	Book Running Lead Manager to this Issue, in this case being UTI Securities Limited
Brokers to this Issue	Brokers registered with any recognised Stock Exchange, appointed by the Members of the Syndicate
CAN / Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
CBRLM	Co-Book Running Lead Manager to the Issue, in this case being Centrum Capital Limited
CCL	Centrum Capital Limited
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLM and CBRLM
Designated Date	The date on which funds are transferred from the Escrow Account of our Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall transfer Equity Shares to successful bidders
Designated Stock Exchange	Bombay Stock Exchange Limited (BSE)
Director(s)	Director(s) of our Company unless otherwise specified
Draft Red Herring Prospectus	Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. Upon filing with RoC at least three days before the Bid Opening Date/Issue Opening Date, it will become the Red Herring Prospectus. It will become a Prospectus upon filing with RoC after the pricing.

Eligible Employees	For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees / executive directors of our Company during the period commencing from the date of filing the Red Herring Prospectus with RoC and the Bid/Issue Closing Date who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.
Eligible Shareholders/Eligible Shareholders of Group Company	For the purpose of the reservation for Shareholders of Group Company Portion, Eligible Shareholders/Eligible Shareholders of Group Company means shareholders of our Group Company i.e. Sangam Spinfab Private Limited during the period commencing from the date of filing the Red Herring Prospectus with RoC and the Bid/Issue Closing Date who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement	Agreement entered into amongst our Company, the Registrar to this Issue, the Escrow Collection Banks, the BRLM, the CBRLM and the Syndicate Member 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 clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Account for the Issue will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
Indian National	Indian National as used in the context of the Employee Reservation Portion, a citizen of India as defined under the Indian Citizenship Act, 1955, as amended, who is not an NRI.
Issue	Public Issue of 85,00,000 Equity Shares of Rs. 10/- each for cash at a Price of Rs. [●] per Equity Share aggregating Rs. [●] Lacs (the "Issue") by Our Company under this Red Herring Prospectus.
Issue Closing Date	The date on which the issue closes for subscription by the public
Issue Management Team	The team managing this Issue as set out in the section titled "General Information" in this Red Herring Prospectus
Issue Opening Date	The date on which the Issue opens for subscription by the public
Issue Period	The period between the Issue Opening Date and Issue Closing Date and includes both these dates.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLM and CBRLM on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her/its Bid, being 0% to 100% of the Bid Amount
Memorandum / Memorandum of Association / MoA	The Memorandum of Association of our Company
Net Issue or Net Issue to the Public	The Issue of Equity Shares other than those included in the Employee Reservation Portion and Shareholders of Group Company Portion.

Non-Institutional Bidders	All Bidders who are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.1,00,000
Non-Institutional Portion	The portion of this Issue being not less than 15% of Net Issue to the Public i.e. 10,20,000 Equity Shares of Rs.10 each 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 money at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose payment has not been waived by the Syndicate and are therefore required to pay the maximum Bid Amount into the Escrow Account, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose payment has been initially waived by the Syndicate and are therefore not required to pay the Bid Amount into the Escrow Account on or prior to the Bid/Issue Closing Date, 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. 55 and the maximum price (Cap Price) of Rs. 65 and includes revisions thereof
Pricing Date	The date on which Company in consultation with the BRLM and CBRLM finalizes the Issue Price
Project	Setting-up of unit at village Surangi, Silvassa, Dadra & Nagar Haveli, Union Territory for manufacturing Partially Oriented Yarn (POY) with a capacity of 60,000 T.P.A. (capacity based on manufacturing average 150 Denier)
Prospectus	The Prospectus, filed with the RoC containing, <i>inter alia</i> , this 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(s) to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date
QIB Portion	The portion of this Issue being not more than 50% of the Net Issue to the Public, i.e. 34,00,000 Equity Shares of Rs.10 each available for allocation to QIB's
Qualified Institutional Buyers or QIBs	Public Financial Institution as Defined in Section 4A of the Companies Act, 1956; Scheduled Commercial Banks; Mutual Funds; Foreign Institutional Investor 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 the Insurance Regulatory and Development Authority (IRDA); Provident Funds with Minimum Corpus of Rs. 2,500 Lacs; Pension Funds with Minimum Corpus of Rs. 2,500 Lacs.
Registrar / Registrar to the Issue	Being the Registrar appointed for the Issue, in this case being Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who Bid for Equity Shares of or for a value of not more than Rs. 1,00,000 in any of the bidding options in this Issue
Retail Portion	The portion of this Issue being not less than 35% of Net Issue to the Public i.e. 23,80,000 Equity Shares of Rs. 10 each 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)

RHP or Red Herring Prospectus	The Red Herring Prospectus which will be filed with RoC at least 3 days before the Bid/ Issue Opening Date
Syndicate	The BRLM, the CBRLM and the Syndicate Member
Syndicate Agreement	The agreement to be entered into between our Company and the Members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Member	ENAM Securities Private Limited
TRS or Transaction Registration Slip	The slip or document issued by the Members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLM, the CBRLM and Syndicate Member
Underwriting Agreement	The Agreement between the Underwriters and our Company to be entered into on the Pricing Date
UTISEL	UTI Securities Limited

3. Company / Industry Related Terms

Term	Description
Auditors	Statutory Auditors of our Company being, R.S. Agrawal & Associates, Chartered Accountants
CENVAT	Central Value Added Tax
DEPB	Duty Entitlement Pass Book
D.G. Set	Diesel Generator Set
EOU	Export Oriented Unit
FO	Furnace Oil
HSD	High Speed Diesel
LDO	Light Diesel Oil
MFA	Multi Fibre Arrangement
NFY	Nylon Filament Yarn
POY	Partially Oriented Yarn
Promoters	Mr. Gourishankar Poddar, Chairman and Managing Director of our Company, Mrs. Rajkumari Kanodia, Director and Raj Money Market Limited
Promoter Group/Promoters' Group	As defined in Explanation II of Clause 6.8.3.2 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 and amendments thereof.
PSF	Polyester Staple Fibre
PFY	Polyester Filament Yarn
PTY	Polyester Texturised Yarn
DTY	Draw Texturised Yarn
T.P.A.	Tonnes Per Annum
Unit I	Our manufacturing unit situated at Survey No. 272/1, Dadra, Silvassa, Dadra and Nagar Haveli, UT
Unit II	Our manufacturing unit situated at Survey No. 185/1/1, Dokmardi, Aml, Silvassa, Dadra and Nagar Haveli, UT
Unit III	Our manufacturing unit situated at Survey No. 259/12, Dadra, Silvassa, Dadra and Nagar Haveli, UT
Unit IV	Our manufacturing unit situated at Survey No. 177/1/3 & 177/1/4, Surangi, Silvassa, Dadra and Nagar Haveli, UT (under construction)
VAT	Value Added Tax

4. Abbreviations

Term	Description
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BIFR	Board for Industrial and Financial Reconstruction
BSE	Bombay Stock Exchange Limited
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CIBIL	Credit Information Bureau (India) Limited
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant / DP	A depository participant as defined under the Depositories Act
DRT	Debt Recovery Tribunal
Equity Shares	Equity shares of our Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
EU	European Union
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under
FERA	Foreign Exchange Regulation Act, 1973, now repealed
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995), registered with SEBI under applicable laws in India.
Financial Year / Fiscal / FY / F.Y.	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FIs	Financial Institutions
GOI	Government of India
I.T. Act	The Income-Tax Act, 1961, as amended from time to time
I.T. Rules	The Income-Tax Rules, 1962, as amended from time to time, except as stated otherwise
IDBI	Industrial Development Bank of India
Indian GAAP	Generally accepted accounting principles in India
Insider Trading Regulations	SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, including instructions and clarifications issued by SEBI from time to time
IPO	Initial Public Offer
ISO	International Standards Organisation
J.V.	Joint Venture
L/C	Letter of Credit
MF	Mutual Fund

MOU	Memorandum of Understanding
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NSE	National Stock Exchange of India Limited.
NRE	Non Resident External
NRE Account	Non Resident External Account
NRIs / Non-Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
RBI	Reserve Bank of India constituted under the RBI Act
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time
Registered Office of the Company/ Registered Office of our Company	3A/205, Mittal Industrial Estate, Sakinaka, Andheri (E), Mumbai – 400 059
ROC / RoC	Registrar of Companies, Maharashtra at Mumbai
Rupees or Rs.	The lawful currency of the Republic of India.
SBI	State Bank of India
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	The 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 DIP Guidelines	SEBI (Disclosure and Investor Protection) Guidelines 2000, issued by SEBI effective from January 27, 2000, as amended from time to time, including instructions and clarifications issued by SEBI from time to time.
SIDBI	Small Industries Development Bank of India
Stock Exchange	BSE
US\$ / USD	United States Dollars, the lawful currency of the United States of America
USA	The United States of America
UT	Union Territory

Notwithstanding anything contained hereinabove, capitalized terms used in any extract of our Articles of Association in this Red Herring Prospectus shall have the meaning that has been given to such terms in the Articles of Association of our Company.

II. RISK FACTORS

1. FORWARD-LOOKING STATEMENTS AND MARKET DATA

This Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements.

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, among others:

- Amount that our Company is able to realize from the clients;
- Changes in fiscal, economic or political conditions in India;
- Changes in laws and regulations that apply to the Indian and global textile industries;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.
- Changes in the international interest rates;
- Changes in the value of the Rupee and other currency changes;
- Factors affecting construction activity;
- Increases in labour costs, raw materials prices, prices of plant & machineries and insurance premia;
- Increasing competition in the Indian textile industries;
- Manufacturers’ defects or mechanical problems with Company’s plant & machineries or incidents caused by human error;
- Our ability to successfully implement our strategy, our research and development efforts, our growth and plans and technological changes;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;

For further discussion of factors that could cause our actual results to differ, please see the sections titled “Risk Factors”, “Business Overview” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included on pages 9, 61 and 117 in this Red Herring Prospectus respectively. In the light of inherent risks and uncertainties, the forward-looking statements, events and circumstances discussed in this Red Herring Prospectus might not occur and are not guarantees of future performance. Neither our Company, our Directors and officers, any Underwriter nor any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, for purposes of the Issue, our Company, the BRLM and CBRLM will ensure that investors in India are informed of material developments relating to our business until such time as the grant of listing and trading permission by the Stock Exchange.

Industry and market data used throughout this Red Herring Prospectus has been obtained from industry publications, Government of India sources 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 industry, market and government data used in this Red Herring 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.

2. RISK FACTORS

Risk Envisaged by Management

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

Note: Unless specified or quantified in the relevant risk factors below, our Company is not in a position to quantify the financial or other implication of any risks mentioned hereunder:

A. RELATING TO THE PROPOSED PROJECT

1. *Our Company has ventured into manufacturing of POY, which is totally a new segment for us.*

Our Company's manufacturing activities have been predominantly concentrated in PTY at three units, being Unit I, Unit II and Unit III in Silvassa in Dadra and Nagar Haveli, for which POY (Partially Oriented Yarn) is a raw material. Our Project involves backward integration of our existing PTY manufacturing facilities for setting up a 60,000 T.P.A. POY plant at village Surangi, Silvassa, Dadra & Nagar Haveli. However, we do not have any prior experience in manufacture of POY, and we have always procured it from third parties in the past. We cannot assure that our Project will be commercially successful or viable, or that we will be able to produce the POY that we expect to produce, or that we will produce any POY at all.

2. *There has been a delay in the implementation schedule of the Project*

Our Company had envisaged the overall completion of Project implementation by October 2005, a part of the Project cost being met from proceeds of this Issue. However, pursuant to delay in launching of this Issue, our overall schedule of implementation has been delayed. As per the revised schedule of implementation, the commercial production is expected to start from March 2006 against October 2005, as envisaged earlier. For further details of delay in implementation schedule, please refer section titled "Schedule of Implementation" on page 52 of this Red Herring Prospectus.

3. *The Cost of the Project is subject to cost and time overruns. Further, there has been a revision in Cost for Setting-up a Partially Oriented Yarn (POY) Manufacturing Unit as appraised by SBI.*

Our Project involves setting up of a POY manufacturing unit with a capacity of 60,000 T.P.A. (capacity based on manufacturing average 150 Denier of POY). State Bank of India has appraised the Project and the cost as appraised is Rs. 72.39 crores. We face certain risks in relation to the Project, including the following:

- The budgeted resources for implementation of the Project may be inadequate and we may incur cost overruns, which could adversely affect our financial position and our results of operations;
- We may incur significant capital expenditure in new technologies and machineries. These may result in cost overruns, which could adversely affect our financial position and our results of operations
- Further delays in the scheduled implementation of the Project for any reason, including construction delays, delays in receipt of government approvals or delays in delivery of equipment by suppliers, could adversely affect our financial position;

There has already been a revision of Rs. 3.56 Crores (excluding Public Issue Expenses) in the Cost for Setting-up a Partially Oriented Yarn (POY) Manufacturing Unit as against the appraised cost by SBI aggregating to Rs. 72.39 Crores. Any such further cost and/or time overruns for any reason may adversely impact our business operations and profitability.

4. We are required to apply for one approval for the new project of manufacturing POY at Unit IV.

We are required to apply for one approval pertaining to Unit IV, which we have not yet applied for.

Approval / Consent	Concerned Authority	Remarks
Approval to operate one DG Set of 1500 KVA	Electricity Department, Dadra and Nagar Haveli, Silvassa.	Will be applied once DG set is purchased by our Company

If our Company fails to obtain within the prescribed time, if any, the aforesaid approval, our ability to carry on business, including but not limited to our Project for manufacturing POY at Unit IV, may be materially affected, our Company and its officials may be subject to fines and penalties under relevant legislations, and consequently our Company's turnover and profitability may be adversely affected.

5. We will be dependent on external suppliers for Polyester Chips, which constitutes the largest component of our raw material costs for manufacturing POY

For manufacturing POY, we will be dependent on external suppliers for many of our inputs, especially Polyester Chips, which constitutes the largest component of our raw material cost. Polyester Chips procurement constitutes a significant part of our total lead-time. Any delays or non-conformance to quality requirements by our suppliers can adversely impact our ability to meet our customer's requirements and thus adversely affect our business and results of operations.

6. We have not placed orders or entered into agreements for plant & machineries to be imported aggregating Rs. 390.17 Lacs.

We have not yet placed orders for the plant & machineries to be imported aggregating Rs. 390.17 Lacs (11.86% of the total cost of plant & machineries) out of the total plant & machineries aggregating Rs. 3,288.57 Lacs. All of these plant & machineries are proposed to be imported. Negotiations in respect of technical specifications with some vendors have been commenced and orders will be placed as the negotiations are completed. Any increase in prices or adverse exchange rate fluctuations of these equipments may adversely affect our estimates of Project cost.

7. We have acquired reconditioned second hand plant & machineries aggregating Rs. 988.21 Lacs

For manufacturing POY, major plant & machineries aggregating Rs. 988.21 Lacs are reconditioned, second-hand machineries and have been imported from USA. The details of these reconditioned second hand plant & machineries are given on page 46 of this Red Herring Prospectus under the heading "Business Overview - Brief Details about POY Manufacturing Unit".

8. We have suspended our commercial production on 7 POY lines at Unit IV for technical reasons.

The commercial production of Unit IV on the 7 lines of POY commenced on 31st March 2005. However, since our Company faced some difficulties in erecting the other lines and having the desired quality production on these lines, the management decided, on 8th April 2005, to suspend production on these 7 lines (already erected) and also decided to commence the operations of all the 18 lines at the same time. As on 19th December 2005, trial production on 5 POY lines out of remaining 11 lines has commenced and output is satisfactory.

B. INTERNAL TO OUR COMPANY

1. Liability for penalty under the SEBI(Substantial Acquisition of Shares and Takeovers) Regulations, 1997

As per Regulations 6 (2), 6 (4) and 8 (3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 certain information with regard to the shareholding had to be submitted by our Company to BSE within the time periods specified therein. We had delayed the submission of the required information till 2002. The information was submitted in March 2004. We have received a Notice dated September 10, 2004 from SEBI, in respect of delay and also asking for our Company's consent to agree to pay Rs. 175,000 for the aforesaid violations. Our Company has, vide its letter dated September 29, 2004, agreed to pay the amount and given its consent.

2. Our Chairman and Managing Director, and one of our Promoters, Mr. Gourishankar Poddar is jointly and severally liable as a guarantor in respect of loans and other financial facilities availed by Adhunik Synthetics Limited & Adhunik Yarns Limited

Mr. Gourishankar Poddar, one of our Promoters and our Chairman and Managing Director, was, prior to promoting Raj Rayon, also the Promoter/Director of two companies namely Adhunik Synthetics Limited and Adhunik Yarns Limited. Both these companies are currently non-operational (except for a few minor activities), have defaulted on their loans and debenture repayment obligations and owe huge amounts of money to various banks, financial institutions, Government and other entities. Mr. Gourishankar Poddar disassociated himself with both these companies in 1993. However, his name was associated with some litigations against Adhunik Yarns Limited and Adhunik Synthetics Limited, in respect of some of the loans and other financial facilities availed by these companies, as a guarantor, and in respect of which pursuant to orders passed by the respective Debt Recovery Tribunals, Mr. Gourishankar Poddar is jointly and severally liable (along with the respective companies and other guarantors) to pay the following amounts: .

(a) In relation to litigations pertaining to Adhunik Synthetics Limited : Pursuant to the order passed by the DRT, Mumbai dated 9th November, 2005 in Application No. 1961 of 1999, Mr. Gourishankar Poddar is jointly and severally liable to pay to IDBI, along with Adhunik Synthetics Limited and other guarantors, an amount of 74,91,189/- (Rupees Seventy Four Lacs Ninety One Thousand One Hundred Eighty Nine) with interest @ 6% per annum from April 1, 1999 till full realization, in addition to interest on an amount of Rs. 25,00,000/- (Rupees Twenty Five Lacs) from April 1, 1999 till March 31, 2005.

(b) In relation to litigations pertaining to Adhunik Yarns Limited: Pursuant to the order passed by the DRT, Mumbai dated 24th April, 2003 in Application no. 1962 of 1999, Mr. Gourishankar Poddar is jointly and severally liable to pay to BOB an amount of Rs. 3,98,79,189 (Rupees Three Crores Ninety Eight Lacs Seventy Nine Thousand One Hundred Eighty Nine) along with interest @ 18% per annum from 18th December, 2001 till date of realization.

(c) One-time Settlement(OTS) with IDBI and BOB: We have been informed that both the companies, Adhunik Synthetics Limited and Adhunik Yarns Limited, have received an OTS offer from IDBI in respect of settlement of their dues by paying Rs. 75 lacs. The Companies have paid Rs. 25 lacs and have requested IDBI to grant some time to make the balance payment. IDBI has accepted Rs. 25 lacs and has asked both these companies to settle the balance as soon as possible.

Further, vide letter dated 20th September, 2005 BOB has offered Adhunik Yarns Limited a compromise proposal for Rs. 125 Lacs plus legal/incidental charges of which Rs. 25 Lacs were to be paid immediately on receipt of the letter. However, Adhunik Yarns Limited has not deposited Rs. 15 Lacs of the Rs. 25 Lacs required to be deposited, and has not yet complied with certain other conditions of the said letter dated 20th September, 2005 which BOB has requested them to so pay and comply with vide its letter 2nd November, 2005.

For further details with respect to the aforesaid, please refer to the head “**Outstanding Litigations and Material Developments**” on Page 123 of this RHP. The aforesaid financial implications on Mr. Gourishankar Poddar as guarantor will not devolve upon our Company.

3. All of our facilities are geographically located in one area

All of our manufacturing units (existing and proposed) are based in and around Silvassa. As a result, any localized social unrest, natural disaster or breakdown of services and utilities in Silvassa could have material adverse effect on the business, financial position and results of operations of our Company. Further, continuous addition of industries in and around Silvassa without commensurate growth of its infrastructural facilities may put pressure on the existing infrastructure in Silvassa, which may affect our business. Further, spiraling cost of living in Silvassa may push our manpower cost in the upward direction, which may reduce our margin and cost competitiveness.

4. We have made an application for a trademark, which is pending registration

Vide our letter dated February 2, 2005 we have made an application to The Registrar of Trade Marks, The Trade Marks Registry, Mumbai, for registration of Trade Mark “RAJ RAYON LIMITED with R Logo” in class 25. The registration of the same is awaited.

5. We are subject to risks arising from foreign exchange rate fluctuations, which could adversely affect our business, financial condition and results of operations.

We intend to import some plant & machineries and certain raw materials. Since the cost of these plant & machineries and raw materials is denominated in USD, any adverse fluctuations (over and above Rs. 46 per USD) with respect to the exchange rate of US Dollars for Indian Rupee could adversely affect our business, financial condition and results of operations. We have not hedged our risks against foreign exchange fluctuations in this regard.

6. Unregistered agreements in respect of collection centres

Out of the total of 6 properties taken on lease / tenancy by our Company, we have entered into agreements for three properties out of which two properties, used mainly as cheque collection centres, remain to be adequately stamped as also registered.

7. Monthly tenancies terminable at one month's notice, in respect of various premises

Out of the total 6 properties taken on lease / tenancy by our Company, we have not entered into any agreement in respect of 3 properties, used mainly as cheque collection centers. These properties are on monthly tenancy basis in respect of which we pay rent to the landlords on monthly basis. All such tenancies would be terminable on one month's notice

8. Our success depends in large part upon our senior management and key personnel and our ability to attract and retain them.

We are highly dependent on our senior management and our other key personnel. Our future performance will depend upon the continued services of these persons. Competition for senior management in our industry is intense, and we may not be able to retain our senior management personnel or attract and retain new senior management personnel in the future.

9. We have, as on 31st July, 2005, the following unsecured loans recallable by the lenders at any time, that is, recallable at demand

Name of the Lender	(Rs. in Lacs)	Interest Rate (% P.A.)	Description
Raj Guru Finvest Private Limited	15.19	15	Inter-Corporate deposits
Ruchi Silk Mills Private Limited	20.15	9	Inter-Corporate deposits
Sunstar Mercantile Company Limited*	25.50	Int. Free	Inter-Corporate deposits
Guard Chemicals Pvt. Ltd	40.00	Int. Free	Inter-Corporate deposits
Raj Yarn Private Limited	23.29	9	Inter-corporate deposits
Adhunik Fintrade Limited	44.69	Int. Free	Inter-corporate deposits
Loknath Packaging Pvt. Ltd.	2.00	Int. Free	Inter-corporate deposits
Sangam Spinfab Pvt. Limited	210.29	11	Group / associate company

* The Chairman & Managing Director of our Company is director of this company.

10. There has been a negative cash flow during the period ended on 31st July'2005 in the following activities:

Particulars	Amount (Rs. in Lacs)
Net Cash flow from Operating Activities	(257.59)
Net Cash flow from Investing Activities	(1,515.80)

Negative cash flow from operating activities is mainly due to increase in trade and other receivables during the period. Negative cash flow from investing activities represent amount spent during the period on purchase of fixed assets which includes capital work in process.

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

Our manufacturing activities are relatively labour intensive and dependent on availability of skilled and unskilled labour in large numbers. Large labour intensive operations call for good monitoring and maintenance of cordial relations. Non-availability of labour and/or any disputes between the labour and the management may affect our business operations.

12. We face substantial competition in the textile business, both from Indian and international companies, which may adversely affect our revenues.

We face significant competition from existing players and potential entrants in the Indian textile industry. The Indian textile industry is highly competitive both in the PTY segment and in the POY segment. We have various competitors in the PTY segment. In the POY segment, where we are new entrant; we will face competition from few established players Internationally, we will face competition mainly from large vertically integrated and diversified companies as well as new companies, particularly in China and Indonesia. Some of our international competitors are larger than us and have greater financial resources.

Increased competition could result in price reductions, decreased sales, lower profit margins or losses in market share, any of which could have an adverse effect on our business, results of operations and financial condition. We cannot be certain that we will continue to compete successfully against either current or potential competitors in the future.

13. There are a number of outstanding litigations against our Company.

We are involved in a number of legal proceedings incidental to our business and operations. A brief summary of all these outstanding litigations is mentioned hereunder:

Sr. No.	Nature of Case	Number of Cases	Amount Involved (in Rs.)	Remarks
1.	Penalty for violation of Takeover Regulations	1	Rs. 175,000	Awaiting SEBI's consent order.
2.	Excise cases	7	Rs. 1,40,84,781 excluding penalty and interest not quantified in the course of legal proceedings. *	Four cases pending at adjudication stage, one case is pending before the Commissioner (Appeals) while two cases pending at CESTAT. In two of these four cases pending at adjudication stage, the show cause notices have also been issued against Mr. Gourishankar Poddar, our Chairman and Managing Director, involving an aggregate liability of Rs. 1,27,50,213.
3.	Submission of returns under Textile Committee Act, 1963	1	Rs. 7,82,156	Pending before the Appellate Tribunal.
4.	Cases against Directors	2	Please see S. No. 2. in this table.	Please see S. No. 2 in this table.

* - This amount includes the amount of duty and penalty/interest which has been expressly quantified by statutory authorities in the course of legal proceedings, but does not include any amount which has not been so expressly quantified to-date.

This table as above does not contain 4(four) cases filed by our Company under Section 138 of the Negotiable Instruments Act in respect of dishonour of cheques issued in favour of our Company, amounting to Rs. 22,05,608.00 (Rupees Twenty Two Lacs Five Thousand Six Hundred Eight only). We do not foresee any adverse financial implications on our Company in case of a non-favourable outcome in these cases.

There can be no assurance that these matters will be settled in our favour, and that no further liability will arise out of these claims. For more information regarding outstanding litigations please see the section titled 'Outstanding Litigations and Material Developments' on Page 123 of this Red Herring Prospectus.

14. We have delayed in repayment of principal and interest due on the term loan availed from State Bank of India.

We have delayed in repayment of principal and interest due on the original term loans aggregating Rs. 1,900 Lacs availed from State Bank of India, which has been reported by our Auditor in the Auditor's Reports for financial year 2004-05 and for the four-month period ended 31st July, 2005 . The brief details of the said delays are mentioned hereunder:

Auditor's Report	Period of Delay (Range in Days)	Principal Amount (Rs. in Lacs)	Interest Amount (Rs. in Lacs)
2004-05	1 – 30	70.00	95.70
	31 – 60	55.00	41.35
	Above 60	92.00	42.38
01.04.05 – 31.07.05	1 – 24	*30.00	-
	1 – 11	-	*14.99

*The aforesaid sums do not include delays in repayment of principal amount aggregating to Rs. 70.00 lacs ranging between 1-05 days and for interest amount aggregating to Rs. 23.13 lacs ranging between 1-05 days, as we have given written instructions to the bank to recover the dues towards principal and interest from our cash credit account with the bank on the respective due dates.

Further, during the period from 01.08.05 to 31.10.05, there has been similar delay in payment of principal amount aggregating to Rs. 70 lacs ranging between 1-22 days and for interest amount aggregating to Rs. 42.50 lacs ranging between 1-05 days, inspite of transfer instructions given by us.

However, as on 31st October 2005 there is no overdue principal and/or interest amount.

15. We have not met some of the costs, implementation schedule and projections as mentioned in our Prospectus for IPO.

As per our Prospectus for IPO in 1995, the cost of project and means of finance were estimated aggregating Rs. 263.00 Lacs, whereas the total actual cost of project and means of finance was Rs. 264.78 Lacs, which was 0.68% more than the estimation. Further, the commercial production of the project was started in the month of October 1995 instead of June 1995, as envisaged by us. The variations in the projections during the year 1995-96 were as under:

Particulars					
For the Year		Total Income (Rs. in Lacs)	PAT (Rs. in Lacs)	Dividend (%)	EPS (in Rs.)
1995-96	Projected	1,624.15	87.47	15%	2.92
	Actual	1,449.61	28.27	0.00%	0.94
	Variation %	-10.75%	-67.68%	-100.00%	-67.92%
1996-97	Projected	2,010.20	124.74	20%	4.16
	Actual	2,734.56	151.83	0.00%	5.03
	Variation %	36.03%	21.71%	-100.00%	20.95%
1997-98	Projected	2,010.20	129.67	20%	4.32
	Actual	3,361.86	156.64	0.00%	3.74
	Variation %	67.24%	20.80%	-100.00%	-13.43%

Reasons for Adverse Variations in Promises V/s. Performance

- (a) Total Income & PAT: During the year 1995-96, the projected total income & PAT could not be achieved due to delayed commencement of commercial production on 31st October 1995, as against the expected date of May 1995. This delay was mainly on account of delay in supply of plant & machineries by the supplier.
- (b) Dividend: We did not declare any dividend during these years due to ploughing back of profits for expansion plans.
- (c) EPS: During the year 1995-96, our EPS was lower on account of lower PAT, whereas during 1997-98, it reduced due to further issue of our Equity Shares by way of preferential allotment.

16. Trading in our Equity Shares was suspended by BSE

Due to short notice given for book closure at the time of AGM held in 1997, trading in our Equity Shares was suspended by BSE on 26th August 1997. However, the said suspension was revoked on 8th September 1997.

17. We can have a potential conflict of interest with one of our group companies, Sangam Spinfab Private Limited

Sangam Spinfab Private Limited ("**Sangam Spinfab**"), a company promoted by one of our Promoters, Mr. Gourishankar Poddar, is authorized by its objects clause to carry on manufacturing of yarn. Currently, though Sangam Spinfab is engaged into manufacturing of synthetic fabrics on job work basis, if in future it decides to get into the business of manufacturing of PTY / POY, it may lead to a conflict of interest. Similarly, one of our main objects allows us to undertake manufacturing of fabrics, and in future, if we decide to undertake the business of manufacturing of synthetic fabrics, it may also lead to a conflict of interest with Sangam Spinfab.

18. We have not provided for contingent liabilities

We have not provided for the following contingent liabilities:

Particulars	Rs. in Lacs	
	31.03.05	31.07.05
i Guarantees given by the bankers of our Company net of money kept as margin.	98.60	93.38
ii Demand and show cause notices received by our company:		
Excise Matters:	130.40	143.45
Levy of Cess:	7.82	7.82
iii Estimated amount of contacts remaining to be executed on capital account	273.51	237.27
iv Letter of credit issued by bank	593.73	182.08
v Investments of our company pledged as collateral security for the loan taken by others.	34.00	34.00
vi Unpaid amount of partly paid shares	0.00	0.00
vii Sales bills discounted with SBI Factors and Commercial Services Pvt. Ltd	86.25	99.11
vii Income tax matters:		
a) Disputed Income Tax matters in appeals or effect of order of CIT (A) is yet to be given.	0.77	0.77
b) Effect of order of CIT u/s. 263 is yet to be given*	Amount is Unascertainable	
Total	1225.08	797.88

* As per legal opinion taken, the Board is of the view that the tax status of our company will remain unchanged

19. As per loan agreements executed by us with our bankers, we are subject to several restrictive covenants. We have not complied with one of the covenants in relation to commencement of our trading activities

We have availed of several loans and financial facilities from various banks and financial institutions. The agreements entered into by us and guarantees given by our Promoters, their associates and Group Company for availing such loans and financial facilities contain several restrictive covenants, some of which operate on a day-to-day basis, and the others which operate on any default by us in meeting our repayment obligations, or not complying with the terms of those agreements. These covenants, especially (but not restricted to) those which require us to obtain approval of bankers for undertaking certain activities, and those which operate on default, are restrictive and can prejudicially and adversely affect and continue to affect our current operations and future plans. Further, all our movable and immovable properties have been charged/mortgaged to our lenders for various financial facilities, for which we are subject to restrictions as to dealing in our movable and immovable properties. Our Promoters, their associates and our Group Company, Sangam Spinfab Private Limited, have furnished personal and corporate guarantees in relation to the various financial facilities availed by our Company, in relation to which we are prohibited from paying any guarantee commission. Our Promoter, Raj Money Market Limited, has pledged 20,00,000 Equity Shares with State Bank of India as a collateral security for the financial assistance availed by our Company.

These restrictive covenants (both in respect of short-term and long-term borrowings) include, among others, requiring prior consent of our bankers, in writing, *inter alia*, for:

1. Change or in any way alter capital structure;
2. Formulate any scheme of amalgamation/reconstruction/reconstitution;
3. Implement any scheme of expansion or acquire fixed assets;
4. Undertake any guarantee obligations on behalf of other companies (including group company);
5. Permit transfer of controlling interest or make any drastic changes in management set-up;
6. Declare any dividends until dues to lenders have been paid or satisfactory provision therefore has been made. No dividend can be declared if our Company has defaulted on repayment obligations or our Company has not fulfilled pre-stipulated financial covenants;
7. Invest by way of share capital in or lend or advance funds to or place deposits with any other concern. However, normal trade credit, security deposits in the normal course of business or advances to employees can be extended.
8. Enter into borrowing arrangements either secured or unsecured with any bank, financial institution, company or otherwise accept deposits,
9. Use of funds strictly for the purposes for which they have been lent;
10. Undertake any trading activity other than the sale of products arising from our own manufacturing operations;
11. Monies brought in by the principal shareholders/directors/depositors would not be allowed to be withdrawn without our banker's permission.
12. Our bankers would have option of appointing its nominee on the Board of Directors of the company to look after its interests. Such Directors shall not be required to hold qualification shares and shall not be liable to retirement so long as the credit facilities are outstanding.
13. Our bankers would have a first charge on the profits of our Company, after provision for taxation, for repayment obligations due to our bankers;
14. Additional financial facilities to be released on achieving pre-determined milestones.

During the year 2004-05, we have commenced trading activities of various imported items like ready made garments, sports items, decorative lights & other consumables and items of household / kids use. We were required to obtain no-objection certificate from our bankers prior to commencement of the same, which we did not obtain. We have applied to our bankers for their no-objection to our commencement of trading activities vide letter dated 21st December 2005.

20. Appraiser of our Project, SBI, has mentioned certain risk factors in its appraisal report.

Appraiser of our Project, SBI has mentioned the following risk factors in its appraisal report:

- A) Government policies;
- B) Low margins/profitability;
- C) World Trade Organisation impact.

EXTERNAL AND BEYOND THE CONTROL OF OUR COMPANY

Certain factors that are external and beyond the control of our Company could have a negative impact on our performance, such as:

1. Reduction or termination of policies instituted to promote growth of the textile sector

The Government of India has instituted several policies to promote the growth of the Indian textile sector. These include interest rate subsidies and duty / tax reimbursement schemes like duty drawback / DEPB. Termination

of or variation in the terms of such policies can adversely impact the profitability of textile companies in the country, including us. Further, any change in regulatory environment in relation to manufacturing in India or for marketing our products within and outside India will significantly impact our business.

2. *Increasing employee compensation in India may erode some of our competitive advantage and may reduce our profit margins.*

Wage costs in India have historically been significantly lower than the wage costs in the developed countries for comparably skilled professionals in the textile industry, which has been one of our competitive strengths. However, wage increases in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins. The buoyancy in the Indian textile industry with the opening up of global trade may lead to an increase in wage costs which could result in increased cost for textile professionals. This can impact our performance and margins and may result in a material adverse effect on our business.

3. *Global economic, political and social conditions may harm our ability to do business, increase our costs and negatively affect our stock price.*

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could prevent or block our ability to do business, increase our costs and negatively affect our stock price. These geopolitical social and economic conditions could result in increased volatility in India and worldwide financial markets and economy, and such volatility could prevent or block our ability to do business, increase our costs and negatively affect our stock price.

4. *Regional conflicts in Asia and other export markets could adversely affect the Indian economy, which in turn may disrupt our operations and cause business to suffer.*

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. In recent years there have been military confrontations along the India-Pakistan border. Also, since early 2003, there have been military hostilities and civil unrest in Afghanistan and Iraq. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares and on our business.

5. *Growing competition may adversely affect our operations*

We operate in a globally competitive business environment. We face significant competition from countries such as China, which also have cheap labour and significant production capacities. We may also face competition from other established companies and future entrants into the industry. The growing competition may force us to reduce prices of our products, which may reduce our revenues and margins and/or decrease our market share, either of which could adversely affect our business, financial condition and results of operations.

6. *If we fail to comply with environmental laws and regulations or face environmental litigation, our results of operation may be adversely affected.*

Environmental laws and regulations in India have been increasing in stringency and it is possible that they will become significantly more stringent in the future. If, as a result of compliance or non-compliance with any environmental regulations, any of our units or the operations of such units are shut down, we will continue to incur costs in complying with regulations, appealing any decision to close our facilities, maintaining production at our existing facilities and continuing to pay labour and other costs which continue even if the facility is closed. As a result, our overall operating expenses will increase and our profits will decrease, adversely affecting our business and results of operations

7. *Completion of income tax exemption period in future will increase our income tax liabilities and reduce profit margins*

We currently benefit from income tax exemptions under section 80IB of the Income Tax Act, 1961 for our existing running units, the details of which are mentioned hereunder:

Under Income Tax:

Industrial undertaking setup at / identified as	% of Profit or Gains Exempted	Remaining Assessment Years
Unit II	30	From 2006-2007 to 2007-2008.
Unit III	100	From 2006-2007 to 2007-2008
Unit III	30	From 2008-2009 to 2012-2013.

After completion of the above exemption periods, our income tax liabilities will substantially increase and would result into reduction in profit margins. Further, the Project, which is being set-up at Unit IV will not be eligible for any income tax exemption.

8. Our stock prices have seen a steep growth in recent past, which may not be sustained in future.

Our Equity Shares were not traded frequently on BSE during the period February 2004 till June 2004, and our stock prices were traded between Rs. 14.00 to Rs.21.95, whereas book value of our Equity Shares as on 31st March 2004 was Rs. 24.96. However, from July 2004 onwards there has been a steep growth in the total volume and gradually the price has seen favorable trend, which, in our belief, was combination of overall improvement in the capital market, favorable response to the textile industry by the analysts and overall growth in our business. Investors should note that this trend might not continue, and our share prices may decrease, and decrease substantially from its current levels, even due to factors not within our control. For details regarding our stock prices in the six months before filing this Red Herring Prospectus with SEBI, please refer to paragraph titled "Stock Market Data" on page 143 of this Red Herring Prospectus.

9. The price of our Equity Shares may be highly volatile.

The price of our Equity Shares on BSE or any other stock exchange where our Equity Shares may be listed in future may fluctuate after this Issue as a result of several factors including:

- Volatility in Indian and global securities market;
- Our results of operations and performance;
- Performance of our competitors and perception in the Indian market about investment in the textile sector;
- Adverse media reports, if any, on our Company or the Indian textile industry;
- Changes in the estimates of our performance or recommendations by financial analysts;
- Significant development in India's economic liberalization and de-regulation policies; and
- Significant development in India's fiscal and environmental regulations.

There can also be no assurance that the price at which our Equity Shares are initially traded will correspond to the prices at which our Equity Shares will trade in the market subsequent to this Issue.

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

The Issue Price of our Equity Shares will be determined by the Book Building Process. This price will be based on numerous factors (discussed in the section "Basis for Issue Price" on page 54 of this Red Herring Prospectus) and may not be indicative of the market price for our Equity Shares after the Issue.

The market price of our Equity Shares could be subject to significant fluctuations after the Issue, and may decline below the Issue Price. We cannot assure you that you will be able to resell your Equity Shares at or above the Issue Price. Among the factors that could affect our share price are:

- Quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- Changes in revenue or earnings estimates or publication of research reports by analysts;

- Speculation in the press or investment community;
- General market conditions; and
- Domestic and international economic, legal and regulatory factors unrelated to our performance.

11. Our operations may be adversely affected in case any advancement in the manufacturing process of the products being manufactured by our Company is patented by any other manufacturer.

We are employing various processes to manufacture our product i.e., Texturised Yarn. If any advancement or new developments in such manufacturing processes are patented by any other manufacturer, our business and results of operations may be adversely affected.

Notes to Risk Factors

1. Pre-Issue Net worth of our Company as on March 31, 2005 is Rs.2535.85 Lacs and as on July 31, 2005 is Rs 2896.92 Lacs.
2. Size of the present Issue – 85,00,000 Equity Shares of Rs.10 each for Cash at a Price of Rs. [●] per Equity Share, aggregating Rs. [●] Lacs. The Face Value of the Equity Shares is Rs. 10 and the Issue Price is [●] times of the Face Value.
3. The average cost of acquisition of existing Equity Shares of our Promoters is as under:

Mr. Gourishankar Poddar:	Rs. 5.31 per share
Mrs. Rajkumari Kanodia:	Rs. 4.16 per share
Raj Money Market Limited:	Rs. 11.84 per share
4. Book value of the Equity Shares of our Company as on 31st March 2005 and as on 31st July 2005 was Rs. 29.77 and Rs. 34.01 per Equity Share respectively.
5. Investors are advised to refer to the paragraph on “Basis for Issue Price” on page 54 of this Red Herring Prospectus before making an investment in this Issue.
6. Investors should note that in case of oversubscription in the Issue, allotment will be made on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders, as also to Employees of our Company under the Employee Reservation Portion and Shareholders of our Group Company, Sangam Spingab Private Limited under the Shareholders of Group Company Portion. Please refer to the paragraph titled “Basis of Allotment or Allocation” on page 163 of this Red Herring Prospectus.
7. Investors may contact the BRLM, CBRLM, Syndicate Member or the Compliance Officer for any complaint or clarification or information pertaining to the Issue.
8. For Related Party Transactions, please refer “Related Party (Transaction) Disclosure” as mentioned under Sr. No. 7 of “Notes forming part of Accounts” of the Auditors’ Report on page 87 of this Red Herring Prospectus.

III. INTRODUCTION

1. SUMMARY

You should read the following summary with the Risk Factors included from page 9 to 20 and the more detailed information about us and our financial statements included in this Red Herring Prospectus.

(i) Summary of the industry and our business

Indian Textile Industry

Textile Industry is one of India's largest industries, after agriculture. It provides direct employment to about 350 Lacs people. Besides this, there are a large number of ancillary industries that are dependent upon this sector such as, manufacturing various machines, accessories, stores, ancillary items and chemicals. Known globally for its skill and craftsmanship, the Indian textile industry is also one of the largest export earners and accounts for about 35% of the gross export earnings in trade. Trade restrictions have hitherto kept the Indian textile industry from soaring to the height it is capable of but this is expected to change post January 2005, as the quota restrictions have been removed. (Source: www.texmin.nic.in)

Due to the population explosion, the growing demand for clothing needs of the people cannot be met by natural fibers like cotton alone because of their limited availability. Thus, man-made fibers have a crucial role to play in this area. Therefore, the Indian market is fast gearing up to replace cotton by polyester cloth and synthetic fabrics.

Our Business

Our Company has been in the Polyester Industry for more than a decade and since incorporation we have been engaged into the manufacture of Polyester Texturised Yarn (PTY), which is used in the process of weaving of fabric used for suiting, shirting, dress materials, saree, hosiery, knitted fabric, zipper fastener, curtain & industrial cloth as also to manufacture fancy yarn for high value dress materials and upholstery. Over a period of time, we have set-up three texturing units with different manufacturing capacities i.e. Unit I with 1,200 T.P.A., Unit II with 5,200 T.P.A. & Unit III with 15,240 T.P.A. (all capacities are based on manufacturing texturised yarn of 80 Denier). However, considering the current product mix of 80 & 150 Denier (70% of 80 Denier and 30% of 150 Denier), our manufacturing capacity approximates 25,500 T.P.A. from Unit I, Unit II and Unit III.

With an objective to avail benefits of backward integration by manufacturing POY, which is the key raw material for our existing product – PTY, and also to exploit the growing market for POY (which is expected to grow at nearly 5.6% in the medium term as per the CRIS INFAC Annual Review November 2003 Report), we are setting-up our fourth unit at village Surangi, Silvassa for manufacturing Partially Oriented Yarn (POY) with an estimated total capacity of 60,000 T.P.A. (capacity based on manufacturing average 150 Denier). Out of this total 60,000 T.P.A. of POY, about half of the production (at a manufacturing capacity of 85%) will be used for manufacturing PTY, whereas the balance production will be sold off in the domestic market.

During the year 2004-05, we have entered into trading activities of various imported items like ready made garments, sports items, decorative lights & other consumables and items of household / kids use. We are currently selling these items to Pantaloon Retail (India)Limited (BIG BAZAAR) outlets all over India.

(ii) Issue Details in Brief

Equity Shares being issued by our Company to the Public	85,00,000 Equity Shares
Of which:	
Employee Reservation Portion⁽¹⁾	8,50,000 Equity Shares (Allocation on a proportionate basis)
Shareholders of Group Company Portion⁽²⁾	8,50,000 Equity Shares (Allocation on a proportionate basis)
Net Issue to the Public:	68,00,000 Equity Shares
Qualified Institutional Buyers Portion	Up to 34,00,000 Equity Shares (Allocation on a discretionary basis)
Non-Institutional Portion	At least 10,20,000 Equity Shares (Allocation on a proportionate basis)
Retail Portion	At least 23,80,000 Equity Shares (Allocation on a proportionate basis)
Note: Under-subscription, if any, in any of the three categories would be allowed to be met with spillover from the other categories, at the sole discretion of our Company and the BRLM and CBRLM.	
Equity Shares Outstanding Prior to the Issue	85,17,700 Equity Shares
Equity Shares Outstanding After the Issue	1,70,17,700 Equity Shares
Objects of the Issue	Please see "Objects of the Issue" on page 40 of this Red Herring Prospectus.

RAJ RAYON LIMITED

⁽¹⁾ For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees / executive directors of our Company during the period commencing from the date of filing the Red Herring Prospectus with RoC and the Bid/Issue Closing Date who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.

⁽²⁾ For the purpose of the Shareholders of Group Company Portion, Eligible Shareholders means shareholders of our Group Company i.e. Sangam Spinfab Private Limited during the period commencing from the date of filing the Red Herring Prospectus with RoC and the Bid/Issue Closing Date who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.

(iii) Summary Financial, Operating and Other Data

The following summary financial data has been prepared in accordance with the Companies Act and the SEBI Guidelines and restated as described in the Auditors' Report of M/s. R.S. Agrawal & Associates, Chartered Accountants dated 16th December 2005 in the section titled "Financial Information of our Company". You should read this financial data in conjunction with our Company's financial statements for each of Fiscal 2001, 2002, 2003, 2004, 2005 and for the 4 months period ended July 31, 2005, including the Notes thereto and the Reports thereon, which appears on page 87 under sub-heading "Auditors' Report" in this Red Herring Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements" on page 117 of this Red Herring Prospectus.

Statement of Profit & Loss Account, as restated:

Rs. in Lacs

Particulars	Year / Period ended 31st March					01.04.05 -
	2001	2002	2003	2004	2005	31.07.05
Period (In months)	12	12	12	12	12	4
INCOME:						
Net Sales	8,842.81	9,507.74	10,585.77	11,214.92	15,359.68	5,928.06
Other Income	2.48	20.91	58.84	66.39	137.47	96.28
Total Income	8,845.28	9,528.65	10,644.61	11,281.31	15,497.15	6,024.34
EXPENDITURE						
Cost of Goods Sold	7,278.55	7,729.93	8,986.14	9,154.95	12,938.54	4,799.33
Staff Cost	81.37	96.41	88.72	79.95	78.61	25.90
Other Manufacturing Expenses	931.78	815.02	720.30	947.18	1114.43	455.41
Administrative Selling and Other Expenses	61.89	65.89	73.26	80.31	65.21	25.31
Depreciation	139.29	335.87	259.89	336.43	440.81	172.26
Interest	169.66	198.86	181.61	179.99	236.46	109.48
Total Expenditure	8,662.53	9,241.98	10,309.92	10,778.81	14,874.06	5,587.69
Net Profit before tax and extraordinary items	182.76	286.67	334.69	502.50	623.09	436.65
Provision for Taxation:						
Current Tax	16.50	24.50	28.4	42.28	49.09	95.17
Deferred Tax	0.00	-20.58	97.65	132.13	60.07	(22.88)
Fringe Benefit Tax						2.32
Net Profit before extraordinary items	166.26	282.75	208.64	328.09	513.92	362.05

Statement of Assets and Liabilities, as restated:

Rs. in Lacs

Particulars	As at 31st March					Four months ended
	2001	2002	2003	2004	2005	31.07.05
Total Fixed Assets (Net Block)	1,054.76	1,668.23	2,123.57	3,515.18	5,375.10	6,717.53
Investments	51.14	51.01	51.01	51.01	51.01	51.01
Current Assets, Loans and Advances						
Inventories	343.57	318.70	497.27	544.00	840.98	739.25
Sundry Debtors	537.46	892.43	938.20	1,621.83	2,385.68	3,146.24
Cash and Bank Balances	25.96	41.53	38.86	70.53	267.81	137.83
Loans and Advances	379.82	199.87	320.84	354.97	998.71	1,390.36
Other Current Assets	-	-	-	-	-	-
Total Current Assets, Loans and Advances	1,286.82	1,452.53	1,795.17	2,591.33	4,493.18	5,413.68
Liabilities and Provisions						
Secured Loans	937.08	1,342.67	1,781.44	2,942.56	3,629.78	5,317.44
Unsecured Loans	106.82	-	-	77.24	917.58	881.12
Current Liabilities and Provisions	149.83	359.41	304.02	650.67	2,415.14	2688.69
Deferred Tax Liability	-	131.09	228.74	360.87	420.94	398.06
Total Liabilities and Provisions	1,193.72	1,833.17	2,314.20	4,031.34	7,383.43	9,285.30
Net worth	1,199.00	1,338.60	1,655.55	2,126.19	2,535.85	2,896.92
Represented by						
Share Capital	501.77	501.77	651.77	851.77	851.77	851.77
Reserves (Net of Revaluation Reserves)	723.99	855.23	1,013.82	1,276.09	1,693.70	2,055.75
Miscellaneous Expenditures	(26.76)	(18.40)	(10.04)	(1.68)	(9.62)	(10.61)
Net worth	1,199.00	1,338.60	1,655.55	2,126.19	2,535.85	2,896.92

2. GENERAL INFORMATION**RAJ RAYON LIMITED**

(Incorporated as a limited company under the Companies Act, 1956 on August 17, 1993 with the Registrar of Companies, Maharashtra and obtained Certificate of Commencement of Business on September 01, 1993)

Registered Office: 3A/205, Mittal Industrial Estate, Sakinaka, Andheri (E), Mumbai – 400 059.

Tel: 91-22- 2850 8905 / 06 Fax: 91-22- 2852 3574

E-mail: rrlpublicissue@rajrayon.com Contact Person: Mr. Pradeep Kumar Agrawal

Company Registration No.: 11-73489

Registrar of Companies: Everest, 100, Marine Drive, Mumbai – 400 002.

Our Board of Directors

Name of Director	Designation
Mr. Gourishankar Poddar	Chairman and Managing Director
Mrs. Rajkumari Kanodia	Director
Mr. Jagdish Chandra Somani	Director
Mr. Vinod Kumar Jain	Director
Mr. Ashok Trehan	Director (Technical)
Mr. Neraj Agarwal	Additional Director

Brief Profile of our Executive Directors**Mr. Gourishankar Poddar, Chairman & Managing Director**

Mr. Gourishankar Poddar, aged 44 years, is in the textile business for more than 25 years. He started his career as a retailer in Purulia (West Bengal) and later on shifted to Mumbai. After gaining trading experience in textiles, in 1982, he became one of the promoters of Adhunik Synthetics Limited along with his uncle and others. After few years, in 1987, one more company in the name of Adhunik Yarns Limited was promoted by his uncle's family, where Mr. Gourishankar Poddar was also one of the Promoters.

Later on, in 1993, Mr. Poddar promoted our Company and disassociated himself from the aforesaid Adhunik Synthetics Limited & Adhunik Yarns Limited. Mr. Poddar was appointed as the Managing Director of our Company on April 1, 1994 for 5 years, which has been renewed from time to time. His current appointment expires on March 31, 2009. He was also designated as the Chairman of the Board with effect from January 15, 2001. Mr. Poddar has overall control and management of our Company, subject to the supervision, control and direction of our Board of Directors.

Under the leadership of Mr. Poddar, our Company has set-up three full-fledged manufacturing units, one at Village Amli and two at Village Dadra, Silvassa with a total production capacity of 25,500 T.P.A. of PTY [considering the product mix of 80 & 150 Denier (70% of 80 Denier and 30% of 150 Denier)] and the fourth manufacturing unit with a production capacity of 60,000 T.P.A. of POY (capacity based on manufacturing average 150 Denier) is being set-up at Village Surangi, Silvassa.

Mr. Ashok Trehan, Director (Technical)

Mr. Ashok Trehan, aged 51 years, is B.Tech (Textile) from Technological Institute of Textiles, Bhiwani. He has been appointed as Director (Technical) on a whole time basis with effect from January 31, 2005. Mr. Trehan has more than 28 years of experience in textile industries. He has experience in the field of production, product development, modification of equipment and new projects. He has worked with companies like P.T. Indorama (Indonesia), Parasrampur Synthetic, Haryana Petro Chemical Limited and Shree Synthetics. He has handled POY & DTY project of Indorama (Indonesia). He has also handled POY & Poly Yarn projects of Haryana Petro Chemical Limited.

Mr. Ashok Trehan was appointed as Whole-time Director of our Company under the provisions of Section 269 of the Companies Act, read with Schedule XIII thereof, and his appointment has been approved by the Central Government (Ministry of Company Affairs, Government of India) vide Letter No. 1/176/2005-CL.VII dated 12th August, 2005.

Company Secretary and Compliance Officer

Mr. Pradeep Kumar Agrawal,
President (Finance) and Company Secretary,
Raj Rayon Limited,

3A/205, Mittal Industrial Estate,
Sakinaka, Andheri (E), Mumbai – 400 059.

Tel: 91-22- 2850 8905 / 06

Fax: 91-22- 2852 3574

E-mail: rrlpublicissu@rajrayon.com

Bankers to our Company

State Bank of India

Backbay Reclamation Branch,
Raheja Chambers, Free Press Journal Marg,
Nariman Point, Mumbai - 400 021.

Tel.: 91-22- 2284 2196 / 2204 9830

Fax: 91-22-2204 3252 / 2204 3293

E-mail: sbibbr@bol.net.in

State Bank of Indore

Fort Branch,
Empire House, 214, Dr.D.N. Road,
Fort, Mumbai-400 001,

Tel.: 91-22- 2207 2672 / 2207 2927

Fax: 91-22-2207 2671

E-mail: sbn3002@sbindore.co.in

State Bank of Mysore

Mumbai Main Branch,
224, Mittal Court 'C' Wing,
Mumbai - 400 021,

Tel.: 91-22- 2285 1779 / 2283 0152

Fax: 91-22-2282 3895

E-mail: mumbai@sbm.co.in

Issue Management Team

BOOK RUNNING LEAD MANAGER TO THE ISSUE

UTI Securities Limited

SEBI Regn. No. INM000007458

MAPIN No.: 100000489

1st Floor, Dheeraj Arma,
Anant Kanekar Marg, Station Road
Bandra(East), Mumbai – 400 051.

Tel: 91-22- 5551 5806 / 801 Fax: 91-22- 5502 3194

Website: www.utisel.com

Email: rajrayon@utisel.com

Contact Person: Mr. Hitesh Mandot

CO-BOOK RUNNING LEAD MANAGER TO THE ISSUE

Centrum Capital Limited

SEBI Regn. No. INM000010445

MAPIN No.: 100016915

Khetan Bhavan, 5th Floor,
198, J. Tata Road, Churchgate,
Mumbai – 400 020.

Tel: 91-22- 2202 3838

Fax: 91-22- 2204 6096

Website: www.centrum.co.in

E-mail: rajrayon@centrum.co.in

Contact Person: Mr. Mayank Dalal

REGISTRAR TO THE ISSUE

Intime Spectrum Registry Limited

SEBI Regn. No.: INR000003761

MAPIN No.: 100002071

C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W), Mumbai – 400 078.
Tel: 91-22- 2596 0320 (9 Lines) Fax: 91-22- 2596 0329
Website: www.intimespectrum.com
E-mail: rajrayonpi@intimespectrum.com
Contact Person: Mr. Vishwas Attavar

Note: Investors can contact the Compliance Officer in case of any pre-Issue related problems. In case of post-Issue related problems such as non-receipt of letters of allotment / share certificates / credit of securities in depositories beneficiary account / refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

HDFC BANK LTD.

26A, Narayan Properties,
Chandivali Farm Road,
Saki Naka, Andheri (E),
Mumbai.
Tel: 91-22-28569228 Fax: 91-22-28569526
Website: www.hdfcbank.com
Email: viral.kothari@hdfcbank.com
Contact Person: Mr. Viral Kothari

**THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
(HSBC)**

52/60, Mahatma Gandhi Road,
Mumbai - 400 001
Tel: 91-22-2267 4921 Fax: 91-22-2273 4388
Website: www.hsbc.co.in
Email: dhirajbajaj@hsbc.co.in
Contact Person: Mr. Dhiraj Bajaj

ICICI BANK LTD.

ICICI Bank Division,
Capital Market Division,
30, Mumbai Samachar Marg,
Mumbai - 400 001
Tel: 91-22-22655285 Fax: 91-22-22611138
Website: www.icicibank.com
Email: sidhartha.routray@icibank.com
Contact Person: Mr. Sidhartha Sankar Routray

STANDARD CHARTERED BANK

270, D. N. Road, Fort,
Mumbai - 400 001
Tel: 91-22-22683965 Fax: 91-22-22092213
Website: www.standardchartered.co.in
Email: banhid.bhattacharya@in.standardchartered.com
Contact Person: Mr. Banhid Bhattacharya

BROKERS TO THE ISSUE

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

SYNDICATE MEMBER

Enam Securities Pvt. Ltd.

Khatau Building, 2nd Floor,
44, Bank Street,
Mumbai – 400 023.
Tel: 91-22- 2267 7901
Fax: 91-22- 2266 5613
Contact Person : Mr. Ajay Seth
E-mail: ajays@enam.com
Website: www.enam.com

LEGAL ADVISOR TO THE ISSUE

Crawford Bayley & Co.

Advocates, Solicitors & Notaries
State Bank Buildings, 4th Floor,
N.G.N. Vaidya Marg,
Mumbai – 400 023.
Tel: 91-22- 2266 3353
Fax: 91-22- 2266 3978
E-mail: sanjay.asher@crawfordbayley.com

AUDITORS TO OUR COMPANY

**R. S. Agrawal & Associates,
Chartered Accountants,**

20, Kanu Bhawan, 2nd Floor,
22/24, Chewool Wadi,
Dr. M.B. Velkar Street (Kolbhat Lane)
Mumbai – 400 002.
Tel: 91-11- 2205 8181/ 82
Fax: 91-11- 2205 8183
E-mail: rsagrawal@vsnl.net

APPRAISING ENTITY

State Bank of India,

Backbay Reclamation Branch,
Raheja Chambers, Free Press Journal Marg,
Nariman Point, Mumbai 400 021
Tel.: 91-22- 2284 2196 / 2204 9830
Fax: 91-22-2204 3252 / 2204 3293
E-mail: sbibbr@bol.net.in

Statement of Inter-Se Allocation of Responsibility

The responsibilities and co-ordination for various activities in this Issue have been distributed between the BRLM and the CBRLM as under:

Sr. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments etc.	UTISEL	UTISEL
2.	Due diligence of our Company's Operations/ Management/ Business Plans/ Legal etc. Drafting and design of the Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of Prospectus and RoC filing of the same.	UTISEL	UTISEL
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, roadshow presentations, FAQs, corporate films etc.	UTISEL	UTISEL
4.	Appointment of other intermediaries viz. Registrar, Printers, Advertising Agency and Bankers to the Issue.	UTISEL	UTISEL
5.	Marketing of the Issue, which will cover, <i>inter alia</i> , Formulating marketing strategies, Preparation of publicity budget, Finalizing the list and division of investors for one to one meetings, Finalizing roadshow schedule and investor meeting schedules, Finalizing Media & PR strategy, Finalizing centers for holding conferences for brokers etc., Finalizing collection centers, and Follow-up on distribution of publicity and issue material including form, Prospectus and deciding on the quantum of the Issue material.	UTISEL & CCL	UTISEL
6.	Managing the Book, co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading and finalization of pricing and institutional allocation in consultation with the Company.	UTISEL & CCL	UTISEL
7.	The post bidding activities including management of escrow accounts, coordination for non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post issue activities will involve essential follow-up steps, which include the finalization of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.	UTISEL & CCL	CCL

Credit Rating

This being an Issue of Equity Shares, credit rating is not required.

Trustee

This being an Issue of Equity Shares, appointment of Trustee is not required.

Book Building Process

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

- Our Company;
- Book Running Lead Manager;
- Co- Book Running Lead Manager; and

- Syndicate Member who is intermediary registered with SEBI or registered as broker with the Stock Exchange(s) and eligible to act as underwriter.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a discretionary basis. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLM, CBRLM and Syndicate Member to procure subscriptions to the Issue.

The Book building process under the SEBI Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to amendments to the SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. See "Terms of the Issue" on page 145 of this Red Herring Prospectus for more details.

Steps to be taken by the Bidders for Bidding:

- Check whether he/she is eligible for bidding including having regard to all applicable Indian laws, rules, regulations, guidelines and approvals;
- A Bidder must necessarily have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

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

The Bidders can bid at any price within the Price Band. For instance, assume a Price Band of Rs.60 to Rs.72 per Equity Share, Issue size of 5,400 Equity Shares and receipt of five Bids from the Bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the Bidding/Issue Period. The illustrative book as set forth below shows the demand for the Equity Shares of our Company at various prices and is collated from Bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
1,500	72	1,500	27.78%
3,000	69	4,500	83.33%
4,500	66	9,000	166.67%
6,000	63	15,000	277.78%
7,500	60	22,500	416.67%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired quantity of Equity Shares is the price at which the book cuts off, i.e., Rs.66 in the above example. Our Company, in consultation with the BRLM and CBRLM, will finalize the Issue Price at or below such cut off price, i.e., at or below Rs.66. All Bids at or above this Issue Price and cut-off Bids are valid Bids and are considered for allocation in the respective category.

Underwriting Agreement

After the determination of the Issue Price and prior to filing of the Prospectus with the RoC, our Company and the Underwriters will enter into an Underwriting Agreement for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM and the CBRLM shall be responsible for bringing in the amount devolved in the event that the members of the Syndicate do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

RAJ RAYON LIMITED

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

(This portion has been intentionally left blank and will be completed prior to filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Lacs)
UTI Securities Limited 1st Floor, Dheeraj Arma, Anant Kanekar Marg, Station Road, Bandra(East), Mumbai – 400 051. Tel: 91-22- 5551 5806 / 801 Fax: 91-22- 5502 3194 E-mail: rajrayon@utisel.com	[●]	[●]
Centrum Capital Limited Khetan Bhavan, 5th Floor, 198, J. Tata Road, Churchgate, Mumbai – 400 020. Tel: 91-22- 2202 3838 Fax: 91-22- 2204 6096 E-mail: rajrayon@centrum.co.in	[●]	[●]
Enam Securities Pvt. Ltd. Khatau Building, 2nd Floor, 44, Bank Street, Mumbai – 400 023. Tel: 91-22- 2267 7901 Fax: 91-22- 2266 5613 E-mail: ajays@enam.com	[●]	[●]

The above Underwriting Agreement is dated [●].

In the opinion of our Board of Directors and the BRLM (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchange(s).

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

Notwithstanding the above table, the BRLM, the CBRLM and 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 in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe to the extent of the defaulted amount as specified in the Underwriting Agreement. Allotment to QIBs is discretionary as per the terms of this Red Herring Prospectus and may not be proportionate in any way and the patterns of allotment to the QIBs could be different for the various Underwriters.

3. CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Red Herring Prospectus with SEBI is as set forth below:

No. of Shares		Nominal Value (Rs.)	Aggregate Value (Rs.)
A. AUTHORISED CAPITAL			
30,000,000	Equity Shares of Rs. 10/- each	300,000,000	
B. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
8,517,700	Equity Shares of Rs. 10/- each	85,177,000	
C. PRESENT ISSUE TO THE PUBLIC IN TERMS OF THIS RED HERRING PROSPECTUS			
8,500,000	Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	85,000,000	[●]
Out of which			
850,000	Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share are reserved for allotment to Permanent Employees (including Executive Directors) of our Company on a competitive basis	8,500,000	[●]
850,000	Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share are reserved for allotment to Shareholders of Group Company ⁽¹⁾ on a competitive basis	8,500,000	[●]
D. NET ISSUE TO THE PUBLIC IN TERMS OF THIS RED HERRING PROSPECTUS			
6,800,000	Equity Shares of Rs. 10/- each at a premium of Rs. [●]/- per share	68,000,000	[●]
E. PAID UP CAPITAL AFTER THE PRESENT ISSUE (INCLUDING SHARE PREMIUM)			
17,017,700	Equity Shares of Rs. 10/- each	170,177,000	[●]
F. SHARE PREMIUM ACCOUNT			
	Before the issue		Nil
	After the issue		[●]

⁽¹⁾ Group Company refers to Sangam Spinfab Private. Limited

Notes to the Capital Structure

1) Details of Increase in Authorised Capital

Sr. No.	Particulars of Increase	Date of Meeting	Nature of Meeting
1.	Rs.25 Lacs	Incorporation	-
2.	Rs.25 Lacs to Rs. 100 Lacs	01.12.93	EGM
3.	Rs.100 Lacs to Rs.350 Lacs	30.09.94	AGM
4.	Rs.350 Lacs to Rs.550 Lacs	30.05.97	EGM
5.	Rs.550 Lacs to Rs.700 Lacs	30.04.02	EGM
6.	Rs.700 Lacs to Rs.900 Lacs	06.12.03	EGM
7.	Rs.900 Lacs to Rs.1,800 Lacs	30.09.04	AGM
8.	Rs.1,800 Lacs to Rs.3,000 Lacs	27.12.04	EGM

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2) Capital Build-up: The existing share capital of our Company has been subscribed and allotted as under:

Date of Allotment / Fully Paid-up	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Remarks	Cumulative No. of Equity Shares	Cumulative Paid-up Capital (Rs.)
17.08.93	700	10	10	Cash	Subscription to the Memorandum	700	7,000
11.01.94	478,700	10	10	Cash	Further Allotment	479,400	4,794,000
30.07.94	171,900	10	10	Cash	Further Allotment	651,300	6,513,000
12.10.94	218,700	10	10	Cash	Further Allotment	870,000	8,700,000
27.04.95	690,000	10	10	Cash	Firm Allotment to Promoters, their Friends, Relatives and Associates	1,560,000	15,600,000
22.06.95*	1,457,700	10	10	Cash	Initial Public Issue	3,017,700	30,177,000
29.08.97	2,000,000	10	10	Cash	Preferential Allotment to Promoters and Promoters' Group	5,017,700	50,177,000
15.05.02	1,500,000	10	10	Cash	Preferential Allotment to Promoters and Promoters' Group	6,517,700	65,177,000
04.03.04	2,000,000	10	10	Cash	Preferential Allotment to specified persons	8,517,700	85,177,000
TOTAL	8,517,700						85,177,000

* Allotment made pursuant to Equity Shares issued through our IPO, wherein Rs. 5/- per share was payable on application by Indian public and the balance Rs. 5/- per share was payable on allotment. The balance amount of Rs. 5/- per share payable on allotment was received over a period of time, which ended during the financial year 2000-01.

3) As certified by the statutory auditors of our Company, M/s. R.S. Agrawal & Associates, we have complied with all applicable provisions / guidelines issued by SEBI in respect of all three Preferential Issues of Equity Shares made by us on 29th August 1997, 15th May 2002 and 4th March 2004 and all the Equity Shares issued through preferential allotment were listed on the concerned stock exchanges accordingly.

4) As on date of filing of this Red Herring Prospectus with SEBI, the entire issued capital of our Company is fully paid-up.

5) The requirement of Promoters Contribution is not applicable as per the details given below:

Exemption as per Clause 4.10.1(a)

- Our Company's shares have been listed on BSE for at least three years
- Our Company has a track record of dividend payment for at least three immediately preceding years, details of which are as under:

Particulars	2002-03	2003-04	2004-05
Dividend Paid (%)	7%	7%	10%

6) Promoters' Contribution and Lock-in Period:

Our Company has three Promoters, Mr. Gourishankar Poddar, Mrs. Rajkumari Kanodia and Raj Money Market Limited, whose name figures in the Red Herring Prospectus as "Promoters". The holding and lock-in period details of our 'Promoters' are mentioned hereunder:

Sr. No.	Name of Promoters	Date of Allotment / Transfer and Made Fully Paid-up	Consi-deration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue Paid-up Capital	Lock in Period (Years)
1	Mr. G.S. Poddar	MoA	Cash	100	10	10.00		**
		11.01.94	Cash	87,700	10	10.00		**
		30.07.94	Cash	26,000	10	10.00		**
		12.10.94	Cash	32,700	10	10.00		**
		27.04.95	Cash	117,300	10	10.00		**
		23.02.96	Cash	12,200	10	10.00		**
		27.03.96	Cash	1,000	10	7.61		**
		27.03.97	Cash	(112,500)	10	8.00		**
		27.03.97	Cash	(9,700)	10	8.00		**
		29.08.97	Cash	75,000	10	10.00		**
		19.08.98	Cash	40,000	10	10.00		**
		26.03.02	Cash	(75,000)	10	7.00		**
		01.09.03	Cash	(130,500)	10	14.23		**
		01.09.03	Cash	(24,300)	10	14.23		**
			Sub-Total			40,000		
2	Mrs. Rajkumari Kanodia	11.01.94	Cash	61,500	10	10.00		**
		30.07.94	Cash	66,500	10	10.00		**
		12.10.94	Cash	113,500	10	10.00		**
		27.04.95	Cash	57,000	10	10.00		**
		27.03.96	Cash	2,000	10	6.50		**
		27.03.96	Cash	(50,300)	10	15.90		**
		27.03.96	Cash	(25,000)	10	10.00		**
		27.03.96	Cash	(11,200)	10	10.00		**
		29.08.97	Cash	10,000	10	10.00		**
		15.05.02	Cash	900	10	10.00		**
	15.05.02	Gift	126,500	10	-		**	
	16.06.03	Gift	116,100	10	-		**	
	Sub-Total			467,500			2.75%	**
3	Raj Money Market Limited	27.03.96	Cash	99,100	10	10.35		**
		16.08.96	Cash	16,000	10	6.32		**
		16.08.97	Cash	4,400	10	6.20		**
		29.08.97	Cash	1,724,100	10	10.00		**
		25.05.98	Cash	(100)	10	5.05		**
		21.03.00	Cash	(500)	10	3.50		**
		15.05.02	Cash	1,383,000	10	10.00		**
		07.01.04	Cash	(181,200)	10	17.65		**
		23.01.04	Cash	(20,000)	10	19.95		**
			Sub-Total			3,024,800		
	Grand Total			3,532,300			20.76%	**

** Refer Point 5 above

The holding details of our 'Promoter Group' are mentioned hereunder:

Sr. No.	Name of Person forming Promoter Group	Date of Allotment / Transfer and Made Fully Paid-up	Consideration	No. of Shares	Face Value (Rs.)	Issue / Transfer Price (Rs.)	% of Post Issue Paid-up Capital
1.	Mohit Poddar	30.07.94	Cash	20,000	10	10.00	
		12.10.94	Cash	400	10	10.00	
		27.04.95	Cash	2,600	10	10.00	
		Sub-Total		23,000			0.14
2.	Pooja Poddar	11.01.94	Cash	20,000	10	10.00	
		27.03.96	Cash	(20,000)	10	6.50	
		29.08.97	Cash	600	10	10.00	
		Sub-Total		600			0.00
3	Shashi Poddar	MOA	Cash	100	10	10.00	
		11.01.94	Cash	35,000	10	10.00	
		27.03.96	Cash	(28,800)	10	6.50	
		27.03.97	Cash	9,700	10	3.00	
		Sub-Total		16,000			0.09
4	Gayatri Devi Poddar	27.04.95	Cash	4,800	10	10.00	
		Sub-Total		4,800			0.03
5	Sajjan Poddar	27.04.95	Cash	9,800	10	10.00	
		27.04.95	Cash	3,100	10	10.00	
		29.08.97	Cash	5,500	10	10.00	
		Sub-Total		18,400			0.11
6	Piyush Poddar	29.08.97	Cash	4,000	10	10.00	
		Sub-Total		4,000			0.02
7	Akanksha Kanodia	11.01.94	Cash	17,000	10	10.00	
		12.10.94	Cash	400	10	10.00	
		29.08.97	Cash	14,400	10	10.00	
		Sub-Total		31,800			0.19
8	Samiksha Kanodia	30.07.94	Cash	1,000	10	10.00	
		12.10.94	Cash	4,000	10	10.00	
		29.08.97	Cash	2,400	10	10.00	
		Sub-Total		7,400			0.04
9	Radheshyam Kanodia	29.08.97	Cash	12,300	10	10.00	
		15.05.02	Cash	24,700	10	10.00	
		31.05.03		(24700)	10	10.00	
		Sub-Total		12,300			0.07
10	Subhash Agarwal	29.08.97	Cash	45,000	10	10.00	
		Sub-Total		45,000			0.26
11	Radheshyam Kanodia HUF	15.05.02	Cash	20,000	10	10.00	
		Sub-Total		20,000			0.12
12	Rukmani devi Kanodia	15.05.02	Cash	32,400	10	10.00	
		31.05.03		24,700	10		
		Sub-Total		57,100			0.34
13	Savita Agrawal	15.05.02	Cash	15,000	10	10.00	
		Sub-Total		15,000			0.09
14	Sushil Kumar Kanodia HUF	15.05.02	Cash	2,500	10	10.00	
		Sub-Total		2,500			0.01

15	Person Acting in concern						
	Sangam Spinfab Ltd	15.05.02	Cash	21,500	10	10.00	
		26.03.02	Cash	2,29,500	10	7.00	
		28.02.03	Cash	3,000	10	7.00	
		28.02.03	Cash	21,700	10	10.00	
		05.01.04	Cash	(53,200)	10	17.20	
		07.01.04	Cash	(92,800)	10	18.96	
		08.01.04	Cash	(75,000)	10	18.95	
		Sub-Total		54,700			0.32

Note:

1. The figures in brackets are for the Equity Shares sold / transferred by the Promoters. Further, the Promoters have purchased Equity Shares from the market at prices below its Face Value.
2. Transactions pertaining to the period 26/3/2002 to 31/3/2004 in the above table are attracted by provisions regarding disclosures under SEBI (Prohibition of Insider Trading) Regulations, 1992. Our Company did not make the disclosures within the time stipulated under the aforesaid regulations. These transactions have, however, been reflected in the other disclosures to BSE as required under other provisions of listing agreement. Our Company has now; vide its letter dated May 27, 2005, made the specific disclosures to BSE under the Insider Trading Regulations also.

Out of the above-mentioned total shareholding of Raj Money Market Limited 20,00,000 Equity Shares are pledged with State Bank of India as a collateral security for the financial assistance availed by our Company.

- 7) The Pre-Issue & Post-Issue shareholding pattern of our Promoters' Group is as under:

	Particulars	Pre-Issue		Post-Issue*	
		No. of Shares @ Rs. 10/- each	% Holding	No. of Shares @ Rs. 10/- each	% Holding
a.	Promoters	3,532,300	41.47%	3,532,300	20.76%
b.	Immediate Relatives of the Promoters	102,000	1.20%	102,000	0.60%
c.	Companies in which 10% or more of the share capital is held by the Promoters / an immediate relative of the Promoters / a firm or HUF in which the Promoters or any one or more of their immediate relatives is a member	54,700	0.64%	54,700	0.32%
d.	Companies in which Company mentioned in c. above holds 10% or more of the share capital	–	–	–	–
e.	HUF or firm in which the aggregate share of the promoters and his immediate relatives is equal to or more than 10% of the total	2,500	0.03%	2,500	0.01%
f.	All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus as "Shareholding of the Promoter's Group".	153,400	1.80%	153,400	0.90%
	Total	3,844,900	45.14%	3,844,900	22.59%

* Post-Issue Shareholding pattern of our Promoters' Group can go up, in case any member of Promoters' Group bids in the Employee Reservation Portion or Shareholders of Group Company Portion. Further, any such subscription will be locked-in for one year from the date of allotment.

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The shareholding of Board of Directors of Raj Money Market Limited in our Company as on 15.12.05 is as under:

Name of the Director	Designation	No. of Shares Held as on 15.12.05
Mr. Vijay Agrawal	Director	Nil
Ms. Shruti Poddar	Director	Nil
Mr. Pawan Kanodia	Director	Nil

8) The Pre-Issue & proposed Post-Issue shareholding pattern of our Company is as under:

	Particulars	Pre-Issue		Post-Issue*	
		No. of Shares	% Holding	No. of Shares	% Holding
1.	Promoters				
	* Indian	3,532,300	41.47%		
	* Foreign	Nil	Nil		
	Total	3,532,300	41.47%		
2.	Promoters' Group				
	* Relative of Promoter	102,000	1.20%		
	* Companies Forming part of Promoter Group	54,700	0.64%		
	* HUF or Firm forming part of Promoter Group	2,500	0.03%		
	* Others	153,400	1.80%		
	Total	312600	3.67%		
	Total Promoter & Promoter Group Shareholding	3,844,900	45.14%		
3.	Institutional Investor & Others				
	Mutual Funds & UTI	-	-		
	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non-government Institutions)	-	-		
	FII's	60,000	0.70%		
	Private Corporate Bodies	1,646,463	19.33%		
	Indian Public	2,884,210	33.86%		
	NRIs / OCBs	21,785	0.26%		
	Clearing Member	60,342	0.71%		
	Total Institutional Investor & Others Shareholding	4,672,800	54.86%		
	Grand Total	8,517,700	100.00%		

* Post-Issue Shareholding pattern of our Company will be determined after the Book-Building Process.

- 9) Our Promoters and the persons and entities in the Promoters Group and the Directors of our Company and of our Promoter, Raj Money Market Limited directly or indirectly, have not purchased and/or sold/financed any shares of our Company during the last 6 months.
- 10) We reserve the right to retain an over-subscription to the extent of 10% of the Net Offer to Public for the purpose of rounding off to the nearer multiple of minimum allotment lot.
- 11) The Equity Shares held by Promoters, which are locked in, may be transferred to and amongst Promoters / Promoters' Group or to a new promoter or persons in control of our 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. Further, locked-in Equity Shares held by our Promoters may

be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

- 12) Our Company / Promoters/ Directors / Book Running Lead Manager and Co-Book Running Lead Manager have not entered in to any buy-back / standby or similar arrangements for purchase of Equity Shares offered by our Company through this Red Herring Prospectus.
- 13) As on the date of filing of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares. Further, our Company does not have any Employee Stock Option Plan.
- 14) Our Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
- 15) Our top ten shareholders as on 26.12.2003 are as under:

Sr. No.	Name of the Shareholders	No. of Equity Shares of Face Value Rs. 10/- each	% of Shareholding
1	Raj Money Market Limited	3,226,000	49.50
2	Rajkumari Kanodia	479,800	7.36
3	Raj Yarn Private Limited	418,100	6.41
4	Sangam Spinfab Limited (now Sangam Spinfab Private Limited)	275,700	4.23
5	SPS Capital & Management Services Pvt. Limited	200,000	3.07
6	Raj Rajendra Synthetics Pvt. Limited	154,800	2.38
7	Satyadeo Maliram Kanodia	150,000	2.30
8	Yashasvi Yarns Limited	140,000	2.15
9	Liladevi Satyadeo Kanodia	111,000	1.70
10	Pawan Kumar Jalan	107,600	1.65

- 16) Our top ten shareholders as on 16.12.2005 are as under:

Sr. No.	Name of the Shareholders	No. of Equity Shares of Face Value Rs. 10/- each	% of Shareholding
1	Raj Money Market Limited	3,024,800	35.51
2	Rajkumari Kanodia	467,500	5.49
3	Pradeep Goyal	420,000	4.93
4	Divya Kumar Agrawal	300,000	3.52
5	Alimco Industries Pvt. Limited	240,000	2.82
6	Yashasvi Yarns Limited	200,000	2.35
7	Manish Kanodia	150,000	1.76
8	Mayrose Capfin Pvt. Limited	140,427	1.65
9	Sundarlal Ramlal Poddar	127,500	1.50
10	Emerging Capital Advisors Limited	125,000	1.47

17) Our top ten shareholders as on 23.12.2005 are as under:

Sr. No.	Name of the Shareholders	No. of Equity Shares of Face Value Rs. 10/- each	% of Shareholding
1	Raj Money Market Limited	3,024,800	35.51
2	Rajkumari Kanodia	467,500	5.49
3	Pradeep Goyal	420,000	4.93
4	Divya Kumar Agrawal	300,000	3.52
5	Alimco Industries Pvt. Limited	240,000	2.82
6	Yashasvi Yarns Limited	200,000	2.35
7	Manish Kanodia	150,000	1.76
8	Mayrose Capfin Pvt. Ltd	140,427	1.65
9	Sundarlal Ramlal Poddar	127,500	1.50
10	Emerging Capital Advisors Limited	125,000	1.47

18) We have availed short-term corporate loan from State Bank of Indore aggregating Rs. 500 Lacs, which will be repaid out of the proceeds of this Issue. Further, till 9th December 2005, we have also availed unsecured loans aggregating Rs. 564.82 Lacs from various parties, which will also be repaid out of the proceeds of this Issue. The details of such unsecured loans are as under:

Name of the Party	Amount (Rs. in Lacs)	Rate of Interest (% p.a)	Description
Adhunik Fintrade Limited	82.69	Int. Free	Inter-corporate deposits
Guard Chemicals Pvt. Ltd	40.00	Int. Free	Inter-Corporate deposits
Loknath Packaging Pvt. Ltd	2.00	Int. Free	Inter-corporate deposits
Raj Guru Finvest P. Ltd	15.00	15	Inter-Corporate deposits
Ruchi Silk Mills Private Limited	20.00	9	Inter-Corporate deposits
Sangam Spinfab Pvt. Limited	205.13	11	Group / associate company
JBF Industries Ltd.	200.00	12	Inter-corporate deposits
Total	564.82		

- 19) Except as stated hereinabove, we have not availed any bridge loans against the proceeds of this Issue.
- 20) We undertake that we shall not make any further Issue of capital whether by way of Issue of bonus shares, preferential allotment, rights Issue or public issue or in any other manner, during the period commencing from the submission of Red Herring Prospectus to SEBI for this Issue until the Equity Shares referred in this Red Herring Prospectus have been listed or application moneys refunded on account of failure of Issue.
- 21) We presently do not have any intention or proposal to alter our Company's capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture or as consideration for such acquisition, merger or joint venture, if an opportunity of such nature is determined by our Board to be in the interest of our Company.
- 22) Our Company undertakes that at any given time, there shall be only one denomination for the Equity shares of our Company and that we shall comply with such disclosure and accounting norms as specified by SEBI from time to time.
- 23) The Equity Shares offered through this Issue shall be made fully paid up on allotment.
- 24) Not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a discretionary basis. Further, not less than 15% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue

Price. In case of under subscription in any category, the undersubscribed portion may be allocated to the bidders in the other categories.

- 25) Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion on competitive basis. Employees and Executive Directors other than as mentioned hereinabove in this statement are not eligible to participate under the Employee Reservation Portion. Bid/ Application by Eligible Employees can also be made in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.
- 26) Only Eligible Shareholders of Group Company would be eligible to apply in this Issue under the Shareholders of Group Company Portion on competitive basis. Shareholders other than as mentioned hereinabove in this statement are not eligible to participate under this reservation. Bid/ Application by Shareholders of our Group Company can also be made in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.
- 27) The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Eligible Employees and Eligible Shareholders of Group Companies will be added back to the categories of Non-Institutional Bidders and Retail Individual Bidders in the ratio of 50:50. In case of under-subscription in the Net Issue spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion and from the Shareholders of Group Company Portion, at the discretion of our Company, the BRLM and CBRLM.
- 28) 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.
- 29) In case of reserved category, a single bidder in the reserved category can make an application for a number of securities which exceeds the reservation.
- 30) No payment direct or indirect in the nature of discount, commission, allowance or otherwise shall be made either by our Company or our Promoters to the persons who receive firm allotments in the public issue.
- 31) We shall not offer any incentive to the prospective shareholders by way of medical insurance scheme, lucky draw, prizes etc.
- 32) We have 2,550 members as on 23.12.2005.

4. OBJECTS OF THE ISSUE

We intend to deploy the net proceeds of this Issue (after meeting Issue expenses) towards the following:

- I. Towards part-financing for setting-up of a Partially Oriented Yarn (POY) manufacturing unit with a capacity of 60,000 T.P.A. (capacity based on manufacturing average 150 Denier); and
- II. Meeting working capital requirement of our Company.

The objects clause of the Memorandum of Association of our Company enables us to undertake our existing activities as also the activities for which the funds are being raised by us through this Issue.

Funding Requirements and Means of Finance

- I. Towards part-financing for setting-up of a Partially Oriented Yarn (POY) Manufacturing Unit:

We are into manufacturing of Polyester Texturised Yarns (PTY) and the main raw material for which is Partially Oriented Yarn (POY). In order to exploit the growth opportunity prevailing in the field of PTY, our Company has planned a backward integration project to manufacture POY with a manufacturing capacity of 60,000 T.P.A. (capacity based on manufacturing average 150 Denier) at a new site situated at village Surangi, Silvassa, Dadra & Nagar Haveli, UT. The Project has been appraised by SBI and the total project cost estimated by SBI is Rs. 72.39 Crores. The break-up of the cost is as under:

Particulars	Rs. in Crores
Land and Factory Building	10.39
Plant and Machinery	31.00
Electrical Installation & Misc. Fixed Assets	10.14
Preoperative Expenses	6.26
Margin for Working Capital Requirement	14.60
Total	72.39

II. Working Capital Requirement

Due to the proposed setting up of Partially Oriented Yarn (POY) Manufacturing Unit the working capital requirement of our Company will undergo an increase. Our existing working capital requirement for the year 2004-05 is as under:

Particulars	Holding Period (No. of Days)	Amount (Rs. in Crores)
Current Assets		
Raw Material	Annualized 8	2.76
Stock in Process	Annualized 4	1.68
Finished Goods	Annualized 7	2.92
Indigenous Consumables	Annualized 112	1.06
Receivable	Annualized 48	24.7
Other Current Assets (incl. Cash & Bank)		10.46
Total Current Assets		43.58
Current Liabilities		
Sundry Creditors	Annualised 33	12.19
Other Current Liabilities & Provisions		8.26
Total Current Liabilities		20.45
Net Long Term Working Capital Requirement		23.13

The additional working capital requirement of our Company for the year 2005-06, as estimated by SBI, is as under:

Particulars	Holding Period (No. of Days)	Amount (Rs. in Crores)
Current Assets		
Raw Material	Annualized 8	7.57
Stock in Process	Annualized 4	4.89
Finished Goods	Annualized 7	8.15
Indigenous Consumables	Annualized 45	1.26
Receivable	Annualized 45	50.92
Other Current Assets (incl. Cash & Bank)		23.48
Total Current Assets		96.27
Current Liabilities		
Sundry Creditors	Annualized 28	17.59
Other Current Liabilities & Provisions		14.05
Total Current Liabilities		31.64
Net Long Term Working Capital Requirement		64.63
Less: Available Net Working Capital with our Company as on 31.03.05		23.13
Net Working Capital requirement		41.50
Working Capital Requirement to be funded by Public Issue		[●]
Balance to be funded through Bank Borrowings		[●]

In view of the aforesaid, the Funding Requirements & Means of Finance have been estimated as under:

Funding Requirements

Particulars	Rs. in Crores
Cost for Setting-up a Partially Oriented Yarn (POY) Manufacturing Unit	72.39
Public Issue Expenses	[●]
Working Capital Requirement (Excluding Margin for Working Capital Requirement)	[●]
Total	[●]

Means of Finance

Particulars	Rs. in Crores
Term Loan from Banks	38.10
Internal Cash Accruals	8.79
Public Issue of Equity Shares	[●]
Total	[●]

Note:

- The above amounts have been stated as "Rs. in Crores" instead of "Rs. in Lacs", since the same has been reproduced from Appraisal Report of State Bank of India.
- Any excess amount collected from the Issue, which is over and above the total cost of project and overall working capital requirement (including working capital loan from banks, if any) shall be deployed for general corporate purposes including, but not restricted to, repayment of loan funds. Further, any shortfalls in the funding would be financed through internal cash accruals and /or loan funds.
- To implement the Project as per the scheduled time, we have availed a short-term corporate loan aggregating to Rs. 5.00 Crores from State Bank of Indore, which will be repaid out of the Issue proceeds, details of which are as under:

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Lender	Sanction Letter No. & Date	Type of Facility	Amount Sanctioned (Rs. in Crores)	Terms of repayments	Rate of Interest
State Bank of Indore	Nil – dated 25.03.05	Short term corporate loan	Rs. 5.00	Bullet at the end of the tenure. The interest will be paid as and when due.	@ 2.25% below with BPLR i.e. @ 8.5% p.a.

Initially, the above loan was sanctioned for a period of six months i.e. till 30th September 2005, which has been extended for a period of three months till 31st December 2005 vide letter dated 20th October 2005 from State Bank of Indore. We intend to further extend the same and repay this loan out of Issue proceeds, as stated hereinabove.

Further, till 9th December 2005, we have also availed unsecured loans aggregating Rs. 564.82 Lacs from various parties, which also we intend to repay out of the proceeds of this Issue. The details of such unsecured loans are as under:

Name of the Party	Amount (Rs. in Lacs)	Rate of Interest (% p.a)	Description
Adhunik Fintrade Limited	82.69	Int. Free	Inter-corporate deposits
Guard Chemicals Pvt. Ltd	40.00	Int. Free	Inter-Corporate deposits
Loknath Packaging Pvt. Ltd	2.00	Int. Free	Inter-corporate deposits
Raj Guru Finvest P. Ltd	15.00	15	Inter-Corporate deposits
Ruchi Silk Mills Private Limited	20.00	9	Inter-Corporate deposits
Sangam Spinfab Private Limited	205.13	11	Group / associate company
JBF Industries Limited	200.00	12	Inter-corporate deposits
Total	564.82		

We undertake that the entire Means of Finance, except the Issue proceeds, has been tied up as detailed below:

● Term Loan from Banks:

Sr. No.	Name of lender	Sanction letter no. & date	Amount sanctioned (Rs. in Crores)	Amount availed (Rs. in Crores)
1	State Bank of India	AGM/CPC/SCP/24 dated April 27, 2004	20.00	20.00
2	State Bank of India	BRB/MC/ARS/1805 dated 27 th September 2005	3.10	3.10
3	State Bank of Mysore dated 30 th November'2005	letter no. Adv/C&I/RRL/000187	10.00	10.00
4	State Bank of Indore	Nil – dated 29th August 2005	15.00	5.00
	Total		48.10	38.10

● Internal Cash Accruals:

The existing reserves and cash accruals would be sufficient to meet the internal accruals as stated above.

APPRAISAL

The Project has been appraised by State Bank of India (SBI) vide its letter No. AGM/CPC/SCP/4078 dated 21st September 2005. The cost of project and means of finance as appraised by SBI are reproduced hereunder:

A. COST OF THE PROJECT:

1. LAND AND BUILDING (Rs. 10.39 Crores):

The company has acquired 80000 sq. mtr. land at Village Surangi, Silvassa and propose to construct 14986.19 sq. mtr. of building for the proposed production. The estimated cost of site development is Rs. 1.75 crores and building & civil work is Rs. 7.68 Crore. The cost has been vetted by the empanelled Technical consultant and found in order. The civil work is assigned to J J Mistry of VMS consultant and found in order. The civil work is assigned to J.J. Mistry of VMS Consultants, who is renowned civil engineers in industrial construction

2. PLANT & MACHINERY (Rs.31.00 Crores):

The Details of Plant & Machinery are as under:

(Rs. in Crore)

SR. NO.	DESCRIPTION OF MACHINE	QTY.	RATE	AMOUNT
	Imported			
	P & M which are already imported			
1	POY Lines (Reconditioned) equipped with 32 winders in each line with 2 thread lines per winder	18 Lines		8.95
2	Cooling Equipment with Accessories for 18 POY Lines	3.00		0.54
3	a)Air Compressor for 18 POY lines	2.00		0.40
	b)Air Dryers with Standard Accessories	2.00		
4	Continuous Polymer Filter (C.P.F.) for 18 POY lines	18.00		0.70
5	AC Drives	24.00		0.51
	P & M which is to be imported			
6	CECCATO Spinnerette	1,280.00	0.36	
	Groove Roller	576.00	1.99	
	Kasen's Spinnerette	960.00	0.23	
	Metering Oil Nozzle Bracket	288.00	0.81	
	Bobbin holder 4-end modifying kit for 410mi	64.00	0.20	
	Bobbin holder 4-end modifying kit for 600mi	320.00	1.16	
	Bobbin holder assembly for 4-end x 410mm	64.00	0.48	
	Bobbin holder assembly for 4-end x 600mm	576.00	0.51	
	Total		5.74	
	Add: Insurance, Duty, Transport & Erection		2.44	8.18
	Indigenous:			
1	P & M which are to be fabricated on material & labour basis			
	Spinning Pack Pre Heating System		0.08	
	Spin finish preparation area with structure		0.17	
	Spinning Section		0.15	
	Chips Unloading System		0.30	
	Chips Silo with Structure		0.28	
	Wet & Dry Chips Hopper		0.16	
	Dryer Structure		0.48	
	Air Drying System		0.20	
	Burn out Equipments		0.30	
	POY process piping & Utility plant Pipe Fabrication with Material		0.75	
	Insulation Work on Equipments, piping & Vessels for P.O.Y. Plant		0.25	
	Extruder Floor Structural		1.18	
	Dryer structural		0.88	
	Utility Shed, Chips, Oil Storage, Machine Foundation, etc.		0.57	5.75

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(Rs. in Crore)

SR. NO.	DESCRIPTION OF MACHINE	QTY.	RATE	AMOUNT
2	P & M for which orders placed in the domestic market			
	Hyklene System		0.42	
	Heatex make oil fired thermic fluid heater		0.11	
	Soft Water Plant		0.04	
	R-O Plant & DM Water		0.03	
	Ultrasonic Cleaning System		0.03	
	Yarn Suction Gun		0.02	
	Fluidised Bed Cleaning System		0.04	
	Levimeter ILC 822		0.01	
	Eurotherm Advanced Temp. Controller		0.03	
	Multiplxer I/P 4-20MA		0.01	
	Therminol VP1		0.06	
	Fusotek MTB 36 KW		0.01	
	LP Dryer & Internally Heated Air Dryer		0.25	
	CP Air Compressors		0.63	
	Siemens make Cage Induction Motor		0.14	
	Inverters for CP Air Compressors		0.19	2.02
3	Air Conditioning System			3.95
	Total			31.00

The imported plant is tested. Life and condition certificate is obtained from approved consultants.

3. OTHER ITEMS

i. ELECTRIC INSTALLATION & MISC. FIXED ASSETS (RS.10.14 CRORES):

(Rs. in Crore)

SR. NO.	DESCRIPTION OF MACHINE	QTY.	RATE	AMOUNT
	Indigenous:			
	Electrical Installation			
1	Transformer -15000 MVA 66/11 Oilfilled			0.97
	Oilfilled - 2500 KVA 11/0.433			
2	66 KVA Yard & Line Expenses			
	a) Structure for Tower			0.50
	b) Cable Laying & Exp. For Kit			0.28
	c) H.T. Panel			0.51
	d) Labour for Installation 66 KVA Yard			0.08
	e) 66 KVA Yard Station			0.13
	f) Labour Charges for 66 KVA Line			0.31
3	LTT Panel			
	a) Main L/T Panel			0.27
	b) Other L/T Panel			0.36
	c) Switch Board			0.56

(Rs. in Crore)

SR. NO.	DESCRIPTION OF MACHINE	QTY.	RATE	AMOUNT
4	Generator Sets - 8000 KVA*2200 & Transportation			1.80
	a) D.G. Synchronizing Panel			0.33
	b) Switch Gears for D.G. Synchronizing Panel			0.18
5	Cables			1.00
6	Civil work for 66 KV Yard			0.35
7	Labour for Cable Laying & Lighting			0.25
8	Lighting & Fixture			0.30
9	Inverters L/T			0.80
	Other Fixed Assets			
1	Main weight bridge			0.09
2	Bobbin Trolley			0.07
3	Diesel Storage Tanks			0.06
4	Packing Equipments			0.32
5	Material Handling Equipment (forklifts)			0.15
6	Pallet Truck			0.02
7	Furniture & Fixture & Office Equipments			0.35
8	Computer software program			0.10
	Total			10.14

The company will be acquiring 66 KVA Yard Station & Electric Equipments (approval from GSEB obtained) worth Rs. 8.98 crores. The total cost including misc. fixed assets will be around Rs. 10.14 crores.

ii. PRE-OPERATIVE & PUBLIC ISSUE EXPENSES (Rs. 6.26 Crores):

This includes scrutiny fees, legal expenses, insurance, establishment expenses & Public issue expenses and is estimated at Rs. 6.26 Crores which will be capitalized as permitted by Income Tax provisions.

iii. MARGIN MONEY FOR WORKING CAPITAL (Rs. 14.60 Crores):

The Company will infuse Rs. 14.60 Crores as margin for the working capital needs. The margin money for working capital has been worked out on the basis of 0.25 month's raw material, 1.50 months receivables and 0.40 month's semi finished / finished goods, packing & stores 1.00 months which is acceptable.

B. MEANS OF FINANCE:

Particulars	Rs. in Crores
Equity (Including Premium) #	[●]
Internal Cash Accruals	08.79
Term Loan	38.10

Due to Book Building Nature of the Issue, wherein No. of Equity Shares to be issued has been fixed; the amount to be raised from the Equity (Including Premium) through Public Issue has not been mentioned.

However, after the date of Appraisal Report, due to delays in implementation of the Project, there has been a cost overrun to the tune of Rs. 3.56 Crores (excluding Public Issue Expenses) as against the appraised Cost of Project aggregating Rs. 72.39 Crores. As stipulated by SBI, cost overrun, if any, shall be borne by our Company. Accordingly, our Company will meet the cost overrun from the proceeds of this Issue. The revised funding requirements are mentioned hereunder:

REVISED FUNDING REQUIREMENTS

Particulars	Rs. in Crores
Cost for Setting-up a Partially Oriented Yarn (POY) Manufacturing Unit	75.95
Public Issue Expenses	[●]
Working Capital Requirement (Excluding Margin for Working Capital Requirement)	[●]
Total	[●]

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The details of revised cost for Setting-up a Partially Oriented Yarn (POY) Manufacturing Unit are mentioned hereunder:

LAND AND SITE DEVELOPMENT

The brief details of cost of land and site development are given below:

(Rs. in Lacs)

Particulars	Amount
Cost of Land (Plot size 80000 sq. meters)	96.22
Compound Wall	68.00
W.B.M. Road	35.00
Cement Concrete Road	25.00
Profile of the land	13.00
Cement Concrete Guard	3.50
Main Gate with RCC Pillar	5.50
Land Development	44.00
Total Cost	290.22

BUILDING AND CIVIL WORK

As estimated by the management, cost of construction of the building is mentioned hereunder:

(Rs. in Lacs)

Particulars	Amount
Main Factory building	799.33
Time/Security office	3.50
Water Tanks	50.00
Weighbridge & Transformer Platforms	9.00
Toilet Blocks	1.00
Architect's Fees	14.00
Total	876.83

PLANT & MACHINERIES

We have imported the following second hand Plant & Machineries for the POY Manufacturing Unit:

Sr. No.	Particulars	Make	Name of Supplier	Qty. (Nos.)	Amount (Rs. in Lacs) #	Year of Mfg.	Balance Estimated Life	Date of Delivery
1	POY Lines (Reconditioned) equipped with 32 Winders in each line with 2 Thread Lines per winder	Barmag, Germany	Atkins Machinery Inc., USA	18 Lines	894.86	Ranging from 1975 to 1994	At least 10 yrs.	November 2004 till March 2005
2	Cooling Equipment with Accessories for 18 POY Lines	Carrier, U.S.A.	Atkins Machinery Inc., USA	3	53.62	1994-95	At least 10 yrs.	04.03.05
3	a) Air Compressor for 18 POY Lines	Ingersoll Rand, U.S.A.	GGST, LLC., U.S.A.	2	39.73	1997	At least 15 yrs	04.03.05
	b) Air Dryers with Standard Accessories	Hankinson, U.S.A.		2		1997	At least 15 yrs	04.03.05
	Sub-total				988.21			
	Erection & Installation		K. P. A. Engineering		170.56			Till 9 th December 2005
	Total				1,158.77			

C&F Cost (assuming Foreign Exchange Rate of Rs. 46 per USD) plus clearing, forwarding, insurance, duty, transport & erection cost

We have received the following imported Plant & Machineries (New) for the POY Manufacturing Unit:

Sr. No.	Particulars	Name of Supplier	Qty. (Nos.)	Amount (Rs. in Lacs)	Date of Delivery
1	Continuous Polymer Filter* (C.P.F.) for 18 POY Lines	Beijing DHP Chemical Engg. Co. Ltd., China	18	70.17	17.04.05 / 18.05.05
2	AC Drives**	Larsen & Toubro Ltd.	25	51.16	29.06.05 / 13.07.05
3	Groove Roller	Beijing DHP Chemical	130	53.50	01.12.05
4	Spinnerette	Sossna	320	11.43	06.12.05
	TOTAL			186.26	

* The total cost includes C&F Cost (assuming Foreign Exchange Rate of Rs. 46 per USD) plus clearing, forwarding, insurance, duty & transportation cost.

** AC Drives are being purchased on High Sea Sale C&F Mumbai basis. The total cost includes C&F Cost plus clearing, forwarding, insurance, duty & transportation cost.

We have received the delivery of following Plant & Machineries from the domestic suppliers:

Sr. No.	Particulars	Name of Supplier	Qty. (Nos.)	Amount (Rs. in Lacs)	Date of Delivery
1	Hyklene System	Sai Tech Industries	1	20.80	09.07.05
2	Heatex make oil fired thermic fluid heater	Heatex Engineering Company	3	11.29	04.06.05
3	Soft Water Plant	H. K. Enterprises	1	3.83	28.09.05
4	R-O Plant & DM Water	H. K. Enterprises	1	2.98	28.09.05
5	Ultrasonic Cleaning System	Vibronics Pvt. Ltd.	1	2.61	30.07.05
6	Yarn Suction Gun	Aksons Engineering Co.	36	2.25	21.07.05
7	Fluidised Bed Cleaning System	Aksons Engineering Co.	1	3.64	21.07.05
8	Levmetre ILC 822	Sapcon Instruments Pvt. Ltd.	6	0.99	01.07.05
9	Eurotherm Advanced Temp. Controller	S.B. Engineering	18	3.06	24.06.05
10	Multiplxer I/P 4-20MA	Agrawal Enterprises	18	0.48	15.05.05
11	Therminol VP1	Solutia Chemicals India Pvt. Ltd.	2420 Kg	2.80	23.07.05
12	Fusotek MTB 36 KW	Garment Equipment Manufacturer	1	1.02	07.06.05
13	LP Air Dryer & Internally Heated Air Dryer	Airox Nigen Equipments Pvt. Ltd.	2	25.4	02.06.05 / 25.06.05 / 07.07.05 / 03.08.05
14	CP Air Compressors	Chicago Pneumatic Sales	3	36.29	12.07.05 / 07.08.05 / 20.08.05
15	Siemens make Cage Induction Motor	Makharia Machineries Pvt. Ltd.	3	8.36	20.07.05 / 18.08.05
16	Inverters for CP Air Compressors	MAN Industries	18	19.21	19.09.05 / 29.10.05
17	Spin Finish Nozzle (Oil Applicator Guide)	Binita Enterprises	1400	7.53	August 2005 to December 2005
18	Miscellaneous Items	Various Suppliers		142.53	Till 9 th December 2005
	Total			295.07	

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Further, we have placed orders for the following imported Plant & Machineries (New) for the POY Manufacturing Unit:

Sr. No	Particulars	Name of Supplier	Qty. (Nos.)	Amount (Rs. in Lacs)	Date of Placement of Order	Expected Date of Delivery
1	Groove Roller	Beijing DHP Chemical Engg. Co. Ltd., China	446	150.98	06.06.2005	31.01.06
2	Spinnerette	Sossna	260	6.47	20.09.2005	31.12.05
3	Spinnerette	Sossna	175	4.54	12.12.2005	10.02.06
	Add: Insurance, Duty, transport & Erection			68.03		
	TOTAL			230.02		

We have also placed orders in the domestic market for the following Plant & Machineries, which are pending for delivery:

Sr. No	Particulars	Name of Supplier	Qty. (Nos.)	Amount (Rs. in Lacs)	Date of Placement of Order	Expected Date of Delivery
1	Hyklene System	Sai Tech Industries	1	20.80	05.03.05	31.01.06
2	Therminol VP1	Solutia Chemicals India Pvt. Ltd.	2640	3.06	24.04.05	31.01.06
3	CP Air Compressors	Chicago Pneumatic Sales	2	27.22	02.05.05	31.01.06
4	Siemens make Cage Induction Motor	Makharia Machineries Pvt. Ltd.	2	6.05	14.05.05	31.01.06
	Total			57.13		

We have also obtained quotations for the following Plant & Machineries, which are required for conversion of 2 Thread Lines into 4 Thread Lines to double the manufacturing capacity from 30,000 T.P.A. to 60,000 T.P.A., for which orders will be placed in due course:

Imported Plant & Machineries:

Sr. No.	Particulars	Qty. (Nos.)	Estimated Amount (Rs. in Lacs)	Name of the Party	Date of Quotation Obtained
1	Packbody	1000	118.58	Cheetah Enterprises Co. Ltd	10.09.05
2	Spin Finish Pump	200	27.10	Beijing DHP Chemical / Sossna	28.10.05
3	Intermingling Nozzle	1200	27.90	Fiber Guide / Lee / Slack & Par	Yet to be obtained
	Total		173.58		
	Add: Insurance, Duty, transport & Erection		72.90		
	Total		246.48		

Indigenous Plant & Machineries:

Sr. No.	Particulars	Qty. (Nos.)	Estimated Amount (Rs. in Lacs)	Name of the Party	Date of Quotation/Invoice Obtained
1	Oil Applicator Guide	5000	26.00	Binita Enterprises	08.11.05
2	Traverse Guide	5000	2.60	Binita Enterprises	19.12.05
3	Spin Finish Guide System	256	9.73	Shri Nakoda Engineering	22.10.05
4	Pigtail Guide	10000	7.28	Binita Enterprises	19.12.05
5	Intermingling Guide Block Modification	256	5.12	Sai Tech	16.12.05
6	Bobin Chuk Modification	320	19.20	S. R. Engg.	02.12.05
7	Compressor	1	14.21	Chicago Pneumatic Sales	20.08.05
8	Ultrasonic Cleaning System	1	3.60	Vibronics Pvt. Ltd.	23.11.05
	Sub-total		87.74		
	Erection & Installation	N.A.	55.95	K. P. A. Engineering	
	Total		143.69		

Note: The actual suppliers / parties may differ while negotiating the prices for the respective Plant & Machinery.

The following Plant & Machineries are being fabricated at our Unit IV on material & labour basis:

Sr. No.	Particulars	Name of the Fabricator	Estimated Amount (Rs. in Lacs)	Date of Estimate
1	Spinning Pack Pre Heating System	Akhalesh Fabricator / K.P.A. Engineering	8.00	17.02.04
2	Spin finish preparation area with structure	Akhalesh Fabricator / K.P.A. Engineering	17.00	17.02.04
3	Spinning Section	Akhalesh Fabricator / K.P.A. Engineering	15.00	17.02.04
4	Chips Unloading System	Akhalesh Fabricator / K.P.A. Engineering	30.00	17.02.04
5	Chips Silo with Structure	Akhalesh Fabricator / K.P.A. Engineering	28.00	17.02.04
6	Wet & Dry Chips Hopper	Akhalesh Fabricator / K.P.A. Engineering	16.00	17.02.04
7	Dryer Structure	Akhalesh Fabricator / K.P.A. Engineering	48.30	17.02.04
8	Air Drying System	Akhalesh Fabricator / K.P.A. Engineering	20.00	17.02.04
9	Burnout Equipments	Akhalesh Fabricator / K.P.A. Engineering	30.00	17.02.04
10	POY process Piping & Utility plant Pipe Fabrication with Material	Akhalesh Fabricator / K.P.A. Engineering	75.00	21.02.04
11	Insulation Work on Equipments, Piping & Vessels for P.O.Y. Plant	Lucky Sheet Metal Fabrication	25.00	21.02.04
12	Extruder Floor Structural	K.P.A. Engineering	117.51	10.02.05
13	Dryer Structural	K.P.A. Engineering	88.04	10.02.05
14	Utility Shed, Chips, Oil Storage, Machine Foundation, etc.	As per Chartered Engineer's Estimate	56.65	10.03.05
	Total		574.50	

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Further, to facilitate the manufacturing of POY, we are installing Air Conditioning System and Mr. R.D. Rajani, Technical Advisor has been appointed to complete the said installation. As per the estimate dated 19th February 2005, given by Mr. R.D. Rajani, Technical Advisor, the cost of additional equipments required for the said Air Conditioning System would be aggregating Rs. 396.65 Lacs. The estimated break-up of the cost of Air Conditioning System is mentioned hereunder:

Sr. No.	Particulars	Amount (Rs. in Lacs)
1	Cooling Coils (Incl. Transportation)	38.54
2	Fans (Incl. Transportation)	34.31
3	Dampers (Incl. Transportation)	9.81
4	Air Washer Pumps (Incl. Transportation)	3.27
5	Commissioning of Chillers with Spares (Incl. Transportation)	29.63
6	Cooling Towers	18.86
7	Eliminators	5.07
8	Air Washer	28.12
9	Automatic Control & Computerisation	12.95
10	Motors	19.04
11	Pipes	32.41
12	Pipe Fabrications	45.00
13	Chiller Pumps	4.87
14	Valves	6.21
15	Ducting	24.88
16	Duct Installation	7.00
17	Insulation of Duct	10.00
18	Controls	1.64
19	Filters	55.53
20	Angles	5.00
21	Consultancy Fees	4.50
	Total	396.65

ELECTRICAL INSTALLATION:

The estimated breakup of the electrical installation is mentioned hereunder:

(Rs. in Lacs)

Sr. No.	Particulars	Name of Supplier	Value
1	Transformer- 15000 MVA 66/11 Oilfilled - 2500 KVA 11/0.433 Oilfilled	Voltamp Transformers Pvt. Ltd.	97.50
2	66 KVA Yard & Line Expenses:		
	a) Structure for Tower	JHT Power Engineering Pvt. Ltd., Siddharth Engineers, Indian Steel Traders	60.00
	b) Cable Laying & Exp. For Kit	Nicco Corporation Ltd	28.00
	c) H.T. Panel	Danco Enterprises	50.74
	d) Labour for installation 66 KVA Yard	Harsh Electric Corporation	8.00
	e) 66 KVA Yard Station	Harsh Electric Corporation	13.00
	f) Labour Charges for 66 KVA Line	Shivam Electricals	40.73

(Rs. in Lacs)

Sr. No.	Particulars	Name of Supplier	Value
3	LTT Panel		
	a) Main L/T Panel	Danco Enterprises	27.25
	b) Other L/T Panel	Lantec Controls Pvt.Ltd	36.31
	c) Switch Board	Larsen & Turbo Limited	65.80
4	Generator Sets -8000 KVA*2200 & Transportation	Saini Diesel Power Ser.	180.00
	a) D.G. Sycronizing Panel	Swati Switchgears (India) Pvt. Ltd.	32.66
	b) Switch Gears for D.G. Sycronizing Panel	Maheshwari Trading Co.	17.61
5	Cables	Nicco Corporation Ltd	100.00
6	Civil work for 66 KV Yard	Architect's Estimate	45.00
7	Labour for Cable Laying & Lighting	Danco Enterprises	24.76
8	Lighting & Fixture	Asian Electronics Ltd.	30.00
9	Inverters L/T	Larsen & Toubro Limited	80.43
	Total		937.79

OTHER FIXED ASSETS:

The estimated breakup of other fixed assets is mentioned hereunder:

(Rs. in Lacs)

Particulars	Name of Supplier	Qty. (in Nos.)	Value
Main weight bridge	JISL	1	8.83
Bobbin Trolley	Akhalesh Fabricator	1 Lot	7.24
Diesel Storage Tanks	Akhalesh Fabricator	3	5.59
Packing equipments	ITW Signode Ltd.	1	32.24
Material Handling Equipment (forklifts)	Macneill Engg. Ltd.	2	15.41
Pallet Truck	Godrej & Boyce Mfg.Co.	-	2.00
Furniture & Fixture & Office Equipments	Management estimates	-	35.00
Computer software program	Livewire Software Ltd.	2	10.00
Total			116.31

PRE-OPERATIVE AND OTHER EXPENSES:

The estimated breakup of Pre-operative and other expenses is mentioned hereunder:

(Rs. in Lacs)

Particulars	Amount
Upfront Processing Fees	8.00
Legal Charges (incl. Stamp Duty paid on mortgage and hypothecation)	23.00
Salary & Wages	150.00
Establishment costs	100.00
Insurance During construction	20.00
Interest during Construction	225.00
Trial Run Expenses	100.00
Total	626.00

MARGIN MONEY FOR WORKING CAPITAL:

As appraised by SBI, our Company would require infusing Rs. 1,460.00 Lacs as margin for the working capital needs.

SCHEDULE OF IMPLEMENTATION

Initially, with an manufacturing capacity of 30,000 T.P.A. of POY (capacity based on manufacturing average 150 Denier of POY), the original implementation schedule of the POY manufacturing unit was envisaged as under:

Sr. No.	Activities	Work in Progress	Completion
1	Building & Civil Construction	01.04.2004	30.11.2004
2	Plant & Machinery (Indigenous)	Order already Placed	31.12.2004
3	Plant & Machinery (Imported)	Order already Placed	30.09.2004
4	Erection & Commissioning	–	01.02.2005
5	Trial Run	–	March 2005
6	Commercial Production	April 2005	

However, after the proposed increase in manufacturing capacity from 30,000 T.P.A. to 60,000 T.P.A. (capacity based on manufacturing average 150 Denier of POY), the implementation schedule of the POY manufacturing unit was revised, which has been further revised as under due to overall delay in launch of the public issue:

Sr. No.	Activities	Commencement	Original Completion	Revised Completion
1	Acquisition of Land	December 2003	Bought	Bought
2	Development of Land and construction of Building	June 2004	July 2005	January 2006
3	Selection and Ordering of Plant & Machineries	November 2003	July 2005	January 2006
4	Installation of Plant & Machineries and Utilities	December 2004	September 2005	February 2006
5	Trial Productions	March 2005	September 2005	March 2006
6	Commercial Production #	March 2005	October 2005	March 2006

We are installing 18 POY lines and each of these lines can be started independently. Hence, as soon as the installation of POY lines is completed, we propose to commence commercial production on installed POY lines. As on 31st March 2005, installation of 7 POY lines was completed and commercial production was commenced. However, due to some technical reasons, the production has been suspended since 8th April 2005. As on 19th December 2005 trial production on 5 POY lines out of remaining 11 POY lines commenced and output is satisfactory.

Deployment of Funds in the Project

We have incurred the following expenditure on the current project till 9th December'2005, which has been certified by M/s. R.S. Agrawal & Associates, Chartered Accountants, Statutory Auditors of our Company, vide certificate dated 13th December 2005:

(Rs. in Lacs)

Particulars	Total Amount #	Less: Creditors	Net Amount Deployed
Land, Building and Site development	1143.05	128.04	1015.01
Plant & Machineries	2898.40	351.76@	2546.64
Electrical Installation and Miscellaneous fixed assets	870.72	152.60	718.12
Pre-operative Expenses	478.17	10.88	467.29
Public Issue Expenses	34.69	0.00	34.69
Margin Money for working capital	0.00	0.00	0.00
Total	5425.02	643.27	4781.75

Sources of Funds

The above expenditure has been financed through the following sources:

(Rs. in Lacs)

Particulars	Amount
Term Loan from State Bank of India	3000.15
<u>Unsecured Loans:</u>	
- A bank	500.00
- Other than bank	564.82
Internal Cash Accruals	716.78
Total	4781.75

including advance payments made to suppliers of capital goods.

@ net of Rs. 23.87 lacs being fixed deposits towards margin money against L/C for import of capital goods.

Note: The short-term corporate loan availed from State Bank of Indore and unsecured loans from others will be repaid out of the issue proceeds.

The cost already incurred on the Project and the proposed quarter wise break up of deployment of funds is mentioned hereunder:

(Rs. in Lacs)

Capital Expenditure	FY 2005-06			
	Already Incurred till 09.12.05	Additional during Quarter ended 31.12.05	During Quarter ended 31.03.06	Total
Cost for Setting-up of POY Manufacturing Unit				
Land, Building and Site development	1015.01	32.04	120.00	1167.05
Plant & Machineries	2546.64	51.76	690.17	3288.57
Electrical Installation and Miscellaneous Fixed Assets	718.12	0.00	335.98	1054.10
Pre-operative Expenses	467.29	0.00	158.71	626.00
Total Cost for Setting-up of POY Manufacturing Unit	4747.06	83.80	1304.86	6135.72
Public Issue Expenses	34.69	20.00	[●]	[●]
Long Term Working Capital Requirement	-	-	[●]	[●]
Total	4781.75	103.80	[●]	[●]

The means of finance for the proposed quarter wise break up of deployment of funds are as under:

(Rs. in Lacs)

Capital Expenditure	FY 2005-06			
	Already Incurred till 09.12.05	Additional during Quarter ended 31.12.05	During Quarter ended 31.03.06	Total
Term Loan from Banks	3000.15	0.00	809.85	3810.00
Unsecured Loans	564.82	0.00	(564.82)	0.00
Short-term Corporate Loan from State Bank of Indore	500.00	0.00	(500.00)	0.00
Internal Cash Accruals	716.78	103.80	58.42	879.00
Public Issue	0.00	0.00	[●]	[●]
Total	4781.75	103.80	[●]	[●]

Interim Use of Funds

The Issue proceeds would be used to meet the Objects of the Issue as described above. Pending utilisation of the same, we intend to invest the Issue proceeds in high quality, interest bearing liquid investments including deposits with banks for the necessary duration. Such investments would be in accordance with the investment policies as approved by the Board of Directors from time to time.

Monitoring of Utilization of funds

Our Board will monitor the utilization of the proceeds of the Issue. Further, no part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or companies promoted by our Promoters.

Basic Terms of 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 Red Herring Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the Allotment advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, FIPB, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Terms of Payment

Applications should be for a minimum of [●] equity shares and in multiples of [●] equity shares thereafter. The entire price of the equity shares of Rs. [●]/- per share (Rs. 10/- face value + Rs. [●]/- premium) is payable on application.

In case of allotment of lesser number of equity shares than the number applied, the excess amount paid on application shall be refunded by us to the applicants.

Basis for Issue Price:

Qualitative Factors

1. Our Company has been a profit making since inception. Our Profit after Tax (PAT) for last five years is reproduced hereunder:

Particulars	2000-01	2001-02	2002-03	2003-04	2004-05	4 months ended 31.07.05
PAT (Rs. in Lacs)	166.26	282.75	208.64	329.53	513.92	362.05
Dividend (%)	NIL	NIL	7%*	7%	10%	–

* Prorata basis.

2. Our financial performance for 4 months ended 31st July 2005 has been as under:

Net Sales (Rs. in Lacs)	5928.06
Profit after Tax (Rs. in Lacs)	362.05
EPS (Rs.)	4.25*
RONW (%)	12.50*

* Only for four months and not annualized

Quantitative Factors

1. Adjusted Earning Per Share (EPS)	Amount (Rs.)	Weights
(a) 2002-03	3.30	1
(b) 2003-04	4.94	2
(c) 2004-05	6.03	3
(d) Weighted Average (EPS)	5.21	

2. Price/ Earning Ratio (P/E) in relation to Issue Price of Rs. [●]/- per share	At the lower band of Rs.55 per share	At the upper band of Rs. 65 per share
(a) Based on 2004-05 EPS of Rs 6.03	9.12	10.78
(b) Industry P/E *		
(i) Highest	95.8	95.8
(ii) Lowest	0.9	0.9
(iii) Average	14.10	14.10

(* Based on Capital Market Dec 19 – Jan 1, 2006)

3. Return on Net Worth	%	Weights
(a) 2002-03	12.60%	1
(b) 2003-04	15.50%	2
(c) 2004-05	20.27%	3
(d) Weighted Average	17.40%	

4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS i.e. Rs. 6.03		
	For Issue	
	At the lower band of Rs. 55 per share	At the higher band of Rs.65 per share
Total Net Worth After Issue (Rs. in Lacs)	7571.92	8421.92
No. of Equity shares after the Issue (in Lacs)	170.177	170.177
Profits required to get required EPS (Rs. in Lacs)	1026.17	1026.17
Min. Required RONW for maintaining above EPS	13.55	12.18

5. Net Asset Value (NAV) Per Share		
	At the lower band of Rs. 55 per share	At the higher band of Rs. 65 per share
a) As at March 31, 2005	29.77	29.77
b) As at July 31, 2005	34.01	34.01
c) After Issue	44.49	49.49
d) Issue Price	55	65

Comparison with Financial Ratios of Peer Group*

Name of the Peer Group Company	Book Value (Rs.)	RONW %	EPS (Rs.)	P/E Ratio
Alok Inds.	42.2	17.9	4.9	11.4
Garden Silk Mill	85.40	2.3	1.7	25
Indo Rama Text.	39.6	10.1	3.6	9.0
Sarla Polyester	48.8	33.6	14.1	9.0
Welspun Syntex	11.5	-10.3	–	–
Raj Rayon Limited	29.9	22.1	5.9	7.3

(* Based on Capital Market Dec 19 – Jan 1, 2006)

The Face Value of the Equity Shares of our Company is Rs.10/- per share and the Issue Price is 5.5 times (at the lower band of Issue Price of Rs. 55 per share) and 6.5 times (at higher band of the Issue Price of Rs. 65 per share) of the face value of the Equity Shares of our Company.

Issue Price of Rs. [●] has been determined by us in consultation with the BRLM & CBRLM on the basis of the demand from investors through the Book-Building Process and is justified in view of the above qualitative and quantitative parameters. The Investors may also want to peruse the risk factors and the financials of our Company as set out in the Auditors' Report in the Red Herring Prospectus to have a more informed view about the investment proposition.

Broad Parameters on which Allocation is Proposed to be made to QIBs

We along with the BRLM would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to prior commitment, investor quality, price, earliness of bid, existing and continued shareholding of QIBs during the period prior to the Bid Opening Date and until the date of pricing.

Proposed manner of Allocation among respective categories of Investors, in the event of under-subscription

Under-subscription, if any, in any of the categories, would be allowed to be met with spillover inter-se from any other categories, at our sole discretion in consultation with the BRLM & CBRLM subject to applicable provisions of SEBI Guidelines and stipulations / conditions contained in this Red Herring Prospectus. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of our Company and/or Shareholders of Group Company will be added back to the categories of Non-Institutional Bidders and Retail Individual Bidders in the ratio of 50:50. In case of under subscription in the Net Issue spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion and/or Shareholders of Group Company.

Tax Benefits

As per letter dated 27th September 2005 of our Company's Tax Auditors, M/s. R.S. Agrawal & Associates, Chartered Accountants, the following tax benefits are available to our Company and to the Shareholders of our Company:

A. TO THE COMPANY

The Company will be entitled for the following tax benefits in computing the Taxable Income under the Provisions of the Income Tax Act, 1961 (hereinafter referred as the Act).

1. Under section 35D of the Act the Company is eligible to claim amortization preliminary expenses, subject to limits specified in sub section (3) of the said section.
2. Subject to compliance with certain conditions laid down in section 80IB of the Act, the profits and gains derived by the company at its industrial undertakings set up in backward areas as declared by the Government of India, are eligible for deduction under section 80IB of the Act.

The company in the past has claimed deduction under section 80IB and is eligible to claim this deduction for the following prospective years in the industrial undertakings mentioned below:

Industrial undertaking setup at / identified as	% of profit or gains exempted	Remaining assessment years
Unit II	30	From 2006-2007 to 2007-2008.
Unit III	100	From 2006-2007 to 2007-2008
Unit III	30	From 2008-2009 to 2012-2013.

B. TO THE SHAREHOLDERS

1. As per the provisions of section 112 of the Act, long-term capital gains that are not exempt under the section 10(38) of the Act, would be subject to tax at a rate of 20 percent (plus applicable Surcharge and Education Cess @ 2% of such tax and surcharge). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and cess).
2. As per the provisions of section 10 (38) of the Act, any income from the transfer of a long- term capital assets, being an equity share in a company or a unit of an equity oriented fund which is chargeable to securities transaction tax are exempt from tax.

Explanation – For the purpose of this clause, “equity oriented fund” means a fund –

- (i) Where the investible funds are invested by way of equity share in domestic companies to the extent of more than fifty percent of the total proceeds of such fund; and
- (ii) Which has been set up under a scheme of mutual fund specified under clause (23D):

Provided that the percentage of equity shareholding of the fund shall be computed with reference to the annual average of the monthly average of the opening and closing figures.

3. As per the provisions of section 111A of the Act, where the total income of an assessee includes any income chargeable under the head “Capital gains” arising from the transfer of a short-term capital assets, being an equity share in a company or a unit of an equity oriented fund which is chargeable to securities transaction tax, the tax payable by the assessee shall be at the rate of 10%.

Explanation: For the purpose of this section, the expression “equity oriented fund” shall have the meaning assigned to it in the Explanation to clause (38) of section 10.

4. Under section 54EC of the Act, long term capital gain arising on the transfer of investment in shares will be exempt from capital gain tax if the capital gains are invested within a period of six months after the date of such transfer for a period of at least 3 years in bonds issued by following institutions/banks constituted under their respective Acts:
 - a) National Bank for Agriculture and Rural and Development,
 - b) National Highway Authority of India,
 - c) Rural Electrification Corporation Limited,
 - d) National Housing Bank and
 - e) Small Industries Development Bank.
5. As per the provisions of section 54ED of the Act and subject to the condition specified therein, capital gains not exempt under the proposed section 10(38) and 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 (provided they are not transferred within one year of acquisition). 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 offer for subscription to the public.

The issue of shares by the Company being an eligible issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED.

6. As per the provisions of section 54F of the Act and subject to the conditions specified therein, in 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 the part of such net consideration is invested within the prescribed period in a residential house, then such gain would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.
7. Under Section 115AD of the Act, income received by Foreign Institutional Investor in respect of securities shall be taxed @ 20%. Income by way of long-term capital Gains arising from the transfer of such securities shall be taxed @ 10%. With effect from A.Y.2005-06, Income by way of short-term capital Gains arising from the transfer of securities referred to in section 111A of the Act, shall be taxed @ 10%.
8. Section 10(34) provides that any income by way of dividends referred to in section 115 O i.e. dividend declared, distributed or paid by a domestic Company, on or after 1st April, 2003 is exempt in the case of all categories of assesses.
9. Section 88E of the Act provides that the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income tax on the income chargeable under the head “Profits and gains of the Business or Profession” arising from taxable securities transactions. As such no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

C. ADDITIONAL BENEFITS AVAILABLE TO NON-RESIDENTS INDIANS

Non-resident Indians have an option to be governed by the special provisions of Chapter XIA of the Act according to which:

1. Under section 115E of the Act, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a non-resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months shall be concessionaly taxed at the flat rate of 10% (plus applicable Surcharge and cess).
2. Under section 115F of the Act, long term capital gains arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from Income tax, if the net consideration is so reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempt shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
3. Under Section 115G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII-B has been deducted from such income.
4. The benefit conferred on a Non-resident Indian assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under section 139(1) of the IT Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange asset vide Section 115H of the Act, until the transfer or conversion (otherwise than by transfer) into money of such assets.
5. Under Section 115-I of the Act, a Non-resident Indian, if he elects by so declaring in the return of his income for that assessment year, not be governed by the above mentioned special provisions of chapter XII-A, then he will be entitle to tax benefits available to resident individuals.
6. As per section 90 (2) of the Act, the provisions of the Act would prevail over provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident can opt to be covered by the beneficial provisions of an applicable tax treaty.

D. ADDITIONAL BENEFIT TO MUTUAL FUNDS

Under section 10(23D) of the Act, all Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under, mutual funds set up by public sector bank or public financial Institutions, or authorized by the Reserve Bank of India and subject to such conditions as may be notified by the Central Government will be exempt from income tax on any income

E. ADDITIONAL BENEFIT 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 tax, subject to the conditions specified.

F. WEALTH TAX

The Shares held in a Company are not liable to Wealth Tax Under Wealth Tax Act, 1957.

G. GIFT TAX

The Gift Tax Act 1958, ceases to apply to gifts made on or after 1st October 1998. Gifts of shares of the Company would therefore, be exempt from Gift Tax.

NOTES:

1. All the above benefits are as per the current Tax Law as amended by the Finance Act, 2005.
2. The stated benefits will be available only to the sole/first named holder in case the shares are held by- joint holders.
3. In respect if Non-Residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the double Taxation Agreements, if any, between India and the Country in which the Non Resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

IV. ABOUT OUR COMPANY

1. INDUSTRY OVERVIEW

Indian Textile Industry

Textile Industry is one of India's largest industries, after agriculture. It provides direct employment to about 350 Lacs people. Besides this, there are a large number of ancillary industries, which are dependent upon this sector such as, manufacturing various machines, accessories, stores, ancillary items and chemicals. Known globally for its skill and craftsmanship, the Indian textile industry is also one of the largest export earners and accounts for about 35% of the gross export earnings in trade. Trade restrictions have hitherto kept the Indian textile industry from soaring to the height it is capable of, but this is expected to change post January 2005, as the quota restrictions have been removed. (Source: www.texmin.nic.in)

Textiles covers the following sub-segments: - 1) Fibre intermediates; P-X, DMT, PTA, MEG, Caprolactum, Wood Pulp etc., 2) Fibres: ginning and pressing of cotton, manufacture of PFY, NFY, Rayon fibre etc. 3) Synthetic fibre/filament processing viz., drawing, texturing, twisting etc., 4) Yarn: spinning cotton & blends on rotors and ring frames 5) Weaving/Knitting 6) Processing and 7) Distribution.

The Indian textile industry is large and diverse, unique for its coverage of the entire gamut of activities ranging from production of raw material to providing the consumers high value added products, such as fabrics and garments. The key segments of Indian Textile Industry are divided into Fibre, Yarn, Fabrics and Made-ups. The multi-fibre base of Indian textiles comprises natural fibres such as cotton, jute, flex, silk, wool and coir, and synthetic and man-made fibres from polyester, viscose, acrylic, polypropylene and nylon. Though primarily cotton based, Indian textile industry has a growing polyester sector and is active in processing linen, wool and silk.

Polyester Industry

Due to population explosion, the growing demand for clothing needs of people cannot be met by natural fibers like cotton alone because of the limited availability. Thus, man-made fiber has a crucial role to play and therefore, Indian market is fast gearing up to replace cotton by polyester cloth and synthetic fabrics. Polyester is the only fiber that will be able to address the global demand growth for fabric because:

- Arable land for cotton production is limited
- Output of cotton fiber depends upon monsoon & other factors
- 100% Polyester fabric is in fashion due to bright colors

Post January 2005 scenario, cotton yarn exports are expected to increase thus reducing its availability in the domestic markets. The increase in cotton yarn exports will leave more space for polyester in the domestic markets. Polyester products and its blends have emerged as the 'fiber of mass consumption' because of its versatility, good process ability, environment friendly properties and comparative cost effectiveness. As a result, demand for synthetic fibers/yarns derived from petrochemicals is increasing.

Advantages of Polyester Vis-à-vis Cotton

For some years now, polyester has been eating into cotton's share of the market, bringing it down from 68% in 1992-93 to 49% in 2002-03. As per the *CRIS INFAC Annual Review Report on Man Made Fibres – November 2003*, this trend is likely to continue because:

Domestic Markets Follow International Trends: Domestic market trends generally follow the international markets. In 2002, around 55 % of the fibre consumption in the global markets was in the form of synthetics, followed by cotton and cellulosic at 38% and 5% respectively. By contrast, the share of synthetics in the domestic markets was 47%, with cotton at 49% and cellulosic at 4% in 2002- 03.

Limited Cotton Production Growth in the Domestic Market: India is among the top three cotton-producing countries. However, as per the estimates of CRIS INFAC, domestic cotton production will increase only marginally in the medium term, given the historical crop data - cotton production over the past decade has increased at a mere 1.3 % CAGR, with relatively stable average yield levels. Acreage for cotton production is limited and yield levels are expected to increase only marginally. Thus total production will only increase marginally.

On the other hand, among man-made fibres (synthetics and cellulosic), polyester has shown the maximum growth in terms of production and demand. Going forward, the capacity additions that are scheduled in the medium term will ensure easy availability.

Increase in Cotton Yarn Exports will Leave More Space for Polyester in the Domestic Markets: Cotton yarn exports are expected to increase in the medium term, especially after 2005, reducing its availability in the domestic markets. India is amongst the largest exporters of cotton yarn in the world. The increase in cotton yarn exports will leave more space for polyester in the domestic markets.

Price-Competitiveness of Polyester To Improve against Cotton Yarn: Cotton yarn is expected to become even less price-competitive in comparison to polyester, with excise and customs duties on polyester getting cut, and the price differential between the two narrowing.

Healthy GDP Growth to Increase Purchasing Power: GDP growth helps in estimating the purchasing power parity of a country. CRIS INFAC estimates that India's GDP will grow at a healthy 5-6 % in the next five years. The GDP growth has averaged 5.84% from 1981-82 to 2002-03.

An average GDP growth of 5.5 % is expected to give a 6.85 % growth in fabric production. However, the relatively high elasticity of demand could cause fluctuations in demand growth. Synthetics are likely to grow at a higher rate, assuming that cotton crop would continue to grow at a CAGR of 2.5 %, as it has done for the past 50 years. Given the higher growth in fabric production and lower growth in cotton availability, GDP will have a positive impact on synthetics growth.

Per Capita Consumption: India has a long way to go: The average per capita consumption (PCC) of fabric in India is much lower than in its neighboring countries. India has a huge potential market, given that its PCC is as low as 1.4 kg as compared China (5 kgs), Pakistan (3 kgs) and Indonesia (5 kgs). India has the advantage of a large and growing domestic market, and a good GDP growth.

Rapid Urbanisation - higher spend on clothing: Of the total domestic population, about 70% is rural. Behavioral patterns suggest that most of the fabric demand in this segment is need-based. The urban demand, on the other hand, is also driven by fashion trends, and favors more sophisticated textiles, and variety in designs and colours. The average urban spend on apparel is higher than rural spend. However, over the years, the clothing pattern in India has shifted. Men's clothing consumption has moved from the traditional cotton-based wear to synthetic fabrics. Cotton dhotis are giving way to trousers (mostly made of polyester or polyester blends). Likewise, women are moving from cotton saris to synthetic saris or punjabi suits made of synthetics.

Non-Apparel Segment to Drive Polyester Demand: In India, fibre is used mostly for apparel (93%), with demand from the home textiles, automotive and industrial segments accounting for the remaining 7%. By contrast, worldwide, the last three market segments account for 59% of end use. In India, the demand from the non-apparel segment is in a growth phase; it's expected to grow at a high 20% per annum. Polyester, given its high tenacity and strength, is the most suitable fabric for these applications. Thus, demand for polyester is expected to increase steeply from these segments.

Despite the high prices, polyester filament yarn continues to be price competitive vis-à-vis cotton yarn of finer counts, which is re-iterated by the *CRIS INFAC MAN-MADE FIBRES UPDATE: JANUARY 2005*, which states that POY demand is expected to grow at nearly 5.6 % in the medium term.

Unique Characteristics of Polyester Fiber Vis-à-vis Cotton Fiber

Polyester Yarns is a substitute for cotton and other synthetic yarns because of its numerous advantages:

Properties: PFY is more durable, does not fade on exposure to sunlight or soap, has better abrasion resistance, drape and crease recovery properties, and is wrinkle resistant. Hence, it is a preferred material for synthetic fibres

Improvements: Modifications in the properties of PFY have allowed it to be used as a substitute for other natural and synthetic fibres. Some of the disadvantages it had, such as poor comfort and a dull appearance, have been overcome by texturing and the application of finishes during processing

Price competitiveness: Compared to other yarns, PFY prices are lower.

Some of the unique features of polyester fiber are:

- Strength
- Resistance to stretching and shrinking
- Resistance to most chemicals
- Quick drying
- Crisp and resilient when wet or dry
- Wrinkle resistant
- Mildew resistant
- Abrasion resistant
- Retains heat-set pleats and crease
- Easily washed

2. BUSINESS OVERVIEW

Details of the Business of Issuer Company

Our Company has been in the polyester industry for more than a decade and since incorporation we have been engaged solely into the manufacture of Polyester Texturised Yarn. Our first unit was set up at Survey No.272/1/1, Village Dadra, Silvassa, Dadra and Nagar Haveli, UT with an initial capacity of 600 T.P.A. in 1994-95 and with installation of one more texturising machine, the capacity was doubled in 1995-96. Over a period of time, we have set-up three texturising units with different manufacturing capacities i.e. Unit I with 1,200 T.P.A., Unit II with 5,200 T.P.A. at Village Amli in Silvassa & Unit III with 15,240 T.P.A. at a new site at Village Dadra, Silvassa. All these capacities have been considered based on manufacturing texturised yarn of 80 Denier. However, considering the current product mix of 80 & 150 Denier (70% of 80 Denier and 30% of 150 Denier), our total manufacturing capacity approximates around 25,500 T.P.A.

Our main product, Polyester Texturised Yarn (PTY), is used in the process of weaving of fabric used for suiting, shirting, dress materials, saree, hosiery, knitted fabric, zipper fastener, curtain & industrial cloth as also to manufacture fancy yarn for high value dress materials and upholstery. The basic raw material for manufacturing PTY is Partially Oriented Yarn (POY).

With an objective to avail benefits of backward integration by manufacturing POY, which is the key raw material for our existing product – PTY, and also to exploit the growing market for POY (which is expected to grow at nearly 5.6% in the medium term as per the CRIS INFAC Annual Review November 2003 Report), we are setting-up our fourth unit at village Surangi, Silvassa for manufacturing Partially Oriented Yarn (POY) with an estimated total capacity of 60,000 T.P.A. (capacity based on manufacturing average 150 Denier). Out of this total 60,000 T.P.A. of POY, about half of the production (at a manufacturing capacity of 85%) will be used for manufacturing PTY by ourselves, whereas the balance production will be sold off in the domestic market. We have already received enquiries from various local parties for purchase of POY and negotiations are on with them.

During the year 2004-05, we have entered into trading activities of various imported items like ready made garments, sports items, decorative lights & other consumables and items of household / kids use. We are currently selling these items to Pantaloon Retail (India) Limited (BIG BAZAAR) outlets all over India.

Brief Details about POY Manufacturing Unit

Location

The POY manufacturing unit is being set up at Survey No. 177/1/3 & 4, Village Surangi, Silvassa, Dadra & Nagar Haveli, UT. The site is about 160 km from Mumbai and 32 km from Vapi, the nearest railway station from the unit. This unit is located within 30 kilometers from our other existing units.

Land and Site Development

We have already acquired a freehold land measuring approx. 80,000 sq. meters at Survey No: 177/1/3 & 177/1/4, Village Surangi, Dadra & Nagar Haveli, Silvassa for the POY manufacturing unit. The land is non-agricultural in nature and is registered in our name. This land was acquired from Konark Developers. The persons from whom the land has been acquired are not related to our promoters / directors. The work of site leveling and development, laying of compound wall and landscaping is in progress. The brief details of cost of land and site development are given on page 46 of the Red Herring Prospectus.

Building and Civil Work

We are constructing a factory building, which will consist of production shop, raw material and finished goods storage, administrative block and other amenities. The initial permission for construction of factory building was given on 17th March 2004 by Administration of Dadra & Nagar Haveli, UT, Town & Country Planning Department, Silvassa. However, after taking the decision for the increase in the manufacturing capacity, we have received the approval for revised building plan from the concerned authority.

We have appointed M/s. J. J. Mistry, Engineers as Architects for the manufacturing unit, who is monitoring the entire civil work. The cost of construction of the building is mentioned on page 46 of the Red Herring Prospectus.

The construction of factory building is in progress and is expected to be completed by January 2006. As per certificate received from VMS Consulting Engineer dated 15th November 2005, civil work of the factory building is completed to the extent of 90% and balance work is in progress.

Plant & Machineries

The detailed break-up of Plant & Machineries required for the Project, Plant & Machineries already received, orders placed for Plant & Machineries and the quotations obtained for the balance Plant & Machineries appears from page 46 of this Red Herring Prospectus.

Electrical Installation and Other Fixed Assets

The details of electrical installation and Other Fixed Assets are appearing on page 50 and page 51 respectively of this Red Herring Prospectus.:

Pre-Operative and Other Expenses

The details of Pre-operative and other expenses are appearing on page 51 of this Red Herring Prospectus.

Public Issue Expenses

The expenses for the Issue include among others, underwriting and issue management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertising expenses, filing fees and other miscellaneous fees expenses. The estimated Public Issue expenses are as follows:

Sr. No.	Particulars	Amount (Rs. in Lacs)	% of Total Issue Expenses	% of Total Issue Size
1	Lead Management, Underwriting, Brokerage and Selling Commission*	[●]	[●]	[●]
2	Advertisement & Marketing Expenses	40.00	[●]	[●]
3	Printing & Stationery, Distribution, Postage, etc.	150.00	[●]	[●]
4	Other Expenses (incl. Fees of Registrar, Legal Advisor, Auditors and Tax Auditors, Filing Fees, Depository Charges, etc.)*	[●]	[●]	[●]
	TOTAL	[●]	[●]	[●]

* Will be incorporated after finalization of Issue Price

Collaborations

Except availing financial assistance from banks and others, we have not entered into any technical or financial agreement.

INFRASTRUCTURE FACILITIES:

Raw materials

Our Company is presently engaged in the manufacture of Polyester Texturised Yarn (PTY) and proposes to engage in the manufacture of Partially Oriented Yarn (POY). The raw material requirements are as under:

For PTY:

The major raw material for manufacture of PTY is POY, which we have been procuring from domestic suppliers viz. Reliance Industries Limited, Indo Rama Synthetics Limited, Sanghi Polyester Limited, JBF Industries Limited, Garden Silk Mills Limited, Gokulanand Textile Industries, Nova Petrochemicals Limited, etc. However, there is an anti-dumping duty on import of POY, due to which currently its import is not financially viable.

Further, due to the abundant supply of the above raw materials from the various manufacturers, our company would not have to depend on only one or a limited number of suppliers/manufacturers. Since the major raw material is available indigenously, there is no need to import the same.

However, now since we are moving towards backward integration and setting-up our own POY manufacturing unit at Silvassa, the future demand for POY shall be met out with this new project only.

The other raw materials like antistatic Oil, Packing materials such as Paper tubes, boxes, polythene bag, strapping rolls, etc. are also easily available locally. We are already procuring the raw materials from various suppliers for our existing operations; hence we do not foresee any problems in procuring the required quantity of raw materials in future also.

For POY:

The major raw material for manufacturing POY is Polyester Chips. These chips are crystallized, dried, extruded to manufacture POY, which is further processed to manufacture PTY. There are various suppliers of Polyester Chips in the domestic industry like Rajshree Polyfil, JBF Industries Limited, Indo Rama Synthetics Limited, Modern Petrofil, Reliance Industries, etc. Further, Polyester Chips can also be imported freely.

The other raw materials like Packing material such as Paper tubes, boxes, polythene bag, strapping rolls, etc. are also easily available locally and Spin Finish Oil is easily available in the domestic market and can also be imported freely.

With the abundant supply of the above raw materials (both for POY & PTY) from various manufacturers, our Company would not have to depend on only one or a limited number of suppliers / manufacturers.

Utilities

a) Power

Existing facilities (for PTY)

Our Company has three Units at Silvassa for manufacture of PTY. The connected power load of each of these units is as under:

- (a) Unit I: 500 KVA
- (b) Unit II: 1400 KVA
- (c) Unit III: 2500 KVA

The power facility is provided by the local authority of Dadra & Nagar Haveli, UT, for which we have the necessary registration.

As a stand by arrangement, we have installed D.G. sets of the following capacities at the Units:

- (a) Unit I: 380 KVA capacity
- (b) Unit II: 1200 KVA capacity (Two D.G. sets of 600 KVA Capacity each)
- (c) Unit III: 1700 KVA capacity (Two D.G. sets of 600 KVA Capacity each and one DG set of 500 KVA Capacity)

Requirement of power and its arrangements for the Project (for POY)

The Estimated power requirement for manufacture of POY is estimated at 7MVA, which will be provided by the local authority of Dadra & Nagar Haveli, UT. We have already received an in-principle approval for 10MVA load on 66 KV system from the Administration of Dadra and Nagar Haveli, UT, Electricity Department, Silvassa vide their letter no. 1-2(61)/ELE/2004/4225 dated December 03, 2004. As a stand by arrangement, we also Installed 5 D.G. Sets of 4 X 1100 KVA & 1 X 1250 KVA

b) Water

Existing facilities (for PTY)

The present manufacturing process does not require any water. However, the cooling system requires water, which is met out through the bore well. Further, the requirement of water for drinking and civic uses is also met through the bore well.

Facility for the Project (for POY)

The manufacturing process will require only around 10 kiloliters demineralised water, however for industrial purposes we require water around 390 kiloliters per day. Requirement of water for drinking and civic uses will be around 100 kiloliters per day. Thus the total requirement of water is around 500 kiloliters per day, which will be easily met through the bore well.

c) Compressed Air, Fuel

Existing facilities (for PTY)

Compressed Air is required to intermingle the yarn, which is generated by air compressors. We have already installed air compressors at our all the three existing units.

Facility for the Project (for POY)

Compressed air is required for machines as well as for intermingling the yarn, which is generated by air compressors. We have already taken care of air compressors in the cost of project and the same are being procured.

d) Transportation

Existing facilities (for PTY)

Our Company has three Units for the manufacture of PTY; two units at Village Dadra and one unit at Village Amli, Silvassa, Dadra Nagar & Haveli (Union Territory). Further, the new unit at Surangi for manufacturing POY is within 30 kms. from all the existing units. Silvassa is about 180 kms. from Mumbai and 17 kms. from Vapi, the nearest railway station.

Usually, most of the raw materials are purchased from depots at Silvassa, Daman and neighboring cities. Due to proximity of the new unit, our Company does not envisage any problem in transportation of POY from the new site to our existing units at Dadra & Amli village. Similarly, Polyester chips, which is the main raw material for manufacturing POY can be procured either from the neighboring cities or even can be imported, where the nearest port would be Jawaharlal Nehru Port Trust, Nhava Sheva (Maharashtra).

RAJ RAYON LIMITED

At Silvassa, there are abundant transport operators and the necessary road infrastructure is in place to facilitate easy transportation.

e) Manpower

Existing arrangements at Existing Units (for PTY)

For our three existing Units, which manufactures PTY, totally we have 81 employees, details of which is mentioned hereunder:

Particulars	No. of Employees
Managerial, Technical and Supervisory Staff	17
Skilled	55
Semi Skilled & Unskilled	9
Total	81

Further, we have also engaged Semi Skilled & Unskilled contract labour, which are around 125 in total.

At our Registered Office

We have the following manpower at our Registered Office:

Particulars	No. of Employees
Managerial and Supervisory Staff	11
Office Staff	3
Peon	2
Total	16

For the New Project (for POY)

The additional manpower requirements for the new project are as hereunder:

Particulars	No. of Employees
Managerial, Technical and Supervisory Staff	11
Skilled & Semi Skilled	91
Total	102

The recruitment for the new project is already in process.

Semi-skilled and unskilled labour required for the new project, will be recruited locally as per the requirement.

Our Company already has key employees required for managing the Project operations disclosed under "Details Regarding Key Managerial Personnel" on page 80 of this Red Herring Prospectus. Further, we do not envisage any difficulty in recruiting / hiring additional manpower as and when required, as manpower is easily available due to concentrated industrialization in the nearby areas.

PRODUCTS OF OUR COMPANY:

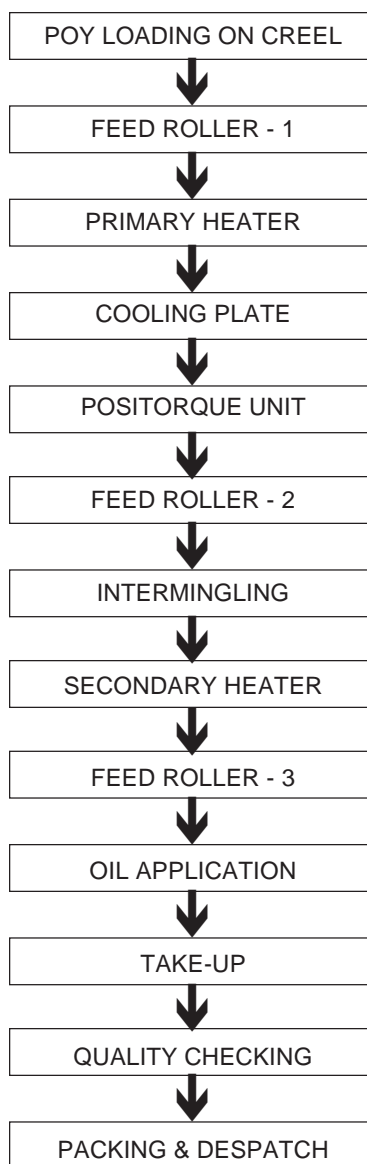
Existing Product (for PTY)

Currently, we are into manufacturing of Polyester Texturised Yarn, which is mainly used for manufacturing apparels i.e. shirting, suiting, ladies' dress material, etc. We use POY as main raw material for manufacturing PTY. Polyester Texturised Yarn is obtained after further processing of POY.

Synthetic textiles due to their many inherent advantages, have long replaced the conventional fabrics made from natural fibres. As a result the demand for synthetic fabrics made from man-made fibres has been long established and is steadily rising over a period of years.

Synthetics are the most versatile of clothing materials. They are popular due to their durability, low maintenance, capacity to take various colors, resistant to heat and dirt etc. Another advantage of synthetic fibre is their ability to mix well with natural fibres like cotton.

Process Description of PTY



Texturising is a process to develop the warmth properties by increasing the bulkiness of yarn. In this process, POY is used as a raw material. POY packages are loaded on the Creel from where yarn is taken off from POY packages, through the Feed Roller -1 on a controlled speed and fed to the Primary Heater (heating system) and passed through Cooling Plate for heat-setting purpose. During this heat-setting process, yarn is drawn to a required draw ratio by the help of Feed-roller-2 and twisting / de-twisting process is carried out by the Positorque Unit simultaneously, which is placed between Cooling Plate and Feed Roller - 2. Due to this twisting/de-twisting under the heated condition a loop type structure is formed in the yarn, which increases the air pocket and hence the bulkiness. Then this yarn is passed through Intermingling Device, where with the help of air at a required pressure, knots are developed, which helps the yarn for better running in the subsequent process.

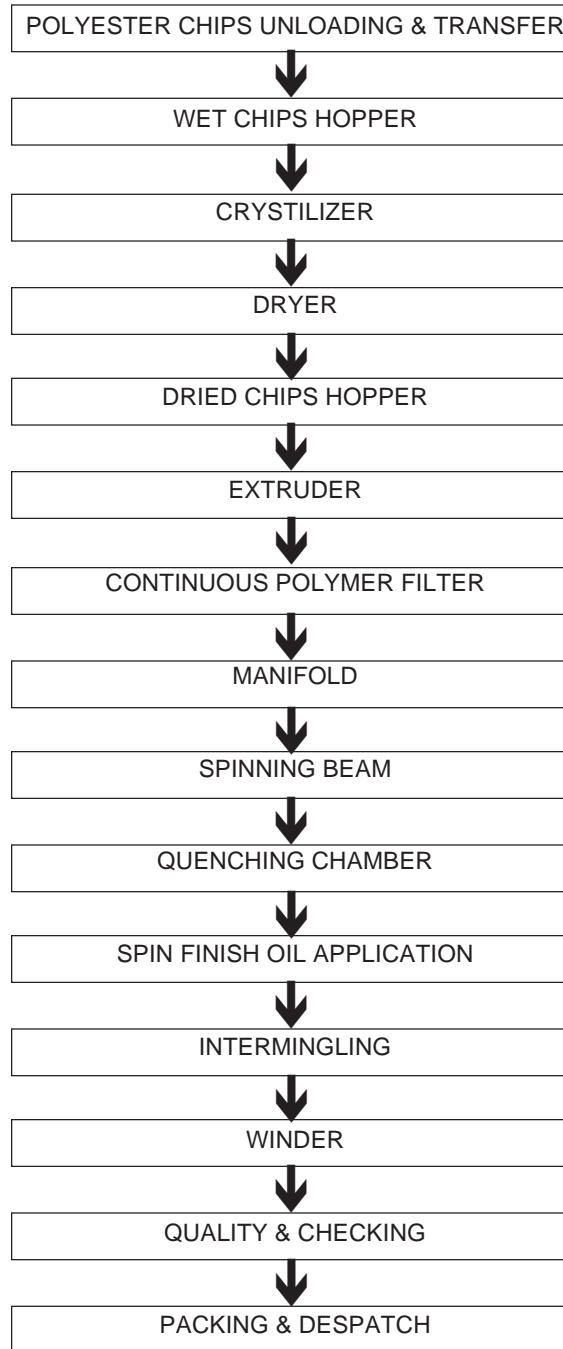
From Intermingling Device, the bulked yarn is fed in the Secondary Heater for setting purpose. The texturised yarn is then passed through Feed Roller-3 and Oil Application system to apply coning oil for protecting the yarn surface from wear and tear in the subsequent process. Then this yarn is wound on Paper-tubes in Take-Up. After a pre-set time the packages are doffed at a particular doff weight and sent for quality checking and packing as per the quality gradation norms. The packed boxes are then weighed and stored in a Storage area for final despatch to the market.

Proposed Product – POY

Producers sell POY to texturising units, which process POY and sell it to weavers largely in the power-loom sector) where it may be woven with other yarns. Texturisers can be either spinner texturisers (POY manufacturers who also have some

texturising capacity) or independent texturisers. The unit, being set-up at Surangi, will have a POY manufacturing capacity of 60,000 T.P.A. of POY (capacity based on manufacturing average 150 Denier), of which about half of the production (at a manufacturing capacity of 85%) will be used for captive consumption for manufacturing PTY, and the balance production will be sold off in the domestic market. We propose to use Polyester Chips as a raw material for manufacturing POY.

Manufacturing Process of POY



Process Description of P.O.Y. Manufacturing Unit

Our Company proposes to manufacture POY from Polyester Chips. These chips are purchased from indigenous suppliers and stored in go-downs. The chips are then sent through pneumatic conveying system to storage silos/hoppers from where they are fed to the wet chips hopper.

From wet chips hoppers chips are fed to the Crystalliser. The chips are crystallized inside the Crystallizer where the crystallinity of the chips are increased before feeding into the Dryer so that lump formation does not take place during drying. After that the crystallized chips are fed to the Dryer where hot air is passed for reducing the moisture within chips. Moisture removal from Polyester chips is very critical in regard to its running at Spinning and subsequent processes The dried chips are then fed into the Dry chips hopper(DCH) where a particular quantity of dried chips are stored and fed to the Extruder through the pipeline for melting and extrusion.

In the Extruder, there are different heating zones, which are heated with electric heating coils and the temperature in different zones is controlled. The chips are melted in these zones and the molten polymer is formed. The temperature and pressure control at all the stages is an extremely important aspect of the melting process as this has impact on the final properties of the yarn.

The molten polymers are then passed through the Continuous Polymer Filter to trap any unwanted impurities of polymer. The filtered & molten polymer is passed through the Manifold (melt distribution pipe) at a particular temperature, which is maintained by Dowtherm Oil in vapour form. This melt is then passed through the Spinning Beam at a particular temperature and pressure, where a precise quantity of melt is taken by Metering Pump and fed to the spin packs containing Filters and Spinnerettes. From the Spinnerettes, polymer melt is extruded in the shape of fine capillaries and cooled by cool and dust free air in quench chambers. Cool air solidifies the melt and the melt takes the shape of yarn.

From Quench, the raw yarn is passed through Spin Finish Oil Applicators, where spin finish oil imparts the lubricity, anti-static property in the yarn for better performance in the subsequent process. After spin finish oil application, the yarn passes through Inter Floor Tubes and is moved to Intermingling Devices for intermingling, where air at a specified pressure imparts knots in the yarn for better running on texturising machines. From Intermingling devices, the yarn is moved to Take-Up Winders for winding on paper tubes.

The above yarn winded on paper tubes is moved through trolleys for Checking and Quality Control section, where all recommended standard checking / testing and quality gradation, lot no., etc. are carried out. From Checking and Quality Control section, material is moved to the packing section for Packing, and then it is moved to Despatch section for delivery.

Trading Products

During the year 2004-05, we have entered into trading activities of various imported items like ready made garments, sports items, decorative lights & other consumables and items of household / kids use.

Market for PTY/ POY

The manmade fibre industry holds encouraging prospects in meeting the clothing needs of the growing population of the country. Until a few years ago, synthetic languished in the shadow of natural fibres and could find respectability only in blends. However, the durability, affordability and ease of use of synthetic fabrics, pushed synthetics into the limelight. Modern fashion designers have taken to synthetic fabrics in a big way and synthetics are riding the wave of popularity.

As textiles are an essential requirement next to food for human beings, manmade fibres have filled-in the gap created by the almost stagnant production of natural fibres like cotton and wool and the fast growing demand of the ever increasing world population.

The demand of POY has increased over the years mainly due to its cost-effectiveness and domestic availability. Domestic availability of cotton also influences POY availability. As per the CRIS INFAC Report, POY demand is expected to grow at nearly 5.6 per cent in the medium term.

Competition

The main players in the POY industry are raw material suppliers, manufacturers (converting PTA/ DMT and MEG into filament yarn) and texturisers. POY is largely sold to texturising units, who process it and sell it to weavers (largely power-loom). Reliance, the largest player in POY, has integrated backwards and produces the raw material it requires, while the other players either import it or source it from the domestic markets.

The POY sector is dominated by five major players i.e. Reliance Group, Indo Rama, Sanghi Polyester, Century Enka & JBF Industries, accounting for nearly 60 per cent of the total industry capacity.

Approach to Marketing and Proposed Marketing Set-up

Existing Set-up

Our Company has an established client base and we are marketing our products through various dealers and distributors in Mumbai, Bhiwandi, Surat, Ludhiana, Secunderabad, Meerut, Panipat, Delhi, Bhilwara, Erode, Salem, Coimbatore, Ichalkaranji, Malegaon and Calcutta markets. Our manufacturing locations are considered suitable in view of the demand and supply position of PTY, as our manufacturing units are located at Silvassa, which is near to Bhiwandi and Surat, the major

consumption centers of texturised yarn. We also have a godown at Bhiwandi from where the goods are transported to the prospective customers.

We are currently selling imported trading items to Pantaloon Retail (India)Limited (BIG BAZAAR) outlets all over India.

Proposed Marketing Set-up

Out of the proposed production capacity of 60,000 T.P.A. of POY, we propose to consume 25,500 T.P.A. of POY (at a manufacturing capacity of 85%) for manufacturing PTY at existing texturising units located at Silvassa, and the balance quantity of POY will be sold in the local market to other texturising units. We have already received proposals from few prospective buyers for the purchase of additional quantity of POY and we are negotiating with these prospective buyers to tie-up the additional production.

Vide our letter dated February 2, 2005 we have made an application to The Registrar of Trade Marks, The Trade Marks Registry, Mumbai, for registration of Trade Mark "RAJ RAYON LIMITED with R Logo" in class 25. The registration of the same is awaited.

Export Possibilities and Export Obligations, if any

Currently, our entire existing production of PTY is sold locally and as on date, we don't have any export obligations. However, in future we may sell our products (both PTY & POY) in export markets also.

Business Strategy

As a business strategy, we believe in specialization into our business segments and to become cost efficient to remain competitive in the market. As part of implementation of the said strategy, since incorporation, our Company has been engaged into manufacturing of Polyester Texturised Yarn (PTY), and currently we have three existing PTY manufacturing units with a capacity of 25,500 T.P.A. [considering the product mix of 80 & 150 Denier (70% of 80 Denier and 30% of 150 Denier)] at Silvassa in the Union Territory of Dadra & Nagar Haveli.

Further, to become cost efficient to remain competitive against our competitors in the peer group, we have undertaken a backward integration project for manufacturing of POY at Surangi with a manufacturing capacity of 60,000 T.P.A. (capacity based on manufacturing average 150 Denier of POY), which is one of the basic raw materials used in the processing of Polyester Texturised Yarn. We have imported a second hand "Barmag, Germany" make plant from USA to manufacture POY. We have also appointed Mr. Ashok Trehan, Director (Technical), w.e.f. 31st January 2005 to facilitate our backward integration project.

During the year 2004-05, we have entered into trading activities of various imported items like ready made garments, sports items, decorative lights & other consumables and items of household / kids use.

Future Prospects

After completion of the current backward integration project for manufacturing POY, we believe that we would be having better margins for our existing product PTY. Further, we would be able to cater to the additional demand of POY from other texturisers, who are into manufacturing of PTY. Better margins along with additional sales of POY will result into overall increase in sales volume along with better returns for our shareholders.

Licensed & Installed Capacity and Capacity Utilisation:

No licence is required under the Industries (Development & Regulation) Act; 1951, therefore the details of licensed and installed capacity are not applicable to us. However, we have filed the required Industrial Entrepreneurs' Memorandum (IEM) with the Government of India, Ministry of Commerce & Industry, Secretariat for Industrial Assistance and obtained the acknowledgement dated 10th December 2003 for our Project being set up at Unit IV.

Competitive Strengths

Our Company faces competition from large and integrated players. Further, smaller producers of PTY & POY also create competition for us, but, considering the size and barriers for new entrants in the industry, the competition from smaller producers is minimal.

Our Company is in medium size as compared to the market leaders like Reliance Industries Limited. However, after completion of our Project involving backward integration, we will become one of the major producers of POY & PTY in the country.

We propose to utilize about 50% of the production (at 85% of manufacturing capacity) as raw material for our other three units at Silvassa. Further we have been receiving enquiries for our products from buyers. Hence, we do not envisage any major competition threat from other players in the market.

Insurance

All our units have been insured through United India Insurance Co. Limited and all the policies are valid as on date.

Property

The details of our immovable properties are as under:

Sr. No.	Address	Description	Type of Property
1	Survey No. 272/1/1, Dadra Demni Road, Village – Dadra, District Silvassa, Dadra and Nagar Haveli – Pin Code – 396 230	Factory building on non-agricultural land admeasuring 1,019 sq. mtrs.	Freehold
2	Survey No. 259/12, Parshwanath Industrial Estate, Village – Dadra, District - Silvassa, Dadra and Nagar Haveli – Pin Code – 396 230.	Factory building on non-agricultural land admeasuring 7,000 sq. mtrs.	Freehold
3	Survey No. 185/1/1, Plot No. 17, Dokmandi Road, Village – Amlı, Silvassa, Dadra and Nagar Haveli – Pin Code – 396 230.	Factory building on non-agricultural land admeasuring 3,030 sq. mtrs.	Freehold
4	Survey Number 177/1/3 & 177/1/4, Village – Surangi, Silvassa, Dadra and Nagar Haveli Pin Code – 396 230.	Factory building on non-agricultural land admeasuring 80,000 square metres.	Freehold
5	3A/205, Mittal Industrial Estate, Sakinaka, Andheri (East), Mumbai – 400 059.	Registered Office of our Company admeasuring 735 sq. ft.	Leave & License Agreement

Purchase of Property

We certify that there has no transaction(s) relating to the property completed within the two preceding years, in which any person who is, or was at the time of the transaction, a Promoter, or a Director or proposed director of our Company had any interest, direct or indirect.

Except otherwise stated under “Objects of the Issue” on page 40 of this Red Herring Prospectus, there is no property which our Company has purchased or acquired or proposes to purchase or acquire, which is to be paid for wholly or partly out of the proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than the property:

1. The contract for the purchase or acquisition whereof was entered into in the ordinary course of the our business, the contract not being made in contemplation of the Issue nor the Issue in consequence of the contract; or
2. As respects which the amount of the purchase money is not material.

3. HISTORY AND CORPORATE STRUCTURE OF OUR COMPANY

History and Major Events

Our Company was incorporated on 17th August 1993 as a public limited company with Registrar of Companies, Maharashtra and obtained Certificate of Commencement of Business dated 1st September, 1993. Mr. Gourishankar Poddar and Mr. Ratanchand Jain originally promoted our company. Later, Mr. Ratanchand Jain disassociated himself from our Company and Mr. Sushil Kumar Kanodia became one of our promoters. Due to other interests, Mr. Sushil Kumar Kanodia resigned as Chairman & Joint Managing Director of our Company in January 2001 and gradually his entire shareholding was transferred, by way of gift, to Mrs. Rajkumari Kanodia, who is one of our main Promoters now, with Mr. Gourishankar Poddar and Raj Money Market Limited

We have mainly been engaged in the manufacturing of Polyester Texturised Yarn. We started our manufacturing activities in the year 1994, by installing one texturing machine with a manufacturing capacity of 600 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier) at our first unit (Unit I) situated at Survey No. 272/1/1, Village Dadra, Silvassa, Dadra and Nagar Haveli, UT.

We made our maiden public issue in April 1995 of 14,40,000 equity shares of Rs.10/- each aggregating Rs.144 Lacs and our Equity Shares were listed on Bombay Stock Exchange Limited and the Jaipur Stock Exchange. The main object of the Issue was to expand our manufacturing capacity of Polyester Texturised Yarn from 600 T.P.A. to 1,200 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier), by adding one more texturing machine. The total capital outlay for this expansion project was Rs. 263 Lacs, which was to be financed by public issue of Equity Shares aggregating Rs. 144 Lacs, Promoters' Contribution in the public issue aggregating Rs. 69 Lacs, and Term Loan of Rs. 50 Lacs from The South Indian Bank Limited. The commercial production of this project commenced on 31st October 1995.

In the year 1996-97, we commenced setting-up of our second unit (Unit II) at village Amli, Silvassa, for manufacturing Polyester Texturised Yarn with a capacity of 2,600 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier) by installing four Draw Texturing machines. The total capital outlay for this project was Rs.1,170 Lacs, which was financed by IDBI by way of term loan aggregating Rs. 700 Lacs, Rs. 200 Lacs by way of preferential allotment to Promoters and Promoters' Group & balance Rs. 270 Lacs was by way of internal accruals. Commercial production for this project commenced in the year 1997-98.

In the year 1998-99, we started further expansion at Unit II, for manufacturing Polyester Texturised Yarn with a capacity of 2,600 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier) by installing four Draw Texturing machines. The total capital outlay for four texturing machines & supporting equipments, aggregating Rs. 667 Lacs was financed by SICOM Limited by way of lease assistance. Commercial production for this project commenced in the second quarter of year 1999.

In the year 1999-2000, the funding assistance from The South Indian Bank Limited were taken over by State Bank of India.

In the year 2001-02, we undertook another expansion project at our third unit (Unit III) situated at Survey No. 259/12, Village Dadra, Silvassa. This expansion project was completed in two phases. In the first phase, the installation of six texturing machines with a manufacturing capacity of 7,590 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier) was completed in June 2003. The total capital outlay in the first phase was Rs. 1,590 Lacs, which was partly financed by SICOM Limited by way of a term loan aggregating Rs. 1,000 Lacs. The balance amount of Rs. 590 Lacs was funded by way of issue of additional equity share capital aggregating Rs. 150 Lacs (preferential allotment to Promoters and Promoters' Group) and Rs. 440 Lacs was by way of cash accruals.

During the year, 2003-04, the entire financial assistance from IDBI (Term Loan of Rs. 140 Lacs) & SICOM Limited (term loan of Rs. 734 Lacs and finance lease of Rs. 217.30 Lacs) was taken over by State Bank of India. In the second phase of expansion at our Unit III, we installed another six texturing machines, with a manufacturing capacity of 7,650 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier), installation of which was completed in March 2004. The total capital outlay in the second phase was aggregating Rs. 1,500 Lacs, which was partly financed by State Bank of India aggregating Rs. 900 Lacs. The balance amount of Rs. 600 Lacs was funded by way of additional equity share capital aggregating Rs. 200 Lacs (preferential allotment to specified persons) and Rs. 400 Lacs was by way of internal accruals.

In the year, 2003-04 itself, we further planned to move into backward integration for production of POY, which is the key raw material for manufacturing Polyester Texturised Yarn, at our fourth unit (Unit IV) situated at Village Surangi, Silvassa. Initially, this project was commenced with a manufacturing capacity of 30,000 T.P.A. (capacity based on manufacturing average 150 Denier of POY) and the total projected capital outlay was Rs. 3,453 Lacs, which was partly financed by State Bank of India aggregating Rs. 2,000 Lacs. The balance amount of Rs. 1,453 Lacs was to be funded by equity aggregating Rs. 1,000 Lacs, internal accruals aggregating Rs. 353 Lacs and unsecured loans aggregating Rs. 100 Lacs.

However, during the initial stages of the implementation of the project, our Company found good potential in the demand of POY and we also received business enquiries for purchase of POY itself. Accordingly, our management decided to increase

the capacity of the POY project from 30,000 T.P.A. to 60,000 T.P.A. (capacity based on manufacturing average 150 Denier of POY). The doubling of total production capacity will be carried out by converting the winders with 2 thread lines into 4 thread lines and by carrying out other modifications, accordingly as required in the overall project.

Further, since the shares of our Company were not traded on the Jaipur Stock Exchange, we got our equity shares de-listed from the Jaipur Stock Exchange with effect from 17th August 2004.

During the year 2004-05, we have entered into trading activities of various imported items like ready made garments, sports items, decorative lights & other consumables and items of household / kids use. We are currently selling these items to Pantaloon Retail (India) Limited (BIG BAZAAR) outlets all over India.

The milestones in our history are given below:

Financial Year	Event
1993-94	Incorporated on 17 th August, 1993 in Mumbai, Maharashtra Commencement of Business on 1 st September 1993
	Setting-up of Unit I at Village Dadra, Silvassa – Installed one Texturising machine with a manufacturing capacity of 600 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier)
1994-95	Commercial production started at Unit I Commencement of expansion project to double the manufacturing capacity by installing one more Texturising Machine
1995-96	IPO of 14,40,000 equity shares at par Commercial production of expansion project commenced, which doubled the capacity from 600 T.P.A. to 1,200 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier)
1996-97	Commencement of setting-up of Unit II at village Amla, Silvassa, for manufacturing Polyester Texturised Yarn with a capacity of 2,600 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier)
1997-98	Commercial production started at Unit II
1998-99	Further expansion at Unit II - manufacturing Polyester Texturised Yarn with a capacity of 2,600 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier) by installing four Draw Texturising machines
1999-00	Commercial production started of further expansion at Unit II
2001-02	Commencement of first phase of expansion project at Unit III – Installation of six texturising machines with a manufacturing capacity of 7,590 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier)
2002-03	Part completion of first phase of expansion project at Unit III – Installation of four Texturising machines
2003-04	Completion of first phase of expansion project at Unit III – Installation of balance two Texturising machines Commencement and completion of second phase of expansion project at Unit III – Installation of six more texturising machines with a manufacturing capacity of 7,650 T.P.A. (capacity based on manufacturing Polyester Texturised Yarn of 80 Denier) Commencement of backward integration project at Unit IV - For production of POY with a manufacturing capacity of 30,000 T.P.A. (capacity based on manufacturing average 150 Denier of POY)
2004-05	Commencement of increase in the backward integration Project for manufacturing capacity of POY Project - from earlier 30,000 T.P.A. to 60,000 T.P.A. (capacity based on manufacturing average 150 Denier of POY)

Changes in Registered Office

The registered office of our Company is situated at 3A/205, Mittal Industrial Estate, Sakinaka, Andheri (East), Mumbai – 400 059, and the same is on lease and license basis from Gourishankar Poddar HUF. The main terms and conditions of the lease agreement executed between licensor i.e. Gourishankar Poddar HUF through its Karta Mr. Gourishankar Poddar, who is the Chairman and Managing Director of our Company and licensee i.e. Raj Rayon Limited are mentioned hereunder:

- Tenure:** For a period of 33 months effective from March 16, 2005 and renewable for further periods mutually agreed by separate agreement.
- License Fee / Compensation:** Rs.12,500/- (Rupees Twelve Thousand Five Hundred Only) per month.

RAJ RAYON LIMITED

3. **Security Deposit:** Rs. 10,00,000/- (Rupees Ten lacs Only), interest-free.
4. All the notified taxes and other taxes, levies, society bill and other dues in respect of the licensed premises will be paid by the licensor alone to the authorities concerned.

We have occupied the current registered office of our Company since 1994, but have executed a formal agreement in this regard only in 2005.

The details of changes in our registered office are mentioned hereunder:

Place of Registered Office	Shifted to	Date of Change	Reason
Mittal Industrial Estate, 5/B, Sanjay Building, Gala No. 57, Saki Naka, Andheri (East), Mumbai – 400 059.	Mittal Industrial Estate, 205, Sanjay Building No. 3C, Saki Naka, Andheri (East), Mumbai – 400 059.	05.10.94	For better work place.
Mittal Industrial Estate, 205, Sanjay Building No. 3C, Saki Naka, Andheri (East), Mumbai – 400 059.	3A/205, Mittal Industrial Estate, Sakinaka, Andheri (East), Mumbai 400 059.	18.06.97	Due to change in the wing number of the building by the society in which our Company's registered office is situated.

Changes in the Memorandum of Association of our Company

Sr. No.	Particulars	Date of Meeting	Type of Meeting
1.	Increase in share capitalAuthorized share capital of our Company increased to Rs. 1,00,00,000 (Rs. One Crores only) divided into 10,00,000 (Ten Lacs only) equity shares of Rs. 10/- each.	December 1, 1993	EGM
2.	Details of share capital.Composition of Authorised Share Capital of our Company changed from 10,00,000 (ten lac) Equity Shares of Rs. 10/- each amounting to Rs. 1,00,00,000 (Rupees One Crore only) to Rs. 1,00,00,000 (Rs. One Crores only) divided into 8,00,000 (eight lacs) equity shares of Rs. 10/- each and 2,00,000 (two lacs) 10% redeemable non-cumulative preference shares of Rs. 10/- each.	January 14, 1994.	EGM
3.	Increase in share capitalThe authorised share capital of our Company increased to Rs. 3,50,00,000 (Rs. Three crores fifty lacs only) divided into 33,00,000 (thirty three lacs) equity shares of Rs. 10/- each and 2,00,000 (two lacs) 10% redeemable non-cumulative shares of Rs. 10/- each.	September 30, 1994	1 st AGM
4.	Increase in share capitalAuthorized share capital of our Company increased (and capital composition changed) to Rs. 5,50,00,000 (Rupees Five crores Fifty lacs only) divided into 55,00,000 (fifty five lac) equity shares of Rs. 10/- each.	May30, 1997	EGM
5.	Increase in share capitalThe authorised capital of our Company increased to Rs. 7,00,00,000 (Rupees Seven crores only) divided into 70,00,000 (seventy lacs) equity shares of Rs. 10/- each.	April 30, 2002	EGM
6.	Increase in share capitalAuthorized capital of our Company increased to Rs. 9,00,00,000 (Rupees Nine crores only) divided into 90,00,000 (Ninety lacs) equity shares of Rs. 10/- each.	December 6, 2003	EGM
7.	Increase in share capitalAuthorized capital of our Company increased to Rs. 18,00,00,000 (Rupees Eighteen crores only) divided into 1,80,00,000 (One crore Eighty lac) equity shares of Rs. 10/- each.	September 30, 2004	11 th AGM
8.	Increase in share capitalAuthorized Share Capital of our Company increased to Rs.30,00,00,000/- (Rupees Thirty Crore Only) divided into 3,00,00,000 (Three Crore) Equity shares of Rs.10/- (Rupees Ten) each.	December 27, 2004	EGM
9.	Commencement of any businesses contained in Clauses 62, 73 and 87 of Part C (being the "Other Objects" clause) of Clause III (being the Objects clause) of the Memorandum of Association of our Company.	December 20, 2005	EGM

Main Objects

The main objects of our Company as stated in our Memorandum of Association are as under:

1. To carry on the business of manufacturers, dealers (whether by wholesale or retail), importers and exporters in yarns, fabrics, synthetics, knitting yarn cloth and other fabrics made from silk, artificial silk, rayon nylon, terene, decron, cotton, jute, wool and other suitable fabrics and dyeing, printing and weaving.
2. To carry on the business of knitters, weavers, manufacturers, ginner, pressers, packers, balers of silk, artificial silk, rayon, terylene, nylon, decron, orlon, staple fibres, bleaching, printing, texurising, twisting, doubling of yarns and fabrics and other fibrous materials, yarn, cloth, linen, rayon, and other goods or merchandise made therefrom, and generally to carry on the business of knitters, spinners, weavers and doublers, linen manufacturers of cotton, flex, hemp, jute, silk, artificial silk, rayon, terylene, decron, orlon, staple fibres, wool, yarn and cloth merchants, cleaners, combers, knitters, spinners, weavers, bleaching, dyers, printers, makers of vitrol, bleaching and dyeing materials."

Subsidiaries of Our Company

As per the audited balance sheet dated 31st July 2005, our Company doesn't have any subsidiaries.

Shareholders' Agreement

There is no Shareholders' Agreement existing as on date.

Other Agreements

As on the date of filing this Red Herring Prospectus with SEBI, we are not a party to any contract:

- (i) not being a contract entered into in the ordinary course of our business carried on or intended to be carried on by us; or
- (ii) which was entered into more than two years before the date of filing of this Red Herring Prospectus with SEBI.

Strategic Partners

Presently, our Company does not have any strategic partners.

Financial Partners

Presently, our Company does not have any financial partners.

Past Five years Performance

(Rs. in Lacs)

Particulars	Year / Period ended 31st March					01.04.05 -
	2001	2002	2003	2004	2005	31.07.05
Period (In months)	12	12	12	12	12	4
INCOME:						
Net Sales	8,842.81	9,507.74	10,585.77	11,214.92	15359.68	5928.06
Other Income	2.48	20.91	58.84	66.39	137.47	96.28
Total Income	8845.28	9528.65	10644.61	11281.31	15497.15	6024.34
EXPENDITURE						
Cost of Goods Sold	7278.55	7729.93	8986.14	9154.95	12938.54	4799.33
Staff Cost	81.37	96.41	88.72	79.95	78.61	25.90
Other Manufacturing Expenses	931.78	815.02	720.30	947.18	1114.43	455.41
Administrative Selling and Other Expenses	61.89	65.89	73.26	80.31	65.21	25.31
Depreciation	139.29	335.87	259.89	336.43	440.81	172.26
Interest	169.66	198.86	181.61	179.99	236.46	109.48
Total Expenditure	8662.53	9241.98	10309.92	10778.81	14874.06	5587.69
Net Profit before tax and extraordinary items	182.76	286.67	334.69	502.50	623.09	436.65
Provision for Taxation:						
Current Tax	16.50	24.50	28.4	42.28	49.09	95.17
Deferred Tax	0.00	(20.58)	97.65	132.13	60.07	(22.88)
Fringe Benefit Tax	0.00	0.00	0.00	0.00	0.00	2.32
Net Profit before extraordinary items	166.26	282.75	208.64	328.09	513.92	362.05

4. MANAGEMENT

Our Company is a professionally managed organization, which functions under the control of a Board consisting of six Directors. The day-to-day management of our Company is entrusted to Mr. Gourishankar Poddar, Chairman & Managing Director, who is assisted by a team of qualified and experienced professionals in technical, financial and other areas of management.

Board of Directors

The following table sets forth the details regarding our Board of Directors as on the date of filing of this Red Herring Prospectus.

Name, Age, Designation, Address & Occupation	Qualifications	Experience (Yrs)	Compensation paid (2004-05) (Rs. in Lacs)	Date of Appointment	Other Directorships
Mr. Gourishankar Poddar (44 Years) , Chairman & Managing Director, A4/503 & 504 Sundervan, Lokhandwala Road, Four Bungalow, Andheri (W), Mumbai – 400 053. Industrialist	Non - Matriculate	25	10.08	30.06.03	Sunstar Mercantile Company Limited
Mrs. Rajkumari Kanodia (46 Years) Director, T/35/705, Golden Height, Shastri Nagar, Andheri (W), Mumbai – 400 058. Business	H. S. C	12	NIL	28.02.03	Nil
Mr. Ashok Trehan (51 Years) Director (Technical), Flat # 402, Gurudev Complex, Phase III, Silvassa 396230 Technocrat	B Tech (Textiles)	28	1.24	31.01.05	Nil
Mr. Jagdish Chandra Somani (59 Years) Director, B/3/22 Mahesh Nagar, S.V. Road, Goregaon (W), Mumbai – 400 062. Senior Executive	M Com	35	Nil	07.01.98	Nil
Mr. Vinod Kumar Jain (39 Years) DirectorG-58, 1 st Floor, Vikash Marg, Laxmi Nagar, New Delhi – 110 092. Business	B E (Textiles)	17	Nil	30.10.04	Nil
Mr. Neraj Agarwal (25 Years) Additional Director,201, Shanti Co-op Hsg Society, Marol Military Road, Andheri (E), Mumbai - 400 059. Professional	P.G.D.B.M (Finance)	Nil	Nil	25.11.05	Nil

Brief Profile of our Board of Directors is given below:

The brief profile of our Executive Directors is mentioned on page 24 of this Red Herring Prospectus under sub-heading “Brief Profile of our Executive Directors”.

The brief profile of other members of the Board of Directors of our Company is mentioned hereunder:

Mrs. Rajkumari Kanodia

Mrs. Raj Kumari Kanodia, aged 46 years, is one of our main Promoters. She was appointed as director of our company on 28th February’2003. Mrs. Kanodia has cleared H.S.C and has experience in the textile field for about 12 years. She is a member of the Audit Committee and Shareholders’/Investors’ Grievances and Share Transfer Committee of our Board.

Mr. Jagdish Chandra Somani

Mr. Jagdish Kumar Somani, aged 59 years, is M.Com by qualification and is working as Vice President - Marketing of Orient Syntex (APM Industries Limited). He was appointed as additional Director of our Company on 07th January, 1998 and confirmed as Director in AGM held on 30th September’1998. He is having experience of 35 years in the textile industry. He is Chairman of Audit Committee and Shareholders’/Investors Grievances and Share Transfer Committee of our Board. Mr. Somani is neither director nor member of the committees of the Board of any other company.

Mr. Vinod Kumar Jain

Mr. Vinod Kumar Jain, aged 39 years, is B.E. (Textiles) by qualification. He was appointed as additional director of our company on 30th October, 2004 and confirmed as Director in AGM held on 16th August, 2005. He is a member of the Audit Committee and Shareholders’/Investors Grievances and Share Transfer Committee of our Board. Mr. Vinod Kumar Jain is neither director nor member of the committees of the Board of any other company.

Mr. Neraj Agarwal

Mr. Neraj Agarwal, aged 25 years, is P.G.D.B.M in Finance from Indian Institute of Science & Management, Ranchi. He was appointed as additional Director of our company on 25th November 2005. Mr. Neraj Agarwal is neither director nor member of the committees of the Board of any other company.

Borrowing Powers of the Board

The relevant extract of AoA of our Company in respect of Borrowing Powers of the Board is mentioned hereunder:

BORROWING POWERS

49.	Subject to the provisions of Section 292 and 293 of the Act and of these Articles the Board may, from time to time at its discretion, by a resolution passed at a meeting of the Board, accept deposits from members, either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the Company.
50.	The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit and in particular by a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of debentures or debenture-stock of the Company charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being and debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person of whom the same may be issued.

The resolution passed at the AGM of our Company held on 29th September 2001 in respect of borrowing powers of our Board of Directors is reproduced hereunder:

“RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1) (d) and all other applicable provisions of the Companies Act, 1956 to the Board of Directors of the Company for borrowing money from time to time, the sums of the money which together with the monies already borrowed by the Company (Apart from temporary loans obtained or to be obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose, provided such excess as determined by the amount so borrowed by the board and outstanding shall not at any time exceed the limit of Rs.500 Crore (Five hundred Crore).

“RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto.”

Compensation of Whole Time Directors / Managing Director

Mr. Gourishankar Poddar, Chairman and Managing Director

Our Company has not entered into a formal agreement with Mr. Gourishankar Poddar for his appointment as Chairman and Managing Director. He was reappointed as Chairman and Managing Director vide the following ordinary resolution passed at the 10th Annual General Meeting of our Company held on 29th August, 2003:

“**RESOLVED THAT** pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII of the act and all other applicable provisions of the Companies Act, 1956 (Including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the reappointment of Shri Gourishankar Poddar, as Chairman and Managing Director of the Company for a period of 5 (five) Years with effect from 1st April, 2004 on the following terms and conditions:-

- A) Salary : Salary @ Rs.75,000/- (Rupees seventy five thousand) per month.
- B) Perquisites : These shall be restricted to the extent as mentioned in Schedule XIII of The Companies Act, 1956.”

Mr. Poddar’s current term expires on 31st March, 2009

Mr. Ashok Trehan, Director (Technical)

Our Company has not entered into a formal agreement with Mr. Ashok Trehan for his appointment as Director (Technical). He was appointed as Director (Technical) by the following resolution passed at the Board Meeting of our Company held on January 31, 2005:

“**RESOLVED THAT** subject to approval of Central Government & shareholders in next General Meeting and pursuant to the provisions of sections 198, 269, 309 read with Schedule XIII of the act and all other applicable provisions of the Companies Act, 1956 (Including any statutory modification(s) or re-enactment thereof, for the time being in force), the Board of Directors hereby accord its approval and consent to the appointment of Shri Ashok Trehan, as a Director (Technical) of the Company for a period of 5 (five) Years with effect from 31st January, 2005 on the following terms and conditions:-

- A) Salary : Salary @ Rs.60,000/- (Rupees sixty thousand only) per month.
- B) Perquisites : These shall be restricted to the extent as mentioned in Schedule XIII of The Companies Act, 1956.”

Mr. Trehan’s current term expires on 30th January, 2010, and our Company has obtained the approval of the Central Government (Ministry of Company Affairs, Government of India) vide Letter No. 1/176/2005-CL.VII dated 12th August, 2005 to that effect.

Corporate Governance

Our Company has complied with SEBI guidelines in respect of corporate governance specially with respect to broad basing of Board, constituting of committees such as Shareholders/ Investors Grievances and Share Transfer Committee, etc. The same is given as follows:

Board Structure:

Our Board of Directors is a mix of executive and non-executive directors. Our Board comprises of the Chairman & Managing Director, one Executive Director, and four Non-Executive Directors. Three out of four Non-Executive Directors are Independent Directors.

The composition of our Board is mentioned hereunder:

Sr. No.	Name of the Director	Designation	Nature of Directorship	Date of Expiry of Term
1.	Mr. Gourishankar Poddar	Chairman and Managing Director	Executive Director (Chairman and Managing Director)	31 st March 2009
2.	Mrs. Rajkumari Kanodia.	Director	Non - Executive Director	To retire by rotation
3.	Mr. Ashok Trehan	Director (Technical)	Executive Director (Director (Technical))	30 th January 2010
4.	Mr. Jagdish Chandra Somani	Director	Non - Executive and Independent Director	To retire by rotation
5.	Mr. Vinod Kumar Jain	Director	Non - Executive and Independent Director	To retire by rotation
6.	Mr. Neraj Agarwal	Additional Director	Non-Executive and Independent Director	To retire by rotation

Audit Committee

The Audit Committee was constituted on 15th January, 2001. The terms of reference of the Audit Committee are as under: -

- (a) To review financial statements and pre-publication announcements before submission to the Board.
- (b) To discuss and review of the internal audit report / observations and the report of the external auditors and ensure the compliance of the internal control system.
- (c) To appraise the Board on the impact of accounting policies, accounting standards and applicable laws and regulations.
- (d) To hold discussions with statutory auditors on the scope and content of the audit.
- (e) To review our Company's financial and risk management policies.

Composition of Audit Committee:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1.	Mr. Jagdish Chandra Somani	Chairman	Non-Executive & Independent Director
2.	Mrs. Rajkumari Kanodia	Member	Non-Executive Director
3.	Mr. Vinod Kumar Jain	Member	Non-Executive & Independent Director

Remuneration Committee

We have no pecuniary relationship or transaction with our non-executive Directors other than payment of sitting fees to them, if any, for attending Board and Committee Meetings.

We do not have an incentive plan, which is linked to performance and achievement of our objectives. We have no stock option and pension scheme. We have not constituted a remuneration committee.

We have not paid any sitting fees to non-executive directors in FY 2004-05. The details of remuneration paid to our Chairman and Managing Director, Mr. Gourishankar Poddar, during the year ended March 31, 2005 are given as under:

a)	Salary	Rs. in Lacs	9.00
b)	Fixed Component – Contribution to Provident Fund	Rs. in Lacs	1.08
c)	Bonus, Benefits & other Allowances	Rs. in Lacs	Nil
d)	Service contract	Years	5
e)	Notice Period	Months	3
f)	Severance Fees	Rs. in Lacs	Nil

The details of remuneration paid to our Director(Technical), Mr. Ashok Trehan, during the year ended March 31, 2005 are given as under:

a)	Salary	Rs. in Lacs	1.22
b)	Fixed Component - Contribution to Provident Fund	Rs. in Lacs	0.02
c)	Bonus, Benefits & other Allowances	Rs. in Lacs	NIL
d)	Service contract	Years	5
e)	Notice Period	Months	3
f)	Severance Fees	Rs. in Lacs	NIL

Shareholder's/Investors Grievances and Share Transfer Committee

In terms of Section 292A of the Companies Act, 1956, the Shareholders/Investors Grievances and Share Transfer Committee was formed on April 16, 2003. The terms of reference of the Shareholders/Investors Grievances and Share Transfer Committee are as under: -

- (a) The Committee meets at frequent intervals to consider, inter alia, share transfer, issue of duplicate certificates, redressal of shareholders' complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividend etc.
- (b) The Committee oversees the performance of the Registrar & Transfer Agents, and recommended measures for overall improvement in the quality of investor services.
- (c) The Committee also monitors the prevention of insider trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

Composition of Shareholders/Investor's Grievances Committee:

Sr. No.	Name of the Director	Designation	Nature of Directorship
1.	Mr. Jagdish Chandra Somani	Chairman	Non-Executive & Independent Director
2.	Mrs. Rajkumari Kanodia	Member	Non-Executive Director
3.	Mr. Vinod Kumar Jain	Member	Non-Executive & Independent Director

Mr. Pradeep Kumar Agrawal, Company Secretary, is the Compliance Officer.

Outstanding complaints as on 31st October'2005 were Nil. ,During the period from 01.04.05 to 31.10.05, total thirty five complaints were received and replied to the satisfaction of shareholders / investors. We have acted upon all valid share transfers received during the period from 01.04.05 to 31.10.05. As on 04th November'2005 there are NIL transfer but there are 22 dematerialization request pending.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

Except as disclosed under the "Capital Build up" on page 32 our Company is in compliance with and will continue to comply with the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992. In compliance with regulation 12(1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992, our Company has framed a code of internal procedures and conduct for prevention of insider trading.

Mr. Pradeep Kumar Agrawal, our Company Secretary is responsible for setting forth policies, procedures, monitoring and adherence to the rules for the preservation of price sensitive information and the implementation of the code of conduct under the overall supervision of the board.

Shareholding of the Directors in our Company

Sr. No.	Name of the Director	Number of Shares	% of Post-Issue Paid-up Equity Share Capital
1	Mr. Gourishankar Poddar	40,000	0.24%
2	Mrs. Rajkumari Kanodia	4,67,500	2.75%

Interest of the Directors/Promoters

All our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or committees thereof as well as to the extent of remuneration and/or reimbursement of expenses payable to them under the Articles, or any agreement entered into by our Company with the Directors, or any resolution passed by the Board of Directors or at a General Meeting of our Company.

Our Directors may also be regarded as interested in the shares, if any, held by them or that may be subscribed by and allotted/ transferred to the companies, firms and trust, in which they are interested as directors, members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by Raj Rayon with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

Mr. Gourishankar Poddar, Chairman and Managing Director, and Mr. Ashok Trehan, Director (Technical), are interested to the extent of remuneration paid to them for services rendered to our Company. Further, the other Directors are interested to the extent of equity shares that they are holding and or allotted to them out of the present Issue, if any, in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Registered Office is on leave and licence from Gourishankar Poddar HUF whose Karta is our Chairman and Managing Director, Mr. Gourishankar Poddar, and he may be deemed to be interested in his capacity as Karta of the HUF in the amount of rent and the interest-free security deposit paid in respect of our registered office. For details, please refer to the heading "**Purchase of property**" on page 69 of this Red Herring Prospectus.

Our Company has substantial business dealings with Sangam Spinfab Private Limited (Sangam Spinfab), a Company in the same group. This Company has been promoted by Mr. Gourishankar Poddar, our Chairman and Managing Director. Our Company and our corporate promoter, Raj Money Market Limited, too have a substantial stake (of 14.20% and 14.81% respectively) in Sangam Spinfab. Mr. Gourishankar Poddar and Mrs. Rajkumari Kanodia, are also promoters of Raj Money Market Limited. For details regarding our Company's transactions with Sangam Spinfab Private Limited, please refer "Related Party (Transaction) Disclosure" as mentioned under Sr. No. 7 of "Notes forming part of Accounts" of the Auditors' Report on page 87 of this Red Herring Prospectus.

Two of our Promoters, namely Mr. Gourishankar Poddar and Mrs. Rajkumari Kanodia, own shares in our Company, as well as in Raj Money Market Limited and may be deemed to be interested in dividend, if any, declared by our Company by virtue of their shareholding in Raj Money Market Limited

Two of our Promoters, namely Mr. Gourishankar Poddar and Raj Money Market Limited own shares in Sangam Spinfab Private Limited, and may be deemed to be interested in dividend, if any, declared by our Company by virtue of their shareholding in Sangam Spinfab Private Limited.

Except as stated or referred to in chapters titled "History and Corporate Structure of Raj Rayon" and "Management" beginning on pages 70 and 74 of this Red Herring Prospectus, our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Red Herring Prospectus in which the Directors are directly or indirectly interested and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

Directors Remuneration for the year ended 31st March 2005

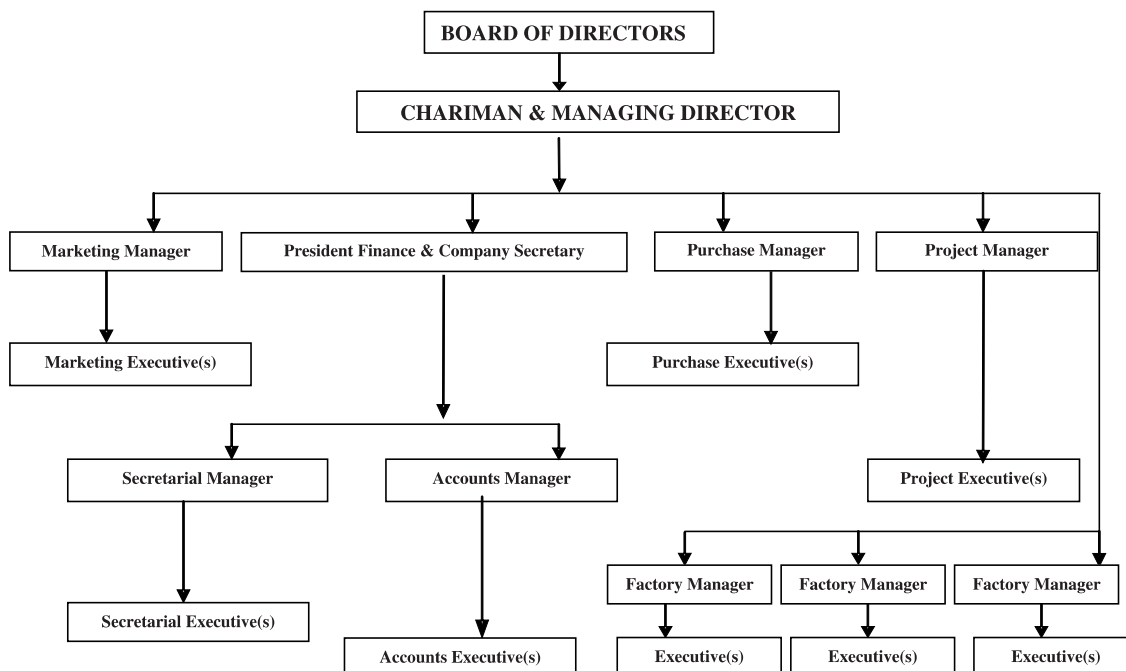
(Rs. in Lacs)

Name of Director	Salaries / Perquisites	Commission	Total
Mr. Gourishankar Poddar	10.08	Nil	10.08
Mr. Ashok Trehan	1.24	Nil	1.24
Total	11.32	Nil	11.32

Changes in our Board of Directors during the Last Three Years

Name of the Director	Date of Appointment	Date of Cessation / Resignation	Reasons
Mr. Pankaj Agrawal	15.01.01	28.02.03	Resigned due to Pre-occupation
Mrs. Rajkumari Kanodia	28.02.03	-	Appointed as Additional Director
Mr. Pankaj Agrawal	15.03.03	30.10.04	Resigned due to Pre-occupation
Mr. Vinod Kumar Jain	30.10.04	-	Appointed as Additional Director
Mr. Ashok Trehan	31.01.05	-	Appointed as Wholetime Director and designated as Director (Technical)
Mr. Tuhin B. Sinha	15.03.05	25.11.05	Resigned due to Pre-occupation
Mr. Neraj Agarwal	25.11.05	-	Appointed as Additional Director

MANAGEMENT ORGANISATION STRUCTURE



Details Regarding Key Managerial Personnel

Sr. No.	Name	Designation	Age	Qualification	Date of Joining	Experience (Yrs.)	Compensation Paid (2004-05) (Rs. in Lacs)	Functional Responsibility	Previously Employed
1.	Mr. Gourishankar Poddar	Chairman & Managing Director	44	Non matriculate	17.08.93	25	10.08	Overall Business Operation	Adhunik Synthetic Limited
2.	Mr. Ashok Trehan	Director (Technical)	51	B.Tech (Textile)	31.01.05	29	1.24	Overall POY Plant Technical Management	P.T. Indorama, Indonesia
3.	Mr. Pradeep Kumar Agrawal	President (Finance) & Company Secretary	37	B. Com, FCA, FCS	01.09.94	13	2.41	Finance & Company Secretary	Diastar Jewellery Limited
4.	Mr. Hemant V. Vaidya	G.M. (Production)	52	B.Tech (Text.),D.B.M., D.S.M.M.	04.11.04	25	0.31	Quality Control & Production	Aafoat textiles (I) Limited
5.	Mr. Ajit Yadav	G.M. (Technical)	45	DME	16.01.04	24	2.69	POY Plant Technical Management	M/s. Jaideep Group Of Industries
6.	Mr. Ajay Kumar Gupta	Manager (Instrumentation)	41	Diploma in Electronics Engineering	16.12.04	19	0.75	POY Plant Technical Management	Orange Polymer Limited

Notes

1. All the Key managerial personnel are permanent employees of our Company.
2. There is no understanding with major shareholders, customers, suppliers or any others pursuant to which any of the above mentioned personnel have been recruited.

Brief Profile of Our Key Managerial Personnel

The brief profile of our Chairman & Managing Director, Mr. Gourishankar Poddar and Director (Technical), Mr. Ashok Trehan is mentioned on page 24 under sub-heading "Brief Profile of our Executive Directors" of this Red Herring Prospectus.

The brief profile of our other key managerial personnel is mentioned hereunder:

Mr. Pradeep Kumar Agrawal, aged 37 years, is a Commerce Graduate. He is also a Fellow Member of the Institute of Chartered Accountants of India and Institute of Company Secretaries of India. He has a vast experience of 13 years in the field of Accounts, Finance and Secretarial Matters. He is associated with our Company as President (Finance) & Company Secretary. Mr. Agrawal has handled various expansion projects of our Company in PTY since 1994 in his capacity as President Finance & Company Secretary. He has also handled Initial Public Issue of Kamadgiri Synthetics Ltd and Raj Rayon Limited

Mr. Hemant V. Vaidya, aged 52 years, is B.Tech in Textiles and Diploma in Business Management. He has a vast experience of 25 years in the field of production and Quality Control. He is working as General Manger (Production). He was actively involved in the entire procedure of getting ISO 9000 certification for Indorama Synthetics (I) Ltd during his tenure with the said Company.

Mr. Ajit Yadav, aged 45 years, is a Technical Hand with DME. He has an experience of around 24 years in maintenance and Technical Management of the Plants. He is the General Manager (Technical) for POY manufacturing unit of our Company. He has handled POY project of Harayan Petrochemical Ltd & Fila Tex (India) Limited

Mr. Ajay Kumar Gupta, aged 41 years, holds Diploma in Electronics Engineering having 19 years of experience in the handling and maintenance of Textile Plants in various Organisations. He is Manager (Instrumentation) in our Company. He has handled POY project of Prsrampur Industries Limited

Shareholding of Our Key Managerial Personnel

Sr. No.	Name	Designation	No. of Equity Shares held as on 30th November, 2005
1.	Mr. Gourishankar Poddar	CMD	40,000
2.	Mr. Pradeep Kumar Agrawal	President (Finance) & Company Secretary	Nil

Bonus or Profit Sharing Plan for our Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel

Changes in Key Managerial Personnel during last 3 years:

Sr. No.	Name	Designation	Date of Appointment	Date of Leaving	Reason
1.	Mr. Sushil Kumar Kanodia	CEO	01.02.01	31.03.03*	Pre-Occupation
2.	Mr. Hemant V. Vaidya	G.M. (Production)	04.11.04	N.A.	-
3.	Mr. Ajit Yadav	G.M. (Technical)	16.01.04	N.A.	-
4.	Mr. Ajay Kumar Gupta	Manager (Instrumentation)	16.12.04	N.A.	-
5.	Mr. Stephen D'mello	G.M. Production	01.03.94	09.07.05	Pre-Occupation

* Mr. Sushil Kumar Kanodia resigned as CEO of our Company, but continued as an employee (not as a Key managerial Person) till 31st August 2004.

Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

Presently, our Company does not have any Employees Stock Option Scheme / Employees Stock Purchase Scheme for employees.

Payment or Benefit to Officers of our Company

Except the payment of salaries and perquisites and reimbursement of expenses incurred in the ordinary course of business, we have not paid / given any benefit within the two preceding years nor we intend to pay / give any benefit to any officer of our Company.

Relationship amongst Board of Directors and Key Managerial Personnel

Mr. Gourishankar Poddar is cousin brother of Mrs. Rajkumari Kanodia. Other than this none of the Board of Directors and Key Managerial Personnel are related to each other.

5. PROMOTER

Our Promoters & Their Background

Individual Promoters:

Mr. Gourishankar Poddar



Voter ID No. : MT/09/045/0226233

Driving License No. : MH02 / 94 / 75337 / BOM

Mr. Gourishankar Poddar, aged 44 years, is in the textile business for more than 25 years. He is residing at A4/503 & 504 Sundervan, Lokhandwala Road, Four Bungalow, Andheri (W), Mumbai – 400 053 He is a non matriculate and has not had much formal education. He started his career as a retailer in Purulia (West Bengal) and later on shifted to Mumbai. After gaining trading experience in textiles, in 1982, he became one of the promoters of Adhunik Synthetics Limited along with his uncle and others. After few years, in 1987, one more company in the name of Adhunik Yarns Limited was promoted by the same group, where Mr. Gourishankar Poddar was also one of the Promoters.

Later on, in 1993, Mr. Poddar promoted our Company and disassociated from the above two companies. Mr. Poddar was appointed as the Managing Director of our Company on April 1, 1994 for 5 years, which has been renewed from time to time. He was also designated as the Chairman of the Board w.e.f. January 15, 2001. Mr. Poddar has overall control and management of our Company, subject to the supervision, control and direction of our Board of Directors.

Under the leadership of Mr. Poddar, our Company has already set-up three full-fledged manufacturing units, one at Village Amli and two at Village Dadra, Silvassa with a total production capacity of 25,500 T.P.A. of PTY [considering the product mix of 80 & 150 Denier (70% of 80 Denier and 30% of 150 Denier)] and the fourth manufacturing unit with a production capacity of 60,000 T.P.A. of POY (capacity based on manufacturing average 150 Denier of POY) is being set-up at Village Surangi, Silvassa.

Mrs. Rajkumari Kanodia



Voter ID No. : Not Available

Driving License No. : MH/02/2005/A 1376

Mrs. Rajkumari Kanodia, aged 45 years, is one of our two individual promoters. She is residing at T/35/705, Golden Height, Shastri Nagar, Andheri (W), Mumbai – 400 058. Mrs. Kanodia has cleared H.S.C and has experience in the textile field for about 12 years. She is also a member of the Audit Committee & Shareholders/Investors Grievances and Share Transfer Committee of our Board.

Corporate Promoter:

Raj Money Market Limited

Raj Money Market Limited (Raj Money Market) having its registered office at 3A/205, Mittal Industrial Estate, Sakinaka, Andheri (East), Mumbai – 400 059, was incorporated on 18th April 1995 as Raj Money Market Private Limited vide certificate of incorporation No.11-87423. The name of the company was subsequently changed to Raj Money Market Limited on 25th June 1998 and a new certificate of incorporation was obtained to the said effect.

The current promoters of Raj Money Market are Mr. Gourishankar Poddar and Mrs. Rajkumari Kanodia, who are also Promoters of Raj Rayon. There has been no change in the management of this company since inception.

Shareholding pattern of Raj Money Market Limited as on 15th December 2005 is as under:

Particulars	No. of Shares	% Holding
Promoters (Mr. Gourishankar Poddar & Mrs. Rajkumari Kanodia) & their Relatives, Friends and Associates	1,899,800	58.74%
Private Corporate Bodies	548,000	16.94%
Others (Public)	786,300	24.31%
Total	3,234,100	100.00%

The existing Board of Directors of Raj Money Market Limited is given below:

Name of the Director	Designation
Mr. Vijay Agrawal	Director
Ms. Shruti Poddar	Director
Mr. Pawan Kanodia	Director

Brief Financial Performance:

Rs. in Lacs

Particulars	For the Financial Year ended March 31		
	2003	2004	2005
Share Capital	279.59	279.59	323.41
Reserves (excluding revaluation reserve)	(128.63)	31.29	54.47
Net worth	149.83	309.96	377.16
Total Income	*7.75	*169.96	24.80
PAT	0.05	159.92	22.92
EPS per Share (Rs.)	-	5.72	0.79
NAV per Share (Rs.)	5.36	11.09	11.66

* The total income of this company has increased from Rs. 7.75 lacs in 2002-03 to Rs. 169.96 lacs in 2003-04, which is mainly due to write back of provision made for diminution in the value of investments. The company had made provision of Rs. 128.53 lacs in 1998-99 for diminution in the value of investment in the equity shares of Raj Rayon Limited, which was written back in 2003-04, since in the opinion of the management there was permanent improvement and also the price was fair against the market price at the close of the year and also as per policy of valuation of investments.

Significant Notes to Accounts during the past three financial years:

1. For the Financial Year 2004-05

Contingent Liabilities not provided for:

Notes to account No. 5

No Contingent Liabilities have been provided for in respect of securities provided i.e. pledge of (a) 2000000 (Nil) equity shares of Raj Rayon Limited and (b) fixed deposits receipt of Rs 38.12 (Rs. 36.58 lacs) and (c) guarantee given by the

company to a bank for the credit facilities, aggregating to Rs. 59.60 Crores (Rs 35.39 crores), granted to Raj Rayon Limited by a bank. The Company is one of the promoters of Raj Rayon Limited.

2. For the Financial Year 2003-04

Contingent Liabilities not provided for:

Notes to account No. 5

No Contingent Liabilities have been provided for in respect of securities provided i.e. pledge of Nil (1724100) equity shares of Raj Rayon Limited and fixed deposits receipt of Rs 36.58 (Nil) and guarantee given by the company to a bank for the credit facilities, aggregating to Rs. 38.55 crores (Nil), granted to Raj Rayon Limited, a Company in which a director, during the year, was interested as director.

Notes to account No. 6

With a view to give the fair value of investment, a provision of Rs 128.53 lacs has been made in the accounts during the year 1998-99, for diminution in the value of investment in the equity shares of M/s Raj Rayon Limited, has been written back as in opinion of the management the same is a permanent improvement and fair against the market price at the close of the year and also as per policy of valuation of investments.

3. For the Financial Year 2002-03

Contingent Liabilities not provided for:

Notes to account No. 5

The company has pledged 17,24,100 equity shares (cost of Rs. 1,72,41,000/-) of M/s Raj Rayon Limited to the Industrial Development of India, Mumbai as a collateral security for the term loan sanctioned to M/s Raj Rayon Limited a company in which a director is interested as director

Notes to account No. 6

With a view to give the fair value of investment, a provision of Rs 128.53 lacs has been made in the accounts during the year 1998-99, for diminution in the value of investment in the equity shares of M/s Raj Rayon Limited, as in opinion of the management the same is a permanent impairment in the value as per policy of valuation of investments. However considering the assets, results, growth and future prospectus of the investee company i.e. M/s. Raj Rayon Limited, the company has not made any provision for diminution in the value of 13,83,000 equity shares applied & allotted during the year.

Raj Money Market Limited has not made any public issue and is not a listed company. Consequently, provisions of clause 49 of the listing agreement and those of the SEBI(Substantial Acquisition of Shares and Takeovers) Regulations, 1997 are not applicable.

The company has not been declared as a sick company under Sick Industrial Companies (Special Provisions) Act, 1985 and is not under winding-up.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against Raj Money Market Limited, or its promoters and directors. However, Raj Money Market had one pending RBI order against it due to its being an unregistered Non-banking Financial Institution. However, pursuant to clarification received from Reserve Bank of India bearing No. DNBS.CO.CMD-II.No. 1016/11.09.001/2005-06 dated September 15, 2005, RBI has stated, on the basis of the facts and circumstances as presented by Raj Money Market that the requirement for registration as a Non-banking Financial Institution, would not apply to it.

As on date, Raj Money Market doesn't have any loans / financial assistance from any bank / financial institution.

Declaration

It is confirmed that the PAN, Bank Account numbers and Passport Number of our individual Promoters and the PAN, Bank Account numbers, company Registration Number and address of the Registrar of Companies where the company is registered of our corporate Promoter, have been submitted to the Stock Exchange on which Equity Shares are proposed to be listed, at the time of filing of Draft Red Herring Prospectus with them.

Common Pursuits

Except as stated in or referred to in chapters titled "Management" and "Financial Information of Group Companies", beginning on pages 74 and 115 of this Red Herring Prospectus, currently there are no existing common pursuits between our Promoters and us.

Interest of Promoters

Our Promoters are interested in our Company in the following manner:

Mr. Gourishankar Poddar – For details of Mr. Gourishankar Poddar's interest please refer to the head "Interest of the Directors/Promoters" on Page 78 of this Red Herring Prospectus.

Mrs. Rajkumari Kanodia – For details of Mrs. Rajkumari Kanodia's interest please refer to the head "Interest of the Directors/Promoters" on Page 78 under of this Red Herring Prospectus.

Raj Money Market Limited is interested in our Company to the extent of its shareholding, for which it is entitled to receive the dividend declared, if any, by us. We have also availed of Inter Corporate Deposits from Raj Money Market Limited from time to time for which we pay interest at prevailing market rate.

Further, Raj Money Market Limited may also be deemed to be interested in our Company's dealings with Sangam Spinfab Private Limited, and as a shareholder of Sangam Spinfab Private Limited. For further details, please refer to the head "Interest of the Directors/Promoters" on Page 78 of this Red Herring Prospectus,

Payment or Benefit to Promoters of our Company

In the last two years, our Company has paid the following amounts to our Promoters:

Mr. Gourishankar Poddar:

(Rs. in Lacs)

Particulars	2003-04	2004-05
Remuneration (including Perquisites)	10.08	10.08
Interest	Nil	Nil
Dividend	0.28*	0.40*
Total	10.36	10.48

* Paid in the next financial year.

During the year 2003-04 & 2004-05, we have also paid Rent of Rs. 1.50 lacs per annum towards our Registered Office to Gourishankar Poddar HUF.

Mrs. Rajkumari Kanodia:

(Rs. in Lacs)

Particulars	2003-04	2004-05
Interest	Nil	Nil
Dividend	3.27*	0.47*

* Paid in the next financial year.

Raj Money Market Limited:

(Rs. in Lacs)

Particulars	2003-04	2004-05
Interest	2.33	1.67
Dividend	21.17*	30.25*

* Paid in the next financial year.

Related party transactions as per the Financial Statements

Please refer "Related Party (Transaction) Disclosure" as mentioned under Sr. No. 7 of "Notes forming part of Accounts" of the Auditors' Report on page 87 of this Red Herring Prospectus.

6. Exchange Rates

Currently, our Company is concentrating on the domestic market only. Thus, its revenues are not directly affected by fluctuations in foreign exchange rates. However, our Company imports certain plant & machineries and consumables, wherein payments of foreign currency is involved and are thus affected by fluctuations in foreign exchange rates.

7. Currency of Presentation

In this Red Herring Prospectus, unless the context otherwise requires, all references to the word “Lakh” or “Lac”, means “One hundred thousand” and the word “million” means “Ten Lacs” and the word “Crore” means “ten million”. In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

Throughout this Red Herring Prospectus, all the figures have been expressed in Lacs of Rupees, except when stated otherwise. All references to “Rupees” and “Rs.” in this Red Herring Prospectus, are to the legal currency of India and all references to “U.S. Dollar” and “US\$” are to the legal currency of the United States.

8. Dividend Policy

We don't have any written policy for dividend payment. However, dividends may be declared at our AGM based on a recommendation by our Board. Our Board may recommend dividends, at its discretion, to be paid to our members. Generally, the factors that may be considered by our Board, but not limited to, before making any recommendations for the dividend include future expansion plans and capital requirements, profits earned during the financial year, cost of raising funds from alternate sources, liquidity, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and money market conditions. In the last three financial years, that is 2002-2003, 2003-2004 and 2004-2005, a dividend @ 7%, 7% and 10% respectively has been declared and paid by us. However, we did not declare or pay any dividends till 2001-2002.

V. FINANCIAL STATEMENTS

1. FINANCIAL INFORMATION OF OUR COMPANY

Auditors' Report

To

The Board of Directors

Raj Rayon Limited,

3A/205, Mittal Industrial Estate,

Saki Naka, Andheri (E)

Mumbai 400 059

Dear Sirs,

1. We have examined the accounts of **Raj Rayon Limited** ('the Company') for the five financial years ended on 31st March 2001, 2002, 2003, 2004 and 2005 being the last date to which the accounts of the Company have been made up and audited by us for presentation to the members of the Company.
2. We have also examined the accounts of the Company for four months ended 31st July 2005 prepared and approved by the Board of the Directors of the Company and audited by us for the purpose of disclosure in the Offering Memorandum being issued by the Company in connection with the public issue of 85,00,000 equity shares having a face value of Rs 10/- per equity share at an issue price to be arrived at by the book building process.
3. In accordance with the requirements of Paragraph B (1) of Part II of Schedule II of the Companies Act, 1956 (the Act), and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (SEBI Guidelines) and our terms of reference with the Company requesting us to make this report for the purpose of the Offering Memorandum as aforesaid, we report that:
 - a. The restated profits of the Company for the financial years ended 31st March 2001, 2002, 2003, 2004, 2005 and for the four months period ended 31st July 2005 are as set out in Annexure I to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies, Notes on Accounts and Changes in Significant Accounting Policies appearing in Annexure IV, V and XVIII respectively to this report.
 - b. The restated assets and liabilities of the Company as at 31st March 2001, 2002, 2003, 2004, 2005 and as at 31st July 2005 are as set out in Annexure II to this report after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the Significant Accounting Policies, Notes on Accounts and Changes in Significant Accounting Policies appearing in Annexure IV, V and XVIII respectively to this report.
 - c. We have also examined the cash flow statement relating to the company for the year ended 31st March 2001, 2002, 2003, 2004, 2005 and for the four months period ended 31st July 2005 appearing in Annexure III to this report.
 - d. The rates of dividends paid by the Company in respect of the financial years ended 31st March 2001, 2002, 2003, 2004, 2005 and four months period ended 31st July 2005 are as shown in Annexure VI to this report.
 - e. We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offering Memorandum:
 - f. Statement of Tax Shelters as appearing in Annexure VII to this report
 - g. Capitalization Statement as at 31st July 2005 as appearing in Annexure VIII to this report
 - h. Performance Ratios as appearing in Annexure IX to this report
 - i. Details of Other Income as appearing in Annexure X to this report
 - j. Details of Sundry Debtors as appearing in Annexure XI to this report
 - k. Details of Loans and Advances as appearing in Annexure XII to this report
 - l. Details of Unsecured Loans as appearing in Annexure XIII to this report
 - m. Details of Secured Loans as appearing in Annexure XIV to this report
 - n. Details of investments as appearing in Annexure XV to this report
 - o. Details of Expenditure incurred and Source of Finance on the proposed project upto 31st July 2005 as appearing in Annexure XVI to this report

- p. Details of Qualifications appearing in the Auditors' Reports as given in Annexure XVII to this report
- q. Details of principal terms of loans and assets charged as security as appearing in Annexure XIX to this report.
- 4. In our view, the financial information as per audited financial statements have been prepared in accordance with paragraph B (1) of Part II of Schedule II of the Act and the SEBI Guidelines.
- 5. The preparation and presentation of this financial information is the responsibility of the Company's management and hence the sufficiency of the procedures performed, as set forth in the above paragraphs of this report, is the sole responsibility of the Company' management. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.
- 6. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.
- 7. This report is intended solely for your information and for inclusion in the Offering Memorandum in connection with the proposed Public Offer of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

20, Kanu Bhawan, 2nd Floor,
22/24, Chewoolwadi,
Dr. M.B. Velkar Street,
Mumbai 400 002
Date: 16th December'2005

For and on behalf of
R. S. Agrawal & Associates
Chartered Accountants

R. S. Agrawal
Partner
Membership No. 33216

ANNEXURE I

Statement of Profit & Loss Account, as restated:

(Rs in Lacs)

Particulars	Year / Period ended 31st March					31.07.05
	2001	2002	2003	2004	2005	
Period (In months)	12	12	12	12	12	4
INCOME:						
Sales						
Of products manufactured by the company	8,658.08	9,829.66	10,830.32	13,947.66	18,528.39	5,999.83
Of products traded in by the company	448.99	4.75	96.17	294.02	373.14	381.06
Total	9,107.07	9,834.41	10,926.49	14,241.68	18,901.53	6,380.89
Less: Excise Duty	264.27	326.67	340.72	3026.76	3541.85	452.82
Net Sales	8,842.81	9,507.74	10,585.77	11,214.92	15,359.68	5,928.06
Other Income	2.48	20.91	58.84	66.39	137.47	96.28
Total Income	8,845.28	9,528.65	10,644.61	11,281.31	15,497.15	6,024.34
EXPENDITURE						
Cost of Goods Sold	7,278.55	7,729.93	8,986.14	9,154.95	12,938.54	4,799.33
Staff Cost	81.37	96.41	88.72	79.95	78.61	25.90
Other Manufacturing Expenses	931.78	815.02	720.30	947.18	1,114.43	455.41
Administrative Selling and Other Expenses	61.89	65.89	73.26	80.31	65.21	25.31
Depreciation	139.29	335.87	259.89	336.43	440.81	172.26
Interest	169.66	198.86	181.61	179.99	236.46	109.48
Total Expenditure	8,662.53	9,241.98	10,309.92	10,778.81	14,874.06	5,587.69
Net Profit before tax and extraordinary items	182.76	286.67	334.69	502.50	623.09	436.65
Provision for Taxation:						
Current Tax	16.50	24.50	28.40	42.28	49.09	95.17
Deferred Tax	0.00	(20.58)	97.65	132.13	60.07	(22.88)
Fringe Benefit Tax	0.00	0.00	0.00	0.00	0.00	2.32
Net Profit before extraordinary items	166.26	282.75	208.64	328.09	513.92	362.05
Extraordinary items (Net of tax)	-	-	-	-	-	-
Tax adjustment for earlier years	-	-	-	1.44	-	-
Net Profit after extraordinary items	166.26	282.75	208.64	329.53	513.92	362.05
Re-computation of profit on account of changes in Accounting Policies:						
Add: Lease rental	88.89	(177.78)	-	-	-	-
Less: Depreciation on leased assets	(66.50)	127.46	-	-	-	-
Less: Interest on finance lease	(82.53)	162.54	-	-	-	-
Net Adjustment on account of changes in Accounting Policies	(60.14)	112.22	-	-	-	-
Recomputed profit if uniform policy would have been followed	106.12	394.97	208.64	329.53	513.92	362.05

The accompanying significant accounting policies and notes are integral part of this statement.

ANNEXURE – II

Statement of Assets and Liabilities, as restated:

(Rs. in Lacs)

	Particulars	As at 31st March					31.07.05
		2001	2002	2003	2004	2005	
A	Fixed Assets:						
	Gross Block	1,588.17	2,278.58	3,202.29	4,948.76	6,576.98	6,577.09
	Less: Depreciation	533.41	868.88	1,128.80	1,462.30	1,897.77	2,070.04
	Net Block	1,054.76	1,409.70	2,073.49	3,486.46	4,679.20	4,507.05
	Less: Revaluation Reserve	-	-	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	1,054.76	1,409.70	2,073.49	3,486.46	4,679.20	4,507.05
	Add: Capital Work in Process (including Pre-operative Expenses pending allocation)	-	258.53	50.08	28.72	695.90	2,210.48
	Total Fixed Assets (A)	1,054.76	1,668.23	2,123.57	3,515.18	5,375.10	6,717.53
B	Investments	51.14	51.01	51.01	51.01	51.01	51.01
C	Current Assets, Loans and Advances						
	Inventories	343.57	318.70	497.27	544.00	840.98	739.25
	Sundry Debtors	537.46	892.43	938.20	1,621.84	2,385.68	3,146.24
	Cash and Bank Balances	25.96	41.54	38.87	70.53	267.81	137.83
	Loans and Advances	379.82	199.87	320.85	354.97	998.71	1,390.36
	Other Current Assets	-	-	-	-	-	-
	Total (C)	1,286.82	1,452.54	1,795.19	2,591.34	4,493.18	5,413.68
D	Liabilities and Provisions						
	Secured Loans	937.08	1,342.68	1,781.45	2,942.57	3,629.78	5,317.44
	Unsecured Loans	106.82	-	-	77.24	917.58	881.12
	Current Liabilities and Provisions	149.83	359.41	304.02	650.67	2,415.14	2,688.69
	Deferred Tax Liability(Net)	-	131.09	228.74	360.87	420.94	398.06
	Total (D)	1,193.72	1,833.18	2,314.21	4,031.35	7,383.43	9,285.30
E	Net worth	1,199.00	1,338.60	1,655.55	2,126.19	2,535.85	2,896.92
F	Represented by						
1	Share Capital	501.77	501.77	651.77	851.77	851.77	851.77
2	Reserves (Net of Revaluation Reserves)	723.99	855.23	1,013.82	1,276.10	1,693.70	2,055.75
3	Miscellaneous Expenditures	(26.76)	(18.40)	(10.04)	(1.68)	(9.62)	(10.61)
	Net worth	1,199.00	1,338.60	1,655.55	2,126.19	2,535.85	2,896.92

The accompanying significant accounting policies and notes are integral part of this statement.

ANNEXURE III

Cash Flow Statement, as restated, for the:

(Rs. in Lacs)

PARTICULARS	Year / Period ended					31.07. 05
	2001	2002	2003	2004	2005	
Period (in Months)	12	12	12	12	12	4
(A) CASH FLOW FROM OPERATING ACTIVITIES						
Net Profit before Tax and Extraordinary Items	182.76	287.63	334.16	502.64	626.00	436.65
Adjustment for:						
Depreciation	139.29	335.93	259.92	336.43	440.81	172.26
Preliminary Expenditure written off	8.36	8.36	8.36	8.36	1.44	0.12
Net Prior Year Adjustments	0.00	(0.96)	0.53	(0.14)	(2.91)	0.01
Investment Income:						
(Profit)/Loss on sale of fixed assets	8.83	(0.01)	0.00	0.19	0.34	0.00
Interest /Other Income	(2.48)	(20.90)	(1.43)	(21.39)	(1.88)	0.00
Interest Expenses	169.66	198.86	181.61	179.99	236.46	109.48
Operating Profit before Working Capital changes	506.42	808.91	783.15	1,006.08	1300.26	718.51
Adjustment for:						
Trade and Other Receivables	(58.03)	(159.42)	(144.62)	(722.69)	(1356.57)	(1151.59)
Inventories	(23.43)	24.87	(178.57)	(46.73)	(296.97)	101.72
Trade Payables	(74.00)	43.39	11.07	302.87	1686.10	176.29
Cash generated from operations	350.96	717.75	471.04	539.53	1332.81	(155.07)
Interest Paid	(215.76)	(217.67)	(166.01)	(195.72)	(220.90)	(101.90)
Direct Taxes Paid	(9.96)	(15.44)	(22.13)	0.69	(58.65)	(0.62)
Cash flow before Extraordinary Items	125.24	484.65	282.89	344.50	1053.26	(257.59)
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
NET CASH FLOW FROM OPERATING ACTIVITIES	125.24	484.65	282.89	344.50	1,053.26	(257.59)
(B) CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of Fixed Assets (*)	(43.02)	(953.39)	(715.26)	(1,729.73)	(2,302.63)	(1,516.14)
Sale of Fixed Assets	13.12	4.00	0.00	1.50	1.55	1.45
Sale of Investments	0.00	0.13	0.00	10.00	0.00	0.00
Purchase of Investments	0.00	0.00	0.00	(10.00)	0.00	0.00
Interest / Other income	2.47	20.88	1.42	21.38	1.88	0.00
Dividend Received	0.01	0.01	0.01	0.01	0.00	0.00
Public Issue / Preliminary / Deferred Revenue Expenses	0.00	0.00	0.00	0.00	(9.38)	(1.11)
NET CASH USED IN INVESTING ACTIVITIES	(27.43)	(928.36)	(713.83)	(1706.84)	(2308.58)	(1515.80)

(Rs. in Lacs)

PARTICULARS	Year / Period ended					
	2001	2002	2003	2004	2005	31.07. 05
Period (in Months)	12	12	12	12	12	4
(C) CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from issue of Share Capital / Allotment Money	3.25	0.00	150.00	200.00	0.00	0.00
Share Application Money	0.00	160.50	(160.50)	0.00	0.00	0.00
Increase/(Decrease) in Unsecured Loan	77.76	(106.82)	0.00	77.25	840.33	(36.46)
Proceeds from Long Term Borrowings	14.32	493.64	631.46	1027.23	998.69	904.58
Repayment of Long Term Borrowings	(263.52)	(161.25)	(314.50)	(343.87)	(280.76)	(88.75)
Proceeds from Short Term Borrowings	0.00	0.00	0.00	0.00	0.00	0.00
Repayment of Short Term Borrowings	0.00	0.00	0.00	0.00	0.00	0.00
Change in Working Capital Borrowing from Banks	85.92	73.20	121.81	477.76	(46.05)	864.02
Dividend Paid	0.00	0.00	0.00	(44.36)	(59.62)	0.00
NET CASH FROM FINANCING ACTIVITIES	(82.27)	459.28	428.27	1,394.01	1,452.59	1,643.39
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	15.54	15.56	(2.66)	31.67	197.28	(129.99)
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	10.43	25.96	41.54	38.87	70.53	267.81
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	25.96	41.54	38.87	70.53	267.81	137.83

Notes to cash flow statement:

- 1 (*) Inclusive of Capital Work in Process and pre-operative expenses.
- 2 All figures in brackets are outflow.

ANNEXURE IV

Significant Accounting Policies:

1 SYSTEM OF ACCOUNTING

- a) The company generally, except under uncertain circumstance, follows mercantile system of accounting and recognised income and expenditure on accrual basis.
- b) Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value for the purchasing power of money.
- c) Accounting Policies not specifically referred to otherwise are consistent and consonance with generally accepted accounting principles followed by the company.

2 FIXED ASSETS

Fixed assets are stated at cost of acquisition or construction inclusive of freight, duties and taxes and incidental expenses, less accumulated depreciation (except land) and amortization.

3 INVESTMENT

- a) Long term investments are being valued at cost of acquisition.
- b) Short-term investments are being valued at cost or market value whichever is lower.

4 DEPRECIATION

- a) No depreciation is provided for leasehold land and freehold land.
- b) Depreciation on fixed assets is being provided on "Straight line method" basis at the rates specified in Schedule XIV to the Companies Act, 1956 till the written down value is reduced to 5% of the gross value being minimum fetchable value. No further depreciation is provided on such balance.
- c) Depreciation in respect of addition to the fixed assets is provided on Pro-rata basis from the month in which such assets are acquired/installed/started commercial production.
- d) Depreciation on fixed assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, discarded or demolished.
- e) The provision for depreciation for multiple shifts, wherever applicable, as per records, and as advised, has been made on the basis of the actual utilization of respective eligible assets.

5 VALUATION OF INVENTORIES

- a) Valuation of inventories is inclusive of taxes or duties incurred and on FIFO basis except otherwise stated.
- b) Raw materials and Work in progress are being valued at cost or net realisable value whichever is lower.
- c) Stores, Spares and Tools are being valued at weighted average cost.
- d) Goods in Transit, if any, are stated at actual cost up to the date of the Balance Sheet.
- e) Finished Stocks are being valued at direct cost or net realisable values whichever is lower.

6 SALES

Sales include excise duty (however the excise duty, as required, has been reduced separately from the sales) and interest on late payments by customers and exclude sales tax, discount, claims, and shortage but commission, brokerage and incentives have been separately accounted as an expense for sales. Transportation and marine insurance recovered from customers are reduced from the respective expenses.

7 GRATUITY

Liability for gratuity is provided in the accounts on accrual basis for the employees who have completed the qualifying period of service as per the Payment of Gratuity Act, 1972.

8 MISCELLANEOUS EXPENDITURE (TO THE EXTENT NOT WRITTEN OFF OR ADJUSTED)

Miscellaneous expenditure, such as preliminary expenditure and share issue expenditure are amortized over a period of 10 years in which the same are incurred.

9 PRIOR PERIOD EXPENSES/INCOME

The Company follows the practice of making adjustments through "Prior Period items" in respect of all material transaction pertaining to the period prior to current accounting period/year.

10 INCOME FROM INVESTMENTS

Incomes from Investments, where appropriate, are taken into revenue in full on declaration or receipt and tax deducted at source thereon is treated as advance tax.

11 CONTINGENT LIABILITIES

Contingent liabilities are disclosed by way of note to the accounts. Disputed demands in respect of Central Excise, Customs, Income Tax and other proceeding etc. are disclosed as contingent liabilities. Payments in respect of such demands, if any, are shown as advance till the final disposal of the matters.

12 EXCISE DUTY

- a) CENVAT credit available as per the provisions of the Excise Rules on raw material, packing material, etc purchased, is accounted for by reducing the cost of the respective items.
- b) Excise duty payable on finished goods lying at the factory premises at the close of the year is provided in the books as per the Excise Rules.
- c) CENVAT credit available as per the provisions of the Excise Rules on capital goods is accounted for by reducing the cost of capital goods.

13 LEASES

The present value of the lease payments is recognized as an asset with a corresponding liability. Annual lease payments are allocated into financial charge and also principal repayment. The financial charge is charged to the profit & loss account and the portion of the principal amount paid is deducted from the liability. The depreciation is also charged to profit & loss account on the assets taken on finance lease.

14 TAXES ON INCOME

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, on timing differences, being the difference between taxable incomes and accounting income that originate in one year and are capable of reversal in one or more subsequent years.

15 SEGMENT REPORTING

Segments have been identified in line with the AS-17, taking into account the organizational structure as well as the differing risks and returns. The business segment is disclosed as primary segment.

16 BORROWING COST

The company capitalizes interest and other costs incurred by it in connection with funds borrowed for the acquisition of fixed assets. Where specific borrowings are identified to a fixed asset or a new unit, the company uses the interest rates applicable to that specific borrowing as the capitalization rate. Where borrowing cannot be specifically identified to fixed assets, the capitalization rate applied is interest rate applicable to working capital loans of the company. Capitalization of borrowing costs ceases when all the activities necessary to prepare the fixed assets for their intended use are substantially complete. Other borrowing costs are charged to Profit & Loss Account.

17 TRANSACTION IN FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities are translated at year end exchange rates. Exchange differences arising on settlement of transactions and translation of monetary items are recognized as income or expense in the year in which they arise, except in respect of the liabilities for the acquisition of fixed assets from a country out side India where such exchange difference is adjusted in carrying value of the fixed assets.

Premium or discount on forward contracts is amortized over the life of such contract and is recognized as income or expense, except in respect of the liabilities for the acquisition of fixed assets where such amortization is adjusted in carrying value of the fixed assets.

ANNEXURE V

NOTES FORMING PART OF ACCOUNTS:

- 1 In the opinion of the Board, the current assets, loans and advances are approximately of the value stated if realized in the ordinary course of business. The provision for all the known liabilities is adequate.
- 2 Balances due to/from sundry debtors, sundry creditors, loans & advances and other liabilities are subject to confirmation and reconciliation.
- 3 Auditors' Remuneration:

(Rs. in Lacs)

Particulars	Year / Period Ended					
	2001	2002	2003	2004	2005	31.07.05
Statutory Audit Fees	0.44	1.05	1.05	1.08	1.77	0.00
Income Tax Audit Fees	0.19	0.26	0.26	0.27	0.44	0.00
Sales Tax Audit Fees	0.00	0.42	0.21	0.22	0.28	0.11
Income Tax Matters	0.00	0.20	0.16	0.43	0.30	0.00
Certification Work	0.00	0.18	0.09	0.21	0.21	0.12
Other Services	0.17	0.00	0.00	0.00	0.00	0.00
Out of Pocket Expenses	0.03	0.04	0.00	0.00	0.00	0.05
Total	0.83	2.15	1.78	2.21	3.00*	0.28*

* Excludes Rs. 55100/- and Rs. 89813/- respectively for the period ended 31/07/2005 and year ended 31/03/2005 capitalized as public issue expenses paid for report for prospectus and certificates.

- 4 Contingent Liabilities not provided for in respect of:

(Rs. in Lacs)

Particulars	Year / period ended 31st March					
	2001	2002	2003	2004	2005	31.07.05
(i) Guarantees given by the bankers of the Company net of money kept as margin.	53.07	53.41	42.75	75.25	98.60	93.38
(ii) Demand and show cause notices received by the company:						
(a) Excise Matters:	128.21	128.21	128.21	128.21	130.40	143.45
As per legal opinion taken, the Board is of the view that the company has a very fair chance of succeeding in these matters.						
(b) Levy of Cess:	7.82	7.82	7.82	7.82	7.82	7.82
As per legal opinion taken, the Board is of the view that the company has fair chances of succeeding in the matter at higher forum.						
(iii) Estimated amount of contracts remaining to be executed on capital account	0.00	617.23	266.00	541.87	273.51	237.27
(iv) Letter of credit issued by bank	0.00	0.00	0.00	0.00	593.73	182.08
(v) Investments of the company pledged as collateral security for the loan taken by others.	34.00	34.00	34.00	34.00	34.00	34.00

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(Rs. in Lacs)

Particulars	Year / period ended 31st March					31.07.05
	2001	2002	2003	2004	2005	
(vi) Unpaid amount of partly paid shares	0.13	0.13	0.00	0.00	0.00	0.00
(vii) Sales bills discounted with SBI factors & commercial Services Pvt Ltd	0.00	0.00	0.00	0.00	86.25	99.11
(viii) Income tax matters:						
(a) Disputed Income Tax matters in appeals or effect of order of CIT (A) is yet to be given.	0.49	0.00	0.00	0.77	0.77	0.77
(b) Effect of order of CIT u/s. 263 is yet to given.	0.00	0.00	0.00	Amount is unascertainable.		
As per legal opinion taken, the Board is of the view that the tax status of the company will remain unchanged.						
Total	223.72	840.80	478.78	787.92	1,225.08	797.88

5 No commission has been paid to the directors and only the remuneration by way of salary and perquisites has been paid to the directors as per the section 198, 309 and Schedule XIII of the Companies Act, 1956 as under:

Particulars	Year / period ended 31 st March					31.07.05
	2001	2002	2003	2004	2005	
Salaries	15.44	7.21	9.00	9.00	10.22	5.36
Contribution to Provident fund	1.85	0.87	1.08	1.08	1.10	0.39
Total	17.29	8.08	10.08	10.08	11.32	5.75

6 Deferred Tax Assets / Liability comprises:

Rs. in Lacs

PARTICULARS	Year / period ended					31.07.05
	31.03.01	31.03.02	31.03.03	31.03.04	31.03.05	
a) Deferred Tax Assets						
Arising on account of timing differences in:						
Gratuity	2.28#	3.84	5.41	6.08	7.81	7.15
Lease Rental	0.00	0.09	0.00	0.00	0.00	0.00
	2.28	3.93	5.41	6.08	7.81	7.15
b) Deferred Tax Liability						
Arising on account of timing differences in:						
Depreciation	137.83#	135.01	198.16	366.94	428.75	405.20
Lease Rental	16.12#	0.00	36.00	0.00	0.00	0.00
	153.95	135.01	234.16	366.94	428.75	405.20

Adjusted on initial adoption to surplus as on 01.04.2001.

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(vi) Transactions with the Related Parties:		Year / Period ended				
Ref. Of the Party concerned		31.03.02	31.03.03	31.03.04	31.03.05	31.07.05
	Period (In Months)	12	12	12	12	4
	Nature of Transaction	(Rs. in Lacs)				
(iv) (b)	Rent paid	1.50	1.50	1.50	1.50	0.50
	Deposit given in an earlier year continued	10.00	10.00	10.00	10.00	10.00
(iv) (c)	Salary	0.00	0.98	0.00	0.00	0.00
(iv) (d)	Salary	N.A.	N.A.	1.80	1.20	0.00
(v)	Remuneration as Technical Director	0.00	0.00	0.00	1.22	2.36

8 Segment Reporting:
a) Information about Business Segment:
(Rs. in Lacs)

	PTY	POY	Trading Activities	Services	Others	Total
Particulars	2004-05	2004-05	2004-05	2004-05	2004-05	2004-05
(i) Segment Revenue						
Operating Income	15,035.12	1.41	373.14	85.59	1.89	15,497.15
Less: Inter Segment Revenue	(1.41)	1.41	0.00	0.00	0.00	0.00
Net Revenue from Operations	15,036.53	(0.00)	373.14	85.59	1.89	15,497.15
(ii) Result						
Segment Result	693.18	0.16	126.58	85.59	4.47	909.98
Less: Unallocated corporate Exp.						52.32
(Net of Income)						
Operating Profit						857.66
Less: Interest (Net)						234.58
Total Profit before Tax						623.08
(iii) Other Information						
Segment Assets	6,679.82	2,648.79	127.55	37.17	0.00	9,493.33
Add: Unallocated common assets						435.58
Total						9,928.91
Segment Liabilities	1,364.46	744.32	62.75	0.00	0.00	2,171.53
Add: Unallocated common Liabilities						5,211.90
Total						7,383.43
(iv) Capital Expenditure during the Year	148.68	2,152.54	0.00	0.00	0.00	2,301.22
Add: Unallocated Capital Expenditure						1.40
Total						2,302.62
(v) Depreciation and Amortization	431.91	8.84	0.07	0.00	0.00	440.81
Add: Unallocated Depreciation						0.00
Total						440.81
(vi) Non Cash Expenditure	1.44	0.00	0.00	0.00	0.00	1.44
Add: Unallocated non cash expenditure						0.00
Total						1.44

(Rs. in Lacs)

	PTY	POY	Trading Activities	Services	Others	Total
Particulars	01.04.05 - 31.07.05	01.04.05 - 31.07.05	01.04.05 - 31.07.05	01.04.05 - 31.07.05	01.04.05 - 31.07.05	01.04.05 - 31.07.05
(i) Segment Revenue						
Operating Income	5,505.33	41.68	381.06	96.28	0.00	6,024.34
Less: Inter Segment Revenue	(41.11)	41.11	0.00	0.00	0.00	0.00
Net Revenue from Operations	5,546.45	0.56	381.06	96.28	0.00	6,024.34
(ii) Result						
Segment Result	287.51	(41.11)	221.41	96.28	0.00	564.10
Less: Unallocated corporate Exp.						17.96
(Net of Income)						
Operating Profit						546.13
Less: Interest (Net)						109.48
Total Profit before Tax						436.65
(iii) Other Information						
Segment Assets	7,039.81	4,350.99	397.37	97.61	0.00	11,885.78
Add: Unallocated common assets						307.04
Total						12,192.82
Segment Liabilities	1,504.93	593.56	245.56	0.00	0.00	2,344.05
Add: Unallocated common Liabilities						6,941.25
Total						9,285.30
(iv) Capital Expenditure during the Year	1.36	1,514.58	0.00	0.00	0.00	1,515.94
Add: Unallocated Capital Expenditure						0.20
Total						1,516.14
(v) Depreciation and Amortization	139.97	32.23	0.06	0.00	0.00	172.26
Add: Unallocated Depreciation						0.00
Total						172.26
(vi) Non Cash Expenditure	0.12	0.00	0.00	0.00	0.00	0.12
Add: Unallocated non cash expenditure						0.00
Total						0.12

b) Since the company generates its revenue in India, the geographical segment or secondary segment is not applicable.

c) Other disclosures:

(i) Segments have been identified in line with the AS-17 "Segment Reporting" taking into account the organizational structure as well as the differing risks and returns.

(ii) The company has disclosed Business Segment as primary segment.

(iii) Composition of Business Segment:

PTY : Polyester Texturised Yarn

POY : Partially Oriented Yarn

Trading Activities : Trading of Fabrics and Other Household items

RAJ RAYON LIMITED

Services : Services
Others : Others

(iv) Intersegment revenue is recognized at sales prices of the transferor unit.

(v) Segment revenue, results, assets and liabilities include the respective amounts identifiable to each of the segment and amounts allocated on a reasonable basis.

- 9 Sundry Creditors as on 31.07.2005 include an amount of Rs. 93.52 lacs (Rs. 46.56 lacs) dues to, Small Scale Industrial (SSI) undertaking. The names of SSI's to whom company owes a sum outstanding for more than 30 days are Loknath Packaging Pvt Ltd, Balaji Forms & Stationery, Guard Chemical Pvt Ltd, Jay Packaging, Indo Sind Packaging Industries, Paawan Polypack, Shah Containers Pvt Ltd, Shree Pooja Packwel, Balaji Paper Convertors, Compact Coils, Heatex Engg. Co., HRF Air Engineers, Ipsa Texchem Pvt Ltd, J.D. Lubricants Pvt Ltd, Jay Instruments & Systems Pvt Ltd, Rashmi Plastics, Silvertex Industries, S.M. Automation System and Vecnor Paper Convertors
- 10 340,000 equity shares of Rs. 10/- each fully paid up of Yashasvi Yarns Limited, have been pledged with IDBI against the term loan to Yashasvi Yarns Limited as collateral security.
- 11 Bank balances as on 31.07.2005 does not include Rs. 119,648.70/- (Rs. 121,286.70/-) lying in dividend accounts pertaining to financial year 2002-2003 and 2003-2004 with a schedule bank in the current accounts.
- 12 The commercial production of Surangi unit on the 7 lines of POY commenced on 31st March 2005, however since the company faced some difficulties in erecting the other lines and taking the desired quality production on these lines, the management decided, on April 8th 2005, to suspend production on these 7 lines (already erected) and also decided to commence the operations of all the 18 lines at the same time. The trial runs, on POY lines at Surangi Unit, commenced from 5th September 2005.
- 13 Sales as on 31.07.2005 include interest and late payment charges received or receivable from customers, the TDS on such receipt is Nil (Rs. 1,703,468/-).
- 14 In the Annexure to Auditors' Report on Financial Information, any discrepancies in any total and the sum of the amounts listed are due to rounding off.
- 15 Additional information pertaining to the period ended 31.07.2005 pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI of the Companies Act, 1956. (Figures in brackets indicate previous year's figures.)

a) Licensed and installed capacity:

The company is not required to obtain any license under the Industries (Development & Regulation) Act; 1951, therefore the details of licensed and installed capacity are not applicable. However the company has filed the required Industrial Entrepreneurs' Memorandum (IEM) to the Government of India, Ministry of Industry, and Secretarial for Industrial Approvals and obtained the acknowledgement for the same.

b) Production Turnover & Stock (As certified by the Management)

Particulars	Unit	Opening Stock		Purchase (Net)		Production
		Quantity	Value	Quantity	Value	Quantity
RAW MATERIAL						
Chips	Kgs	26500	1696000	1469	94208	-
		(0)	(0)	(114300)	(5263699)	(-)
P.O.Y.	Kgs	360429	27054757	6767047	444891033	56921
		(139529)	(9876869)	(20012490)	(1268351816)	(30675)
Yarn Oil	Kgs	22925	733600	333540	10669122	-
		(25621)	(839356)	(941005)	(26740698)	(0)
Spin Finish Oil	Kgs	77	8658	16236	1833591	-
		(0)	(0)	(200)	(23442)	(-)
WORK IN PROGRESS						
Chips	Kgs	56925	3164363	-	-	-
		(0)	(0)	(-)	(-)	(-)

Particulars	Unit	Opening Stock		Purchase (Net)		Production
		Quantity	Value	Quantity	Value	Quantity
P.O.Y.	Kgs	182339	13591769	-	-	-
		(162225)	(11355042)	(-)	(-)	(-)
FINISHED GOODS						
Yarn	Kgs	296589	25550964	-	-	6810331
		(260493)	(23732132)	(-)	(-)	(19767187)
Fabric	Mtrs	-	-	205059	12804486	-
		(-)	(-)	(452328)	(22057301)	(-)
Miscellaneous Items	Units	155884	1724604	535694	6262210	-
		(0)	(0)	(331806)	(3475107)	(-)

Particulars	Unit	Consumption	Sales (Net)		Closing Stock	
		Quantity	Quantity	Value	Quantity	Value
RAW MATERIAL						
Chips	Kgs	56925	-	-	27969	1804749
		(30798)	(0)	(0)	(26500)	(1696000)
P.O.Y.	Kgs.	6889243	5460	65416	197162	13972848
		(19758762)	(15410)	(317899)	(360429)	(25135229)
Yarn Oil	Kgs.	326689	-	-	29776	954127
		(943701)	(0)	(0)	(22925)	(733600)
Spin Finish Oil	Kgs.	77	-	-	16236	1833591
		(123)	(0)	(0)	(77)	(8658)
WORK IN PROGRESS						
Chips	Kgs.	-	-	-	0	0
		(-)	(-)	(-)	(56925)	(3164363)
P.O.Y.	Kgs.	-	-	-	217950	16221067
		(-)	(-)	(-)	(182339)	(13591769)
FINISHED GOODS						
Yarn	Kgs.	-	6764423	599982835	342497	29807540
		(-)	(19731091)	(1852520648)	(296589)	(25550964)
Fabric	Mtrs	-	205059	15350140	-	-
		(-)	(452328)	(25932349)	(-)	(-)
Miscellaneous Items	Units	-	310636	22755557	368534*	5590224
		(-)	(175922)	(11381194)	(155884)	(1724604)

Notes:

* Excludes 12408 no. of items and their value which are in damaged condition or found short on verification.

1. Amount of sales is inclusive of excise duty
2. Production of yarn includes Nil (Pr. Yr. 239420 Kgs.) Job work production from outsiders.

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c) Raw Material Consumed

Particulars	Quantity in Kgs.		Value (Rs.)	
	01.04.2005 to 31.07.05	2004-2005	01.04.2005 to 31.07.05	2004-2005
(i) Chips	56925	30798	3149821	403336
(ii) P. O. Y	6889243	19758762	455278228	1248619301
(iii) Yarn Oil	326689	943701	10448595	26846454
(iv) Spin Finish Oil	77	123	8658	14784

d) Value of raw material, spare parts, components consumable and % of the total

Particulars	01.04.2005 to 31.07.05		2004-2005	
	Rupees	% of Total	Rupees	% of Total
(i) Raw Material				
Imported	Nil	Nil	Nil	Nil
Indigenous	455278228	100	1248619301	100
Total	455278228	100	1248619301	100
(ii) Stores & Spares				
Imported	Nil	Nil	Nil	Nil
Indigenous	5361634	100	4276211	100
Total	5361634	100	4276211	100

e) C.I.F. Value of Imports

Particulars	Quantity in	Quantity		Value (Rs.)	
		01.04.2005 to 31.07.05	2004-2005	01.04.2005 to 31.07.05	2004-2005
(i) Raw Material					
Spin Finish Oil	Ltrs.	16236	NIL	1574186	NIL
(ii) Miscellaneous goods meant for trading	Nos.	535694	331806	3958451	2343401
(iii) Capital Goods	Nos.				
POY Lines		0	18	0	60877500*
Cooling Equipments with accessories		0	3	0	3512000
Air Compressor and dryer for POY Lines with accessories		0	2	0	3049200
Continuous polymer filter		18	0	5282520#	1573920**

* Including advance payment made in earlier year.

Including advance payment made in the earlier year.

** Advance payment made.

- | | | |
|--|----------------------|-----------|
| | 01.04.05 to 31.07.05 | 2004-2005 |
| f) Earning in Foreign Exchange | NIL | NIL |
| g) Expenditure in Foreign Exchange: | | |
| I) On Account of Traveling expenses amounting to Rs. 0.81 lacs (Rs. 32.06 Lacs) to be capitalized as pre-operative expenses. | | |
| II) On account of Interest on FCNRB loan Rs. 13.50 lacs (Rs. 46.62 lacs), Out of which Rs. 11.20 lacs (Rs. 11.90 lacs) to be capitalized as pre-operative expenses. | | |
| h) Details of Foreign shareholding and on which dividend was remitted: | | |

	01.04.05 to 31.07.05	2004-2005
I) No. of share held on which dividend was paid	24,742	15,900
II) Gross Dividend (Rupees)	0	11,130

ANNEXURE VI

Statement of dividend paid :

Particulars	Year / Period ended 31 st March					
	2001	2002	2003	2004	2005	31.07.05
Period (In months)	12	12	12	12	12	4
Particulars	(Rs. in Lacs)					
On Equity Share Capital :						
Paid up Share Capital	501.77	501.77	651.77	851.77	851.77	851.77
Face Value (Rs.)	10	10	10	10	10	10
Rate of Dividend	N.A.	N.A.	7%*	7%	10%.	Nil
Amount of Dividend	Nil	Nil	44.36	59.62	85.18	Nil
Corporate Dividend tax	N.A.	N.A.	5.68	7.64	11.13	N.A

*Prorata basis.

ANNEXURE VII

TAX SHELTER STATEMENT

(Rs. in Lacs)

Particulars	Year / Period ended 31 st March					
	2001	2002	2003	2004	2005	31.07.05
Period (In months)	12	12	12	12	12	4
Profit before current and deferred taxes	182.76	286.67	334.69	502.50	623.09	436.65
National Rate of Tax %	39.55	35.70	36.75	36.75	36.59	33.66
Tax at National Rate	72.28	102.34	123.00	184.67	228.00	146.98
Adjustments:						
1 Permanent differences:						
Deduction u/s 80IB of the Income Tax Act 1961.	96.13	309.25	87.60	116.78	250.05	116.90
Other Adjustments	23.81	(76.61)	166.28	(5.88)	(4.85)	0.00
Total	119.94	232.64	253.88	110.9	245.20	116.90
2 Temporary differences:						
Difference between Tax Depreciation and Book Depreciation	25.14	2.98	76.50	294.29	269.95	37.00
Total	25.14	2.98	76.50	294.29	269.95	37.00

(Rs. in Lacs)

Particulars	Year / Period ended 31 st March					
	2001	2002	2003	2004	2005	31.07.05
Net Adjustments	145.08	235.62	330.38	405.19	515.15	153.90
Tax Saving thereon	57.38	84.12	121.41	148.91	188.51	51.80
Total Taxation (A)	14.90	18.22	1.58	35.76	39.50	95.17
Taxation on extraordinary items	-	-	-	-	-	-
Tax on profit before extraordinary items	14.90	18.22	1.58	35.76	39.50	95.17
Taxable income as per provisions of MAT	182.76	286.66	334.68	502.50	623.09	436.65
Tax payable as per provisions of MAT (B)	15.49	21.93	26.36	38.63	48.86	36.74
Net tax payable as per income tax returns	15.49	21.93	26.36	38.63	48.86	95.17
[Higher of (A) or (B) above]						

Note: The figures for all the above years are as per the return of income filed and for the period ended 31.07.2005 are as per audited Financial Statements.

ANNEXURE VIII

Capitalization Statement

(Rs. in Lacs)

	Pre Issue as at		Post Issue*
	31 st March 2005	31 st July 2005	
Short Term Debts	1,110.32	1,974.35	
Long Term Debts	2,519.45	3,343.09	
Shareholders Funds			
Share Capital	851.77	851.77	
Reserves	1,693.70	2,055.75	
Total Shareholders Funds	2,545.47	2,907.52	
Long Term Debts / Equity	0.9898	1.1498	

* Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process.

Annexure IX

Performance Ratios:

(Rs.in Lacs)

Particulars	Year / Period ended					
	2001	2002	2003	2004	2005	31.07.05
Period (in months)	12	12	12	12	12	4
Earning per share (Rs.)	3.31	5.64	3.30	4.94	6.03	4.25*
Return On Net Worth (%)	13.87	21.12	12.60	15.50	20.27	12.50*
Net Assets Value / Book Value per share (Rs.)	23.90	26.68	25.40	24.96	29.77	34.01

Notes:

1. Earning per share (Rs.) = Profit available to equity shareholders / Weighted average number of equity shares.
2. Return on Networth (%) = Profit after taxation / Networth * 100
3. Net Assets Value / Book Value per share (Rs.) = Networth / No. of equity shares

* Only for four months and not annualized

ANNEXURE X

Details of Other Income

(Rs. in Lacs)

Particulars	Year / Period ended					
	2001	2002	2003	2004	2005	31.07.05
Period (In months)	12	12	12	12	12	4
Interest Income	1.85	1.63	1.42	18.78	1.88	0.00
Share Profit*	0.00	0.00	0.00	2.60	0.00	0.00
Lease Rent written back	0.00	15.24	0.00	0.00	0.00	0.00
Commission	0.00	0.00	57.41	10.00	85.59	96.28
Claim received*	0.00	0.00	0.00	35.00	50.00	0.00
Miscellaneous Income	0.62	4.04	0.01	0.01	0.00	0.00
Total	2.48	20.91	58.84	66.39	137.47	96.28

*non -recurring items.

ANNEXURE XI

Sundry Debtors

(Rs. in Lacs)

Particulars	As at					
	2001	2002	2003	2004	2005	31.07.05
Unsecured considered good:						
Debts outstanding for a period exceeding six months	16.55	21.30	5.89	94.76	230.83	359.00
Others	520.92	871.13	932.31	1,527.08	2,154.85	2,787.24
Total	537.46	892.43	938.20	1,621.84	2,385.68	3,146.24

Refer point no. 7(iv) of Annexure V for outstanding amount of a group company Sangam Spinfab Private Limited.

ANNEXURE XII

Loans & Advances

(Rs. in Lacs)

Particulars	As at					
	2001	2002	2003	2004	2005	31.07.05
Unsecured considered good:						
Deposits	11.21	11.21	11.53	11.90	11.95	11.70
For capital goods	3.72	0.00	0.00	45.42	112.31	271.60
Margin money for finance lease & prepaid lease rental	109.71	0.00	0.00	0.00	0.00	0.00
To suppliers	215.90	119.24	171.28	36.48	444.01	361.71
Income tax	15.17	30.76	52.90	47.97	98.98	99.59
Excise authorities	4.80	24.48	46.24	149.76	0.59	0.59
Other Advances	19.31	14.18	38.91	63.45	330.87	645.16
Total	379.82	199.87	320.85	354.97	998.71	1,390.36

Refer point no. 7(iv) of Annexure V for outstanding amount of a group company Raj Money Market.

ANNEXURE XIII
Unsecured Loans:
(Rs. in Lacs)

Particulars	As at					
	2001	2002	2003	2004	2005	31.07.05
Security deposits	3.57	0.00	0.00	0.00	0.00	0.00
Inter-corporate deposits	103.25	0.00	0.00	20.39	322.08	170.82
Loans from group/associate companies	0.00	0.00	0.00	56.85	95.50	210.29
From State Bank of Indore	0.00	0.00	0.00	0.00	500.00	500.00
Total	106.82	0.00	0.00	77.25	917.58	881.12

Notes :

- Security deposits were in the normal course of business and other loans are repayable on demand as there is no stipulation.
- Break-up of the unsecured loans as on 31.07.2005 description and rate of interest thereof:

Name of the company	(Rs. in Lacs)	% p.a.	Description
Adhunik Fintrade Limited	44.69	Int. Free	Inter-corporate deposits
Guard Chemicals Pvt. Ltd	40.00	Int. Free	Inter-Corporate deposits
Loknath Packaging Pvt. Ltd	2.00	Int. Free	Inter-corporate deposits
Raj Guru Finvest P. Ltd	15.19	15	Inter-Corporate deposits
Raj Yarn Private Limited	23.29	9	Inter-corporate deposits
Ruchi Silk Mills Private Limited	20.15	9	Inter-Corporate deposits
Sangam Spinfab Limited	210.29	11	Group / associate company
Sunstar Mercantile Company Limited*	25.50	Int. Free	Inter-Corporate deposits

* The Chairman and Managing Director of the company is director.

ANNEXURE XIV
Secured Loans:
(Rs. in Lacs)

Particulars	As at					
	2001	2002	2003	2004	2005	31.07.05
1 Term Loan						
State Bank of India	13.96	0.00	0.00	1,778.73	2,471.28	3,290.86
Industrial Development Bank of India	420.00	280.00	140.00	0.00	0.00	0.00
Sicom Ltd.	0.00	109.00	734.00	0.00	0.00	0.00
Kotak Mahindra Primus Ltd.	5.21	2.25	0.00	0.00	0.00	0.00
* HDFC Bank Ltd.	6.77	4.72	2.40	0.00	4.33	4.07
* ICICI Ltd.	7.55	5.27	2.68	0.00	25.45	23.19
* Citi Corp Maruti Finance Ltd	0.00	0.00	6.46	3.92	1.00	0.27
* ABN Amro Bank	0.00	0.00	0.00	3.55	2.08	1.58
2 Interest Accrued and due on term loans	0.00	0.00	0.00	0.00	15.32	23.13
3 Finance Lease - Sicom Ltd	0.00	384.64	217.30	0.00	0.00	0.00

(Rs. in Lacs)

Particulars	As at					
	2001	2002	2003	2004	2005	31.07.05
4 Working Capital Loan						
State Bank of India	483.59	556.80	678.61	1,156.37	1,110.32	1,586.95
From H.S.B.C	0.00	0.00	0.00	0.00	0.00	387.39
Total	937.08	1,342.68	1,781.45	2,942.57	3,629.78	5,317.44

* Secured by specific vehicles purchased from the proceeds of the loan and for other securities see Annexure XIX.

Repayable within one year as on 31.07.2005 are Rs. 639.50 lacs (Rs. 470.09 lacs).

ANNEXURE XV

Investments

(Rs. In Lacs)

Particulars	As at 31 st March					
	2001	2002	2003	2004	2005	31.07.05
Long Term Investments:						
Trade Unquoted: Fully paid up equity shares:						
Raj Money Market Limited	0.01	0.01	0.01	10.01	10.01	10.01
Sangam Spinfab Limited	7.00	7.00	7.00	7.00	7.00	7.00
Others: Quoted: Partly paid up equity shares:						
Gemini Agritech Limited	0.13	0.00	0.00	0.00	0.00	0.00
Others: Unquoted: Fully paid up equity shares:						
Yashasvi Yarns Limited	34.00	34.00	34.00	34.00	34.00	34.00
Synfab Sales Limited	10.00	10.00	10.00	0.00	0.00	0.00
Total	51.14	51.01	51.01	51.01	51.01	51.01
Aggregate value of quoted investments	0.00	N.A	N.A.	N.A.	N.A.	N.A.

The face value of all equity shares is Rs. 10/- each.

ANNEXURE XVI

Expenditure incurred and Source of Finance for POY Project upto 31ST July 2005

Particulars	Amount (Rs. in Lacs)
Capital Expenditure incurred:	
Land	96.22
Building & Civil Work and Land Development	902.69
Plant & Machineries	2,091.93
Electrical Installation	401.91
Miscellaneous fixed assets	4.10
Pre-operative expenses	324.06
Total	3,820.91

Particulars	Amount(Rs. in Lacs)
Source of Finance:	
Term Loan from State Bank of India	1,805.53
Unsecured Loans other than bank	380.06
Unsecured Loans from bank	500.00
Creditors for Capital Goods	534.91
Internal Accruals	600.41
Total	3,820.91

ANNEXURE XVII

Qualification in the Auditors' Report for the preceding 5 years

A On the financial statement related to financial year 2000-2001:

- 1 Para No. 2 (e) of Auditors' Report read as 'Attention is invited to note no. 11 of Schedule 22 regarding non-ascertainment of the extent of recoverability of certain advances to suppliers amounting to Rs. 212.74 Lacs and provision required there against.'

Para No. 2 (f) of Auditors' Report read as 'We further report that, the overall impact of the above referred remark under para (e) is presently not determinable and, therefore, can not be commented upon by us.

Note No. 11 of Schedule 22 referred above read as: Advances to Suppliers includes Rs. 212.74 Lacs (Rs. 24.54 Lacs since been received / confirmed) represents net balance, after adjusting credit against supplies made wherever there were, due from raw material suppliers towards the rebate, discount and other claims receivable, however such claims are yet to be confirmed at their end.

- 2 Point No. 16 of Annexure to Auditors' Report read as 'We are informed that the cost records prescribed by the Central Government under section 209 (1)(d) of the Companies Act 1956, are under preparation. Hence for want of such records we are unable to form any opinion.'

B On the financial statement related to financial year 2001-2002:

Point No. 16 of Annexure to Auditors' Report read as 'We are informed that the cost records prescribed by the Central Government under section 209 (1)(d) of the Companies Act 1956, are under preparation. Hence for want of such records we are unable to form any opinion.'

C On the financial statement related to financial year 2002-2003:

Point No. 16 of Annexure to Auditors' Report read as 'We are informed that the cost records prescribed by the Central Government under section 209 (1)(d) of the Companies Act 1956, are under preparation. Hence for want of such records we are unable to form any opinion.'

D On the financial statement related to financial year 2003-2004:

Point No. (viii) of Annexure to Auditors' Report read as 'The accounts and records maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act, could not be reviewed by us as the same are incomplete.'

We are of the opinion that prima facie the prescribed accounts and records can not be said to have been made and maintained.'

ANNEXURE XVIII

Changes in accounting policies during the preceding 5 years

For the financial statement related to financial year 2001-2002:

Due to mandatory application of AS-19 "Leases" issued by the ICAI, the company has changed the policy of "providing the annual charge on account of lease rental Rs. 88.89 lacs including margin money deposit in the form of advance lease rental in respect of assets taken under finance lease, computed over the effective life of the assets and carrying forward the differentials with respect to amount paid there against as prepaid lease under loans and advances" to "accounting the fair value of the assets and corresponding liability".

ANNEXURE XIX

PRINCIPAL TERMS OF LOANS AND ASSETS CHARGED AS SECURITY AS OF 31ST July 2005:

A. Principal terms of secured loans:

Sr. No.	Lender	Sanction Letter No. & Date	Type of Facility	Amount sanctioned (Rs. in Lacs)	Terms of repayments	Rate of Interest (#)	Amount Outstanding as 31st July 2005 (Rs. in Lacs)
I State Bank of India							
1	Term Loans:	C& I/PDR/4203 & 26th March 2003	Term Loan -I	1,000.00	21 quarterly installment commencing from June 2004: first 8 installments of Rs. 40 Lacs each, next 8 installments of Rs. 50 Lacs each, next 4 installments of Rs. 55 Lacs each and final installment of Rs. 60 Lacs.	1% below SBAR, effective rate 9.25% p.a.	800.21
		Nil & 15th September 2003	Term Loan -II	900.00	60 monthly installment of Rs. 15.00 Lacs each commencing from October 2004 till September 2009.	1.25% below SBAR, effective rate 9% p.a.	685.12
		Nil & 27th April 2004	Term Loan -III	2,000.00	53 monthly installments commencing from October 2005: first 6 installments of Rs. 20 Lacs each and remaining 47 installments of Rs. 40 Lacs each.	1.5% below SBAR, effective rate 8.75% p.a	1,805.53
2	Working Capital Loans:	Nil & 27th April 2004	Cash Credit Hypothecation	1,400.00	Repayable on demand and sanctioned for one year.	1.25% below SBAR, effective rate 9% p.a.	1,376.95
		Nil & 27th April 2004	Stand by line of credit	210.00	Repayable on demand and sanctioned for two months at any one instance.	Additional interest of 1% over regular working capital facilities.	210.00
3	Non-fund based facilities:	Nil & 27th April 2004	Bank Guarantee	300.00	Repayable on demand and sanctioned for one year.	Commission at Standard rates as applicable from time to time.	110.40
		Nil & 27th April 2004	Inland Letter of Credit	150.00	Repayable on demand and sanctioned for one year with tenor of 90 days.	Commission at Standard rates as applicable from time to time.	141.00

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Sr. No.	Lender	Sanction Letter No. & Date	Type of Facility	Amount sanctioned (Rs. in Lacs)	Terms of repayments	Rate of Interest (#)	Amount Outstanding as 31st July 2005 (Rs. in Lacs)
II The Hongkong and Shanghai Banking Corporation Limited							
	Working Capital Loan	FTG/FAL/RRL /026 & 6th April 2005	Vendor Finance Facility	500.00	Repayable on demand with tenor of 60 days and in any event to be reviewed by 31st October 2005 which is under review.	As mutually agreed	387.39
III SBI FACTORS and Commercial Services Pvt. Ltd.							
	Working Capital Loan	MB-BR/CR/RRL/ PBF/1747 dated 29th October 2004	Purchases Bill Limit and Prepayment Limit	350.00	Sanctioned for a period of 12 months which is subject to review / renewal and may be extended by the lender at its discretion.	10.25% p.a. (Upfront) plus handling charges 0.50% per invoice value with a minimum of Rs. 200/- and maximum of Rs. 1000/- (Upfront) with Service Tax.	375.77
		MB-BR/CR/RRL/ 1746 dated 29th October 2004	Debt Purchases Limit with Prepayment Limit Rs. 150.00 lacs.	200.00	Sanctioned for a period of 12 months which is subject to review / renewal.	10.25% p.a. at monthly rests and is subject to change as per C.O. Guidelines plus handling charges 0.10% per invoice value with a minimum of Rs. 50/- with Service Tax.	99.11
IV Global Trade Finance Private Limited							
	Working Capital Loan	Nil & 23/02/2005	Trade Finance-Reverse Factoring Facility	500.00	Reviewable on completion of one year.	9.75% p.a. with monthly rests for value received	490.96
V State Bank of Indore							
	Short Term Corporate Loan	Nil & 25/03/2005	Short Term Corporate Loan	500.00	Bullet at the end of the period i.e. 30/09/2005 and company's request for extension of repayment date by 3 month is under consideration.	8.50% p.a. which is below 2.25% with BPLR.	500
	Total						6,982.44

(#) As per Letter No. C&/PDR/2803 dated 27th January 2005

B. Details of assets charged as security:

I State Bank of India

1 Primary securities:

Term Loans : Hypothecation of entire Plant and Machineries, movable and immovable of the company

Working Capital Loans: Hypothecation of company's entire stocks and book debts.

2 Collateral Security:

- (i) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No. 272/1/1, Plot No. 1, Village Dadra, Dadra Nagar & Haveli, Silvassa (UT).
- (ii) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No.185/1/1,Plot No. 17, Village Dock Mandi, Dadra Nagar & Haveli, Silvassa (UT).
- (iii) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No.259/12, Village Dadra, Dadra Nagar & Haveli, Silvassa (UT).
- (iv) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No.177/1/3&4, Village Surangi, Dadra Nagar & Haveli, Silvassa (UT).
- (v) Equitable mortgage of furnished office premises in the name of G.S.Poddar HUF situated at Andheri (E), Mumbai.
- (vi) Pledge of fixed deposit receipt of Rs. 36 Lacs in lieu of furnished residential flat in the name of G.S. Poddar situated at Andheri (W), Mumbai.
- (vii) Equitable mortgage of furnished residential flat in the name of S.K.Kanodia situated at Andheri (W), Mumbai.
- (viii) Equitable mortgage of furnished residential flat in the name of Mrs. R.S.Kanodia situated at Andheri (W), Mumbai.
- (ix) Pledge of equity shares of Raj Rayon Limited of face value of Rs. 200 Lacs.

3 Guarantees :

- (i) Gourishankar Poddar: Chairman & Managing Director of the company.
- (ii) Rajkumari Kanodia: Director of the company.
- (iii) Third party guarantee: Sushil Kumar Kanodia and Gourishankar Poddar HUF.
- (iv) Corporate guarantees of Raj Money Market Limited and Sangam Spinfab Limited.

II The Hongkong and Shanghai Banking Corporation Limited

- (i) Letter of undertaking by the company for providing pari- passu security (first charge on stocks and book debts and second charge on fixed assets) to cover the facility latest by 31st December 2005 and also 12 undated blank cheques.
- (ii) Guarantees :
Gourishankar Poddar : Chairman & Managing Director of the company.
Corporate guarantees of Raj Money Market Limited and Sangam Spinfab Limited.

III SBI FACTORS and Commercial Services Pvt. Ltd

- (i) Securities for purchases bill limit :
Hundi drawn by the suppliers and duly accepted by the company. The lender also takes post dated cheques as per the terms of sanction.
- (ii) Securities for debt purchase limit
Primary Security : Assignment of Debts of the company' customers approved by lender for factoring.
Collateral Security : Undated cheques for the entire factoring facilities.
- (iii) Personal Guarantee : Shri Gourishankar Poddar-Chairman & Managing Director and Smt. Raj Kumari Kanodia-Director of the company.

IV Global Trade Finance Private Limited

Personal Guarantee : Shri Gourishankar Poddar-Chairman & Managing Director of the company.

V State Bank of Indore

Collateral Security : Post dated cheque.

Guarantees:

Gourishankar Poddar : Chairman & Managing Director of the company.

Raj Kumari Kanodia : Director of the company.

Third party guarantee : Sushil Kumar Kanodia and Gourishankar Poddar HUF.

Principal terms of loans sanctioned in consortium and security thereof of which sanction letter was received after 31st July 2005:

A. Principal terms of secured loans :

Sr. No.	Lender	Sanction Letter No. & Date	Type of Facility	Amount sanctioned (Rs. in Lacs)	Terms of repayments	Rate of Interest
1 Term Loans:						
I	State Bank of India	BRM/MC/ARS/1805 dated 27th September 2005	Term Loan -I	1000.00	21 quarterly installment commencing from June 2004: first 8 installments of Rs. 40 lacs each, next 8 installments of Rs. 50 lacs each, next 4 installments of Rs. 55 lacs each and final installment of Rs. 60 lacs.	1% below SBAR, effective rate 9.25% p.a.
			Term Loan -II	900.00	60 monthly installment of Rs. 15.00 lacs each commencing from October 2004 till September 2009.	1.25% below SBAR, effective rate 9% p.a.
			Term Loan -III	2310.00	60 monthly installments commencing from October 2005 : first 6 installments of Rs. 10 lacs each, next 12 installments of Rs.25 lacs, than 12 installments of Rs. 35 lacs, next 24 installments Rs. 50 lacs and remaining 6 installments of Rs. 55 lacs each.	1.5% below SBAR, effective rate 8.75% p.a.
II Consortium Members with State Bank India:						
(a)	State Bank of Indore	Nil dated 29/08/2005	Term Loan	1500.00*	48 monthly installments commencing from April 2007: first 12 installments of Rs. 30 lacs each, next 12 installments of Rs.35 lacs each and remaining 24 installments of Rs. 40 lacs each.	2% below BPLR I.e. 8.75% p.a.or at par with State Bank of India whichever is higher.
(b)	State Bank of Mysore	Adv./C&I/RRL/000187 dated 30/11/2005	Term Loan	1000.00	60 monthly installments commencing from April 2006 : first 12 installments of Rs. 4 lacs each, next 12 installments of Rs.10 lacs each, next 12 instalments of Rs.15 lacs and remaining 24 installments of Rs. 27 lacs each.	2.25% below SBMPLR I.e. 8.75% p.a.

Sr. No.	Lender	Sanction Letter No. & Date	Type of Facility	Amount sanctioned (Rs. in Lacs)	Terms of repayments	Rate of Interest (#)
2 Working Capital Loans:						
I	State Bank of India	BRM/MC/ARS/1805 dated 27th September 2005	Cash Credit Hypothecation	3000.00	Repayable on demand and sanctioned for one year.	1.50% below SBAR, effective rate 8.75% p.a.
			Stand by line of credit	500.00	Repayable on demand and sanctioned for two months at any one instance.	Additional interest of 1% over regular working capital facilities.
II Consortium Members with State Bank of India:						
	State Bank of Indore	Nil dated 29/08/2005	Cash Credit Hypothecation	1000.00*	Repayable on demand and sanctioned for one year.	1.75% below BPLR i.e. 9% p.a. or at par with State Bank of India whichever is higher.
3 Non-fund based facilities:						
I	State Bank of India	BRM/MC/ARS/1805 dated 27 th September 2005	Bank Guarantee	300.00	Repayable on demand and sanctioned for one year.	Commission at Standard rates as applicable from time to time.
			Inland/Import Letter of Credit	300.00	Repayable on demand and sanctioned for one year with tenor of 90 days.	Commission at Standard rates as applicable from time to time.

*Whereas company opted for Rs. 500.00 lacs.

B. Details of assets charged as security:

I STATE BANK OF INDIA:

1 Primary securities:

Term Loans: Hypothecation of entire Plant and Machineries, movable and immovable of the company.

Working Capital Loans: Hypothecation of company's entire stocks and book debts.

2 Collateral Security:

- (i) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No. 272/1/1, Plot No. 1, Village Dadra, Dadra Nagar & Haveli, Silvassa (UT).
- (ii) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No.185/1/1,Plot No. 17, Village Dock Mandi, Dadra Nagar & Haveli, Silvassa (UT).
- (iii) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No.259/12, Village Dadra, Dadra Nagar & Haveli, Silvassa (UT).
- (iv) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No.177/1/3&4, Village Surangi, Dadra Nagar & Haveli, Silvassa (UT).
- (v) Equitable mortgage of furnished office premises in the name of G.S.Poddar HUF situated at Andheri (E), Mumbai.
- (vi) Equitable mortgage of furnished residential flat in the name of Mrs. R.S.Kanodia situated at Andheri (W), Mumbai.
- (vii) Pledge of equity shares of Raj Rayon Limited of face value of Rs. 200 lacs.
- (viii) Extention of hypothecation charge on entire current assets of the company.

3 Guarantees:

- (i) Gourishankar Poddar: Chairman & Managing Director of the company.
- (ii) Raj Kumari Kanodia: Director of the company.
- (iii) Third party guarantee of Gourishankar Poddar HUF.
- (iv) Corporate guarantees of Raj Money Market Limited and Sangam Spinfab Limited.

II CONSORTIUM MEMBERS WITH STATE BANK OF INDIA:

(a) STATE BANK OF INDORE:

1 Primary securities:

Term Loans : First charge over proposed fixed assets on pari passu basis with State Bank of India.

Working Capital Loans : Hypothecation of company's entire stocks and book debts and other current assets on pari passu basis with State Bank of India.

2 Collateral Security, already mortgaged with State Bank of India pari passu with State Bank of India:

(a) Furnished office premises in the name of G.S.Poddar HUF situated at Andheri (E), Mumbai.

(b) Fixed deposits of Rs. 0.36 crores in lieu of furnished residential flat in the name of Shri G.S. Poddar HUF at Andheri (E), Mumbai.

(c) Furnished residential flat in the name of S.K. Kanodia at Andheri (W), Mumbai.

(d) Furnished residential flat in the name of Mrs. R.S.Kanodia situated at Andheri (W), Mumbai.

Charge on pari passu basis with State Bank of India:

(e) Company's factory premises along with entire fixed and movable assets situated at Survey No. 272/1/1, Plot No. 1, Village Dadra, Dadra Nagar & Haveli, Silvassa (UT).

(f) Company's factory premises along with entire fixed and movable assets situated at Survey No.185/1/1,Plot No. 17, Village Dock Mandi, Dadra Nagar & Haveli, Silvassa (UT).

(g) Pledge of equity shares of Raj Rayon Limited of face value of Rs. 200 lacs.

Second charge on pari passu basis with State Bank of India:

(h) Company's factory premises along with entire fixed and movable assets situated at Survey No.259/12, Village Dadra, Dadra Nagar & Haveli, Silvassa (UT).

(I) Extension of charge over fixed assets to be acquired viz. plant and machineries etc.

3 Guarantees :

(i) Gourishankar Poddar: Chairman & Managing Director of the company.

(ii) Raj Kumari Kanodia : Director of the company.

(iii) Third party guarantee of Sushil Kumar Kanodia and Gourishankar Poddar HUF.

(iv) Corporate guarantees of Raj Money Market Limited and Sangam Spinfab Limited.

(b) STATE BANK OF MYSORE:

Primary Security:

Pari passu charge along with State Bank of India and State Bank of Indore on the company's backward integration project assets.

Collateral Security,already mortgaged with State Bank of India pari passu with State Bank of India:

(i) Equitable mortgage of furnished office premises in the name of G.S.Poddar HUF situated at Andheri(E), Mumbai.

(ii) Equitable mortgage of residential flat in the name of Mrs. R.S.Kanodia situated at Andheri(W), Mumbai.

(iii) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No. 272/1/1,Plot No. 1,Village Dadra, Dadra Nagar & Haveli, Silvassa(UT).

(iv) Equitable mortgage of company's factory premises along with entire fixed and movable assets situated at Survey No. 185/1/1,Plot No. 17,Village Dock Mandi, Dadra Nagar & Haveli, Silvassa(UT).

(v) Pledge of equity shares of Raj Rayon of face value of Rs. 200 lacs.

(vi) Corporate Guarantees of Raj Money Market Limited and Sangam Spinfab Limited

(vii) Personal guarantee of Gourishankar Poddar- Chairman and Managing director of the company and Raj Kumari Kanodia- Director of the company.

Except as stated hereinabove, there are no other material notes to the auditor's report, which have bearing on the financial status of the Company. Further, all notes to the accounts, significant accounting policies as well as the auditor's qualifications, if any, have been incorporated in the Red Herring Prospectus.

2. FINANCIAL INFORMATION OF GROUP COMPANIES

Other than our Promoter Company i.e. Raj Money Market Limited, details of which are already mentioned on page 83 under sub-heading "Corporate Promoter", we have only one group company i.e. Sangam Spinfab Private Limited, which has been promoted by our Promoters.

Sangam Spinfab Private Limited

Sangam Spinfab Private Limited (Sangam Spinfab) was originally incorporated as Sangam Impex Tex Chem Private Limited under the Companies Act, 1956 vide Certificate of Incorporation no. 11 - 50804 of 1989 dated February 27, 1989, having its registered office in the State of Maharashtra. It was subsequently taken over by Mr. Gourishankar Poddar in June 1993 from the erstwhile management. The name of company was changed to Sangam Impex Tex Chem Limited, vide Certificate of Change of Name under the Companies Act, 1956 dated November 22, 1996. Again, name of the company was changed to Sangam Spinfab Limited vide Fresh Certificate of Incorporation Consequent on Change of Name dated December 20, 1996. Now, recently, name of the company has again been changed to Sangam Spinfab Private Limited on February 3, 2005.

The existing registered office of Sangam Spinfab is at 403-405, Hinal, Opposite Pathik, Thakur Complex, Kandivali (East), Mumbai – 400 101.

Currently, Sangam Spinfab is engaged into synthetic fabrics business. It buys synthetic yarn from various manufacturers including Raj Rayon, gets it woven into fabric form through job work and sells it across the country through its own marketing channels.

The Board of Directors of the Sangam Spinfab is given below:

Sr. No.	Name	Designation
1.	Mr. Deepak Mehra	Director
2.	Mr. Pankaj Agrawal	Director

Shareholding Pattern of Sangam Spinfab as on 15th December 2005 is given below:

Particulars	No. of Shares	% Holding
Promoter (Mr. Gourishankar Poddar)	70,000	14.20%
Relatives, Friends & Associates	192,500	39.04%
Other Shareholders (incl. Private Corporate Bodies)	230,500	46.76%
Total	493,000	100.00%

Brief Financial Performance:

Rs. in Lacs

Particulars	For the Financial Year ended March 31		
	2003	2004	2005
Share Capital	42.00	42.00	42.00
Reserves (excluding revaluation reserve)	3.70	29.20	33.12
Net worth	45.68	71.20	75.12
Total Income	0.76	1,508.00	1,731.18
PAT	(0.36)	25.50	3.92
EPS per Share (Rs.)	(0.08)	6.07	0.93
NAV per Share (Rs.)	10.88	16.95	17.89

Sangam Spinfab has not been declared as a Sick Company under Sick Industrial Companies (Special Provisions) Act, 1995 and is not under winding-up. Sangam Spinfab has not made a loss in the immediately preceding financial year.

Significant Notes to Accounts during the past three financial years:

1. For the Financial Year 2004-05:

Contingent Liabilities not provided for:

Notes to account No. 3

- a. The company has given corporate guarantee for Raj Rayon Ltd. to the State Bank of India, for Loan of Rs 60.34 Crores (Rs 29.35 Crores).
- b. The company has given acceptance of payment against their purchases bills factoring by Party with SBI factors & Commercial Services Pvt. Ltd. balance as on 31.03.2005 of Rs 73.99 lacs.

2. For the Financial Year 2003-04

Contingent Liabilities not provided for:

Notes on accounts No. 4

The company has given corporate guarantee for Raj Rayon Ltd. A Company in which Director relative are interested as director, to the State Bank of India, for a Loan of Rs 29.35 Crores (3.86 Crores).

3. For the Financial Year 2002-03

Contingent Liabilities not provided for:

Notes on accounts No. 5

The company has given corporate guarantee for Raj Rayon Ltd. A Company in which Director relative are interested, to the State Bank of India, for a Loan of Rs 3855 Lacs.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against Sangam Spinfab, or its promoters and directors.

As on date, Sangam Spinfab doesn't have any loans / financial assistance from any bank / financial institution.

Disassociation / Closure

One of our Promoters, Mr. Gourishankar Poddar has closed the business operation of G.S. Fabrics, a venture that was owned by Gourishankar Poddar HUF and Mr. Gourishankar Poddar was managing it as Karta of the HUF. Except, this our Promoters hereby confirm that they have not disassociated themselves from any of the companies / firms / ventures during preceding three years.

Companies for Which an Application Has Been Made For Striking Off Name

We have not made any application to any Registrar of Companies for striking off name of any company.

Common Pursuits

Except as otherwise stated in this Red Herring Prospectus, currently there are no existing common pursuits between our group company and us.

Related business transactions within the group

Please refer "Related Party (Transaction) Disclosure" as mentioned under Sr. No. 7 of "Notes forming part of Accounts" of the Auditors' Report on page 87 of this Red Herring Prospectus. The financial impact of the transactions of our Company with Sangam Spinfab Private Limited, though substantial, constitute less than 5% of its turnover, and thus do not have any material impact on its profits.

3. Changes in Accounting Policies in the Last Three Years

The changes in accounting policies, if any, during preceding three years are disclosed as part of the Auditors' Report.

4. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AS REFLECTED IN THE FINANCIAL STATEMENTS

(i) Overview of the Business of our Company

We are a medium sized Textile Company engaged in manufacture of Polyester Texturised Yarn (PTY).

We have our manufacturing facilities comprising three Factories at Silvassa, in the Union Territory of Dadra & Nagar Haveli. With the of 6 texturising machines undertaken by us in the year 2003-2004, the total manufacturing capacity has increased to 25,500 T.P.A. [considering the product mix of 80 & 150 Denier (70% of 80 Denier and 30% of 150 Denier)]

Polyester Texturised Yarn is used in the process of weaving of Fabrics used for dressing, industrial cloth and manufacturing of fancy yarn for high value dress materials and upholstery. Hence, our products are acceptable by a wide range of customers.

During the year 2004-05, we have entered into trading activities of various imported items like ready made garments, sports items, decorative lights & other consumables and items of household / kids use. We are currently selling these items to Pantaloon Retail (India)Limited (BIG BAZAAR) outlets all over India.

(ii) Significant Developments Subsequent to the Last Financial Year

The Directors of our Company confirm that in their opinion, except for projects undertaken by our Company after the end of the last financial year, no circumstances have arisen since the date of the last financial statements as disclosed in the Red Herring Prospectus, which materially and adversely affect or are likely to affect the trading or profitability of our Company, or the value of our assets, or our ability to pay our liabilities within the next twelve months.

(iii) Factors that may Affect Results of the Operations

Except as otherwise stated in this Red Herring Prospectus, the Risk Factors given in this Red Herring Prospectus, the following important factors, among others, could cause the actual results to differ materially from the expectations:

- General economic and business conditions;
- Our Company's ability to successfully implement its strategy and its growth and plans;
- Factors affecting Textile Industry;
- Increasing competition in the Textile Industry;
- Increases in labour costs, raw materials prices, prices of plant & machineries and insurance premia;
- Manufacturers' defects or mechanical problems with Company's plant & machineries or incidents caused by human error;
- Changes in the value of the Indian rupee and other currencies, in particular, the U.S. Dollar;
- Amount that our Company is able to realize from the clients;
- Changes in laws and regulations that apply to the Textile Industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

(iv) The following discussion on the financial operations and performance should be read in conjunction with the audited financial results of our Company for the year ended 31st March 2003, 2004, 2005 and four months period ended 31st July 2005:

(Rs. in Lacs)

Particulars	Year ended 31 st March 2003	Year ended 31 st March 2004	Year ended 31 st March 2005	4 Months Period ended 31.07.05 #
Net Sales	10,585.77	11,214.92	15359.68	5928.06
% Increase / (Decrease)	-	5.94	36.96	
Other Income	58.84	66.39	137.47	96.28
% Increase / (Decrease)	-	12.83	107.06	
Total Income	10644.61	11281.31	15497.15	6024.34
% Increase / (Decrease)	-	5.98	37.37	
Cost of Goods Sold	8986.14	9154.95	12938.54	4799.33
% to Net Sales	84.89	81.63	84.24	80.96
Staff Cost	88.72	79.95	78.61	25.90
% to Net Sales	0.84	0.71	0.51	0.44
Other Manufacturing Expenses	720.30	947.18	1114.43	455.41
% to Net Sales	6.80	8.45	7.26	7.68
Administration, Selling & Other Expenses	73.26	80.31	65.21	25.31
% to Net Sales	0.69	0.72	0.42	0.43
Depreciation	259.89	336.43	440.81	172.26
% to Net Sales	2.46	3.00	2.87	2.91
Interest	181.61	179.99	236.46	109.48
% to Net Sales	1.72	1.60	1.54	1.85
Profit before Tax & Extraordinary Items	334.69	502.50	623.09	426.65
Current Tax	28.40	42.28	49.09	95.17
Deferred Tax	97.65	132.13	60.07	(22.88)
Fringe Benefit Tax	-	-	-	2.32
Profit before extraordinary items	208.64	328.09	513.92	362.05
Extraordinary Items	0.00	0.00	0.00	0.00
Prior-Period Tax Adjustments	0.00	1.44	0.00	0.00
Net Profit after Extraordinary & Prior-Period Items	208.64	329.54	513.92	362.05
% Increase of Profit after Tax after Extraordinary & Prior-Period Items		57.95	55.95	

Not comparable, as the figures are not annualized.

(a) Comparison of Performance and Analysis of Developments for Financial year ended 31st March 2003 vis-à-vis 31st March 2002

Major Events

During the financial year 2002-03, our Company had undertaken an expansion project of 6 texturising machines at Survey No. 259/12, Village Dadra, Silvassa that was successfully completed in June 2003. To part finance the expansion project, our Company had issued 15,00,000 Equity Shares of Rs. 10/- each for cash at par to the selected persons on Preferential Allotment Basis.

During the financial year 2002-03, State Bank of India (SBI) sanctioned limits whereby the entire outstanding term loans from SICOM and IDBI and Finance Lease from SICOM was taken over by SBI and also sanctioned as additional Fund Based Working Capital limit of Rs. 250 lacs and Non-Fund Based Working Capital limit of Rs. 40 lacs for the ongoing expansion Project at Survey No. 259/12, Village Dadra, District Silvassa.

Income

Sales

During the financial year 2002-03, our Company achieved Net Sales of Rs. 10,585.77 Lacs as compared to Rs. 9,507.74 Lacs during the financial year 2001-02, registering a growth of 11.34%. The growth in turnover was attained due to installation of machines as given above.

Other Income

During the financial year 2002-03, other income grew to Rs. 58.84 Lacs from Rs. 20.91 Lacs in the previous financial year 2001-02, due to increase in commission income.

Expenditure

Operating expenses

During the financial year 2002-03, operating expenses comprising of raw materials, staff cost, other manufacturing expenses and administrative, selling and other expenses increased to Rs.10,172.60 lacs from Rs. 8,685.61 lacs due to expansion of manufacturing facilities at Silvassa.

Interest

Interest reduced from Rs. 198.86 lacs to Rs. 181.61 lacs during the financial year 2002-03 primarily due to our Company obtaining low cost debt from SBI, as stated above in the paragraph entitled 'Major Events'.

Depreciation

Depreciation is provided on a Straight Line Basis as per Schedule XIV of the Companies Act after providing for any sale / purchase during the year. Depreciation for financial year 2001-02 was Rs. 335.87 lacs as compared to Rs.259.89 lacs for financial year 2002-03 due to charging off of depreciation on leased assets of Rs.127.46 lacs for previous financial years in financial year 2001-02 in accordance with the changes in the Accounting Standards issued by the Institute of Chartered Accountants of India.

Profit after tax

Profit after tax for the financial year 2002-03 was Rs. 208.64 lacs as against Rs. 282.75 lacs for the financial year 2001-02. The reduction in the net profit for the financial year 2002-03 was due to higher provision of deferred tax of Rs. 97.65 lacs. Profit before deferred tax for the financial year 2002-03 amounts to Rs. 306.29 lacs.

(b) Comparison of Performance and Analysis of Developments for Financial year ended 31st March 2004 vis-à-vis 31st March 2003

Major Events

During the financial year 2003-04, installation of further 6 texturising machines were successfully completed in March 2004 at Survey No. 259/12, Village Dadra, District Silvassa. To part finance the installation of further 6 Texturising Machines at Silvassa, our Company had issued 20,00,000 equity shares of Rs. 10/- each for cash at par to the persons other than Promoters on Preferential Allotment Basis.

During the financial year 2003-04, our Company also undertook a backward integration project to set up a plant for the manufacture of Partially Oriented Yarn (POY) at a new location at Village Surangi at Silvassa, Union Territory of Dadra & Nagar Haveli with a manufacturing capacity of 30,000 T.P.A. (capacity based on manufacturing average 150 Denier)

Income**Sales**

During the financial year 2003-04, our Company achieved net sales of Rs. 11,214.92 Lacs as compared to Rs. 10,585.77 during the financial year 2002-03, registering a growth of 5.94%, due to increase in production capacity of PTY.

Other Income

During the financial year 2003-04, other income grew marginally to Rs. 66.39 lacs as compared to Rs. 58.84 lacs during the financial year 2002-03.

Expenditure**Operating expenses**

During the financial year 2003-04, operating expenses increased to Rs. 10,231.94 lacs from Rs. 10,172.60 lacs in the financial year 2002-03 due to increase in turnover. During the financial year 2003-04, raw material consumption as % to sales has gone down from 87.76% to 81.36% due to change in excise law by government.

Interest

During the financial year 2003-04, interest reduced marginally from Rs. 181.61 lacs to Rs. 179.99 lacs.

Depreciation

Depreciation is provided on a Straight Line Basis as per Schedule XIV of the Companies Act after providing for any sale / purchase during the year. Under the expansion Project, New Assets were purchased during the year due to which depreciation increased from Rs.259.89 lacs to Rs.336.43 lacs.

Profit after tax

Profit after tax during the financial year 2003-04 was Rs. 328.09 Lacs as compared to Rs. 208.64 Lacs in the last year. Increase in Profit is mainly due to increase in manufacturing facilities and increase in sales.

(c) Comparison of Performance and Analysis of Developments for Financial Year ended 31st March 2005 vis-à-vis 31st March 2004**Major Events**

During the financial year 2004-05, there was commencement of increase in the backward integration project for manufacturing capacity of POY project – from earlier 30000 T.P.A. to 60000 T.P.A. (capacity based on manufacturing average 150 Denier of POY)

During the year 2004-05, we have entered into trading activities of various imported items like ready made garments, sports items, decorative lights & other consumables and items of household / kids use. We are currently selling these items to Pantaloon Retail (India)Limited (BIG BAZAAR) outlets all over India.

Income**Sales**

During the financial year 2004-05, we attained net sales of Rs. 15359.68 Lacs as compared to Rs 11214.92lacs registering a growth of 36.96%. Sales increased due to further expansion of the manufacturing facilities of PTY at Silvassa in last year.

Other Income

During the financial year 2004-05, other income grew to Rs 137.47 Lacs from Rs 66.39 Lacs in the previous financial year 2003-04, due to increase in commission income.

Expenditure**Operating expenses**

During the financial year 2004-05 operating expenses increased to Rs 14294.79 lacs from Rs 10,231.94 Lacs in the previous financial year 2003-04 due to increase in sales resulting in increase of raw material consumption.

Interest

During the financial year 2004-05, interest stood to Rs 236.46 Lacs as compared to Rs 179.99 Lacs due to increase in loan amount from State Bank of India for PTY and POY project.

Depreciation

Depreciation is provided on a Straight Line Basis as per Schedule XIV of the Companies Act after providing for any sale / purchase during the year. Depreciation increased to Rs 440.81 from Rs 336.43 Lacs for financial year 2004-05. Due to expansion in Project

Profit after tax

Profit after tax for the financial year 2004-05 was Rs 513.92 as compared to Rs 328.09 in the last financial year. Increase in Profit was due to mainly increase in sales, other income & lower provision for deferred tax.

(D) Comparison of Performance and Analysis of Developments for four months period ended 31st July 2005 vis-à-vis 31st March 2005

Income

Sales

During the 4 month period ended 31st July 2005, we attained net sales of Rs. 5928.06 lacs.

Other Income

During the 4 month period ended 31st July 2005, other income stood at Rs. 137.47 lacs

Expenditure

During the 4 month period ended 31st July 2005, total expenditure stood at Rs. 5587.69 lacs.

Profit after tax

During the 4 month period ended 31st July 2005, the profit after tax was Rs. 362.05 lacs

An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:

a. **Unusual or infrequent events or transactions:**

There have been no unusual or infrequent transactions that have taken place during the last three years.

b. **Significant Economic changes that materially affected or are likely to affect income from continuing operations:**

Government's focus on Textile Industry will have major bearing on the companies involved in Textile sector. Any major changes in policies of the Government would have the significant impact on the profitability of our Company.

Except the above, there are no significant economics changes that may materially affect or likely to affect income from continuing operations.

c. **Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations:**

Apart from the risks as disclosed on page 9 under heading "Risk Factors" in this Red Herring Prospectus, there are no other known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income from continuing operations.

d. **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:**

Direct Material expenses as a % to Sales have remained in the range of around 84% to 87% of Sales in all the above financial years. The cost of materials and operating expenses would decline due to the proposed Backward Integration, as out of the proposed backward integration of about 60,000 T.P.A. of POY (capacity based on manufacturing average 150 Denier), the production of about 25,500 T.P.A. POY (assuming capacity utilization at 85%) will be used for captive consumption by the existing texturising units located at Silvassa. The Balance production of POY is proposed to be sold in the domestic and global market.

e. **The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices:**

The increase in turnover is mainly on account of increase in Production Capacity.

f. **Total turnover of each major industry segment in which our Company operated:**

Our Company is operating only in one segment namely "Texturised Yarns". However, our management estimates that there is around 10-11 Lacs T.P.A. consumption of POY in the Textile Industry across the Country.

g. Status of any publicly announced new products or business segment:

Vide resolution passed at our EGM held on 20th December 2005, our Company have been authorised to commence certain businesses as contained under “Other Objects” Clause of our Memorandum of Association. For details of financial results and status of our business segments, please refer page 98 under heading “Auditors’ Report” in this Red Herring Prospectus.

h. The extent to which business is seasonal:

The business of our Company is not seasonal in nature.

i. Any significant dependence on a single or few suppliers or customers:

Our Company sources its raw materials from a number of suppliers and is not under threat from excessive dependence on any single or few suppliers.

Similarly, our Company has nationwide customers of its products and hence there is no dependence on any single customer.

j. Competitive conditions

Our Company faces competition from large and integrated players. Our Company is medium in size as compared to the market leaders like reliance. However, after completing its Expansion of PTY in 2003-04 and with the Backward Integration in 2005-06, our Company will become one of the larger Producers of POY & PTY in the Country.

VI. LEGAL & OTHER INFORMATION

1. Outstanding Litigations and Material Developments

We certify that except as stated herein, there are no:

- a. Pending litigations in which our Promoters are involved, defaults to financial institutions/banks, non-payment of statutory dues and dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares by our Promoters and the companies/firms promoted by our Promoters.
- b. Pending litigations, defaults, etc. in respect of companies/firms/ventures with which our Promoters were associated in the past but are no longer associated, where our Promoter's name continues to be associated with particular litigation(s).
- c. i) Litigations against our Company or against any other company whose outcome could have a materially adverse effect of the position of our Company.
ii) Litigations against our Promoters or Directors involving violation of statutory regulations or alleging a criminal offence.
- d. i) Pending proceedings initiated for economic offences against our Directors, the Promoters, companies and firms promoted by the Promoters.
ii) Past cases in which penalties were imposed by the concerned authorities.
- e. Outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of our Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956).
- f. Pending litigations, defaults, non payment of statutory dues, proceedings initiated for economic offences/Civil offences (including the past cases, if found guilty), any disciplinary action taken by the Board/ stock exchanges against our Company/Promoters and their other business ventures (irrespective of the fact whether they fall under the purview of Sec 370 (1B) of our Companies Act, 1956) / Directors.
- g. None of our Promoters, their relatives (as per Companies Act' 1956), our Company, Promoter Group companies have been detained as wilful defaulters by RBI / Government Authorities and there are no violations of securities law committed by them in the past or pending against them.

I. Outstanding litigations/defaults/material developments involving our Company:

Claims by our Company:

A. Cases under Section 138 and Section 142 of the Negotiable Instruments Act

Our Company has filed a total of 4 (Four) cases against M/s. Chandra Trading Corporation & Mr. Chandrakant Ojha under Section 138 and Section 142 of the Negotiable Instruments Act for dishonour of cheques issued in favour of our Company. The amount outstanding in respect of the aforesaid four cases filed against M/s. Chandra Trading Corporation & Mr. Chandrakant Ojha is Rs. 22,05,608.00 (Rupees Twenty Two Lacs Five Thousand Six Hundred Eight only).

The detailed particulars of these cases are specified in the table below:

Sr. No.	Date of filing	Name of the Court	Name of the Accused and Criminal Compliant Number	Amount in (Rs.) of the dishonoured cheques issued in favour of our Company
1	November 30, 2005	Additional Chief Metropolitan Magistrate, 23 rd Court at Esplanade, Mumbai	M/s. Chandra Trading Corporation & Mr. Chandrakant Ojha No. 5970/SS of 2005	14,05,608
2	December 14, 2005	Additional Chief Metropolitan Magistrate, 23 rd Court at Esplanade, Mumbai	M/s. Chandra Trading Corporation & Mr. Chandrakant Ojha No. 6028/SS of 2005	200,000
3	December 19, 2005	Additional Chief Metropolitan Magistrate, 23 rd Court at Esplanade, Mumbai	M/s. Chandra Trading Corporation & Mr. Chandrakant Ojha No. 1040 M of 2005	300,000
4	December 19, 2005	Additional Chief Metropolitan Magistrate, 23 rd Court at Esplanade, Mumbai	M/s. Chandra Trading Corporation & Mr. Chandrakant Ojha No. 1041 M of 2005	300,000
			Total	22,05,608

Claims against our Company:

A. SEBI Case

As per Regulations 6 (2), 6 (4) and 8 (3) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 certain information with regard to the shareholding has to be submitted by our Company to BSE within the time period specified therein. We had delayed the submission of the required information till 2002. The information was submitted in March 2004. We have received a Notice dated September 10, 2004 from SEBI, in respect of delay and also asking for our Company's consent to agree to pay Rs. 175,000 for the aforesaid violations. Our Company has, vide its letter dated September 29, 2004, has agreed to pay the amount and given its consent

B. Excise Cases

B1. A Show Cause Notice No.DGAE/BZU/205/12(4) 99/99/685 dated January 21, 2000 was issued to us by the Director General, Anti Evasion, Central Excise, Zonal Unit, Mumbai, demanding duty in the sum of Rs 62,800/-. This Show Cause Notice was issued in respect of alleged evasion of Central Excise duty by undervaluation as also by alleged removal of goods clandestinely and alleged storage in various godowns of transporters in Bhiwandi. The amount duty was voluntarily paid by our Company on August 11, 1999. The Additional Commissioner, Central Excise, Surat-II, vide his Order in Original No: 117/ADJ/2001/ADC dated November 1, 2001, confirmed the duty of Rs 62,800/- and imposed equal penalty of Rs 62,800/-, together with further interest at the rate of 20%. Our Company filed an appeal before the Commissioner (Appeals) at Surat against the said Order in Original on January 29, 2002. The Commissioner (Appeals) allowed the appeal vide his Order in Appeal No: RKS/ 99-100/Vapi/2003 dated November 28, 2003, and set aside the Order in Original passed by Additional Commissioner, Central Excise Surat-II. In view thereof, our Company filed refund claim of the said amount. The refund claim is pending, since the Commissioner, Customs and Central Excise, Vapi filed an appeal against the said Order in Appeal before the Custom, Excise & Service Tax Appellate Tribunal (CESTAT), Mumbai. The matter is pending with CESTAT.

B2. A Show Cause Notice No.DGAE/BZU/205/12(4)/115//99/2494 dated April 20, 2000 was issued to our Company, Mr. Gourishankar Poddar in his capacity as Director, as well as Sainath Roadways (P) Limited, by the Additional Directorate General of Anti-Evasion, Mumbai demanding duty of Rs 81,76,391/- together with penalty and interest. This recovery is sought to be made on the ground that our Company has allegedly manufactured and removed excisable goods through suppression of facts, deliberate mis-declaration of actual names of buyers, deliberate mis-declaration of the genuine identity in the excise records, and through deliberate undervaluation of PTY. On receipt of this Show Cause Notice, our Company, vide letter dated May 12, 2000, requested the Additional Directorate General of Anti-Evasion, (with a copy to Commissioner of Central Excise (Adjudication)), to provide to our Company the documents listed in Annexure B to the said Show Cause Notice, which were essential for the preparation of the reply to be submitted by our Company. Vide the said letter dated May 12, 2000, we also requested 60 days time from receipt of the documents requested for, to enable us to file our reply. No response has been received by our Company to the said letter, and thus, no replies have been filed either by us or by Mr. Gourishankar Poddar. The said Show Cause Notice is pending adjudication.

B3. A Show Cause Notice No.DGAE/BZU/205/12(4)/116//99/2665 dated May 2, 2000 was issued to our Company, Mr. Gourishankar Poddar in his capacity as Director, as well as Sainath Roadways (P) Limited, by the Additional Directorate General of Anti-Evasion, Mumbai demanding duty of Rs 45,73,822/- together with penalty and interest. This recovery is sought to be made on the ground that our Company has allegedly manufactured and removed excisable goods through suppression of facts, deliberate mis-declaration of actual names of buyers, deliberate mis-declaration of the genuine identity in the excise records, and through deliberate undervaluation of PTY. On receipt of this Show Cause Notice, our Company, vide letter dated May 20, 2000, requested the Additional Directorate General of Anti-Evasion, (with a copy to Commissioner of Central Excise (Adjudication)), to provide to our Company the documents listed in Annexure B to the said Show Cause Notice, which were essential for the preparation of the reply to be submitted by our Company. Vide the said letter dated May 20, 2000, we also requested 60 days time from receipt of the documents requested for, to enable us to file our reply. No response has been received by our Company to the said letter, and thus, no replies have been filed either by us or by Mr. Gourishankar Poddar. The said Show Cause Notice is pending adjudication.

B4. A Show Cause Notice No.DGAE/BZU/205/12(4) 99/99/680 dated January 21, 2000 was issued to us by the Director General, Anti Evasion, Central Excise, Zonal Unit, Mumbai, demanding duty in the sum of Rs 8,500/-. This Show Cause Notice was issued in respect of alleged evasion of Central Excise duty by undervaluation as also by alleged removal of goods clandestinely and alleged storage in various godowns of transporters in Bhiwandi. The amount duty was voluntarily paid by our Company on August 11, 1999. The Additional Commissioner, Central Excise, Surat-II, vide his Order in Original No: 112/ADJ/2001/ADC dated November 1, 2001, confirmed the duty of Rs 8,500/- and imposed equal penalty of Rs 8,500/-, together with further interest at the rate of 20%. Our Company filed an appeal before the Commissioner (Appeals) at Surat against the said Order in Original on January 29, 2002. The

Commissioner (Appeals) allowed the appeal vide his Order in Appeal No: RKS/ 93 & 94/Vapi/2003, dated November 28, 2003 and set aside the Order in Original passed by Additional Commissioner, Central Excise Surat-II. In view thereof, our Company filed refund claim of the said amount. The refund claim is pending, since the Commissioner, Customs and Central Excise, Vapi filed an appeal against the said Order in Appeal before CESTAT, Mumbai. The matter is pending with CESTAT.

B5. A notice bearing F.NO.SLV-IV/R-III/Raj/AR-251/04-05 dated July 25, 2004 was issued to our Company by the Superintendent Central Excise, Range – III, Div – IV, Silvassa pursuant to an audit carried out by the Audit party. The said notice states the following:

- i. Goods (i.e. inputs) were cleared to associate units of our Company on payment of duty equal to the credit availed on the same instead of assessing the same as per Rules 8 and 9 of the Central Excise (Valuation) Rules, 2000, leading to a short-payment of duty of Rs. 3,35,298/-, which has been demanded from our Company; and
- ii. 47,406 Kgs. of POY were sent for job work by our Company from July 9, 2004 to July 25, 2004 on account of which central excise duty amounting to Rs. 8,31,670/- has been demanded from our Company.

Our Company has filed its reply to the aforesaid notice vide its letter dated September 2, 2005 addressed to the Superintendent Central Excise, Range – III, Div – IV, Silvassa. The notice is pending adjudication.

B6. A Show Cause Notice bearing F. No. V (Ch. 48)/15-22/OA/2001 dated 17th February, 2003 was issued by the Assistant Commissioner, Central Excise, Division – II, Silvassa to eleven entities, one of them being our Company. The said Show Cause Notice was issued in respect of paper tubes allegedly despatched by one M/s. Bharat Paper Tubes & Gum Tapes to the said eleven entities including our Company without payment of excise duty and without computation of excise duty thereon. The said Show Cause, *inter alia*, required us (in addition to other entities) to show cause as to why, for (allegedly) having knowingly concerned/indulged ourselves in the act of acquiring/possessing, keeping, depositing, concealing, removing and dealing with excisable goods in a manner otherwise than as provided under the Central Excise Act and Rules framed thereunder, which we knew or had reason to believe that the said goods were liable to confiscation under the Central Excise Act, 1944 penalty should not be imposed upon us under the erstwhile Rule 209A of the Central Excise Rules, 1944 (now Rule 26 of the Central Excise Rules, 2002). We filed our reply to the said Show Cause Notice vide our letter dated December 15, 2004. The Assistant Commissioner, Central Excise, Division – II, Silvassa, vide his Order in Original No. 08/AC/OA/2005/Silvassa dated 31st August, 2005 has, in addition to passing orders against other entities, imposed a penalty of Rs. 25,000/- (Rupees Twenty Five Thousand Only) on our Company under the erstwhile Rule 209A of the Central Excise Rules, 1944 (now Rule 26 of the Central Excise Rules, 2002). Our Company has filed an appeal before the Commissioner (Appeals) at Vapi against the said Order in Original dated 31st August, 2005 and also a Stay Petition (to stay, *inter alia*, recovery of the demanded amount). The matter is pending before the Commissioner (Appeals) at Vapi.

B7. A Show Cause Notice bearing F.No. DGAE/BZU/205/12(4)62/2002/9863 dated 30th November, 2003 was issued by the Additional Director, General DGCEI, Zonal Unit, Mumbai to nineteen parties/entities, two of them being Unit I and Unit II of our Company. The said Show Cause Notice was issued in respect of POY despatched by one Indo Rama Synthetics (India) Limited to the said nineteen parties/entities including two of our Company's units allegedly without payment of proper Central Excise duty thereon (due to undervaluation of the POY) rendering the said goods liable for confiscation and penalty. The said Show Cause Notice requires us (in addition to other entities) to show cause as to why penalty should not be imposed upon us under Rule 209A of the Central Excise Rules, 1944 read with Rule 26 of Central Excise Rules 2001/02 and Section 11AC of the Central Excise Act, 1944 on the grounds that we connived actively with the said Indo Rama Synthetics (India) Limited in acquiring possession of POY on which the proper central excise duty was not paid and for which we allegedly had full knowledge of the manner in which the goods were undervalued. We are in the process of preparing our reply to the said Show Cause Notice

C. Appeal under Textile Committee Act, 1963

The Assessing Officer, Textile Committee, Bombay had issued a Notice of Demand dated February 14, 2002 alleging that our Company had failed to submit monthly returns/furnished incorrect returns, in accordance with Rule 4 of the Textile Committee (Cess) Rules, 1975 for the period 1997-2001, 4/2001 – 8/2001. Our Company was directed to pay cess @ 0.05% ad-valorem amounting to Rs. 7,82,156/-. Our Company has filed an appeal before the Appellate Tribunal constituted under section 5B of the Textiles Committee Act, 1963. The Textiles Committee has filed its reply to the said appeal. The appeal is pending.

D. Claims against our Company's Directors or Promoters

D1. The two Show Cause Notices referred to in item nos. B2 and B3 above are also issued against Mr. Gourishankar Poddar, Chairman and Managing Director of our Company, in addition to our Company. For more details, please refer to the said item nos. B2 and B3.

D2. Mr. Gourishankar Poddar, one of our Promoters and our Chairman and Managing Director, was, prior to promoting Raj Rayon, also the Promoter/Director of two companies namely Adhunik Synthetics Limited and Adhunik Yarns Limited. Both these companies are currently non-operational (except for a few minor activities), have defaulted on their loans and debenture repayment obligations and owe huge amounts of money to various banks, financial institutions, Government and other entities. Mr. Gourishankar Poddar disassociated himself with both these companies in 1993. However, his name was associated with some litigations against Adhunik Yarns Limited and Adhunik Synthetics Limited, in respect of some of the loans and other financial facilities availed by these companies, as a guarantor, and in respect of which pursuant to orders passed by the respective Debt Recovery Tribunals, Mr. Gourishankar Poddar is jointly and severally liable (along with the respective companies and other guarantors) to pay the following amounts:

- a) In relation to litigations pertaining to Adhunik Synthetics Limited :** Pursuant to the order passed by the DRT, Mumbai dated 9th November, 2005 in Application No. 1961 of 1999, Mr. Gourishankar Poddar is jointly and severally liable to pay to IDBI, along with Adhunik Synthetics Limited and other guarantors, an amount of 74,91,189/- (Rupees Seventy Four Lacs Ninety One Thousand One Hundred Eighty Nine) with interest @ 6% per annum from April 1, 1999 till full realization, in addition to interest on an amount of Rs. 25,00,000/- (Rupees Twenty Five Lacs) from April 1, 1999 till March 31, 2005.

Adhunik Synthetics Limited had been referred to the Board for Industrial and Financial Reconstruction (“BIFR”), as a sick industrial company, vide Reference No. 272 of 2000. Vide its order dated 25th October, 2004 the BIFR confirmed its earlier prima facie opinion in its order dated 7th July, 2004 to wind up Adhunik Synthetics Limited in terms of Section 20(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (“SICA”), and the opinion be forwarded to the concerned High Court for necessary action according to law.

- b) In relation to litigations pertaining to Adhunik Yarns Limited:** Pursuant to the order passed by the DRT, Mumbai dated 24th April, 2003 in Application no. 1962 of 1999, Mr. Gourishankar Poddar is jointly and severally liable to pay to BOB an amount of Rs. 3,98,79,189 (Rupees Three Crores Ninety Eight Lacs Seventy Nine Thousand One Hundred Eighty Nine) along with interest @ 18% per annum from 18th December, 2001 till date of realization.

Adhunik Yarns Limited had been referred to the BIFR as a sick industrial company; vide reference no. 330 of 1999. Vide its order dated 12th November, 2003 the BIFR confirmed its earlier prima facie opinion in its order dated 8th August, 2003 to wind up Adhunik Yarns Limited in terms of Section 20(1) of SICA, and the opinion be forwarded to the concerned High Court for necessary action according to law. The same is registered before the Bombay High Court as Company Petition No. 754/2004, bearing the title BIFR v. Adhunik Yarns. IDBI has subsequently filed a Recovery Petition No. 131/03 at the DRT, Mumbai, which has subsequently been transferred to the DRT, Aurangabad, and registered as Recovery Petition No. 54/04. Adhunik Yarns Limited has filed its reply before the DRT, Aurangabad, *inter alia* challenging its jurisdiction to hear the above matter, and expressing its inability to appear before the said Tribunal. The matter is pending.

The aforesaid financial implications on Mr. Gourishankar Poddar as guarantor will not devolve upon our Company.

- (c) One-time Settlement(OTS) with IDBI and BOB:**

- (i) One-time Settlement (“OTS”) with IDBI:** Vide letter dated 30th March, 2005 IDBI has offered Adhunik Synthetics Limited and Adhunik Yarns Limited a composite settlement of Rs. 75 Lacs, subject to payment by March 31st, 2005. Payment of Rs. 25 Lacs has been made, and for the balance Rs. 50 Lacs, application has been made to IDBI for permission to sell the assets of these companies, to pay the balance amount of Rs. 50 Lacs.
- (ii)** IDBI has, vide its letter dated 6th April, 2005 advised payment of the balance amount of Rs. 50 Lacs without further delay. No communication has been received from IDBI regarding the application for sale of assets.
- (iii) One-time Settlement (“OTS”) with BOB:** Vide letter dated 20th September, 2005 BOB has offered Adhunik Yarns Limited a compromise proposal for Rs. 125 Lacs plus legal/incidental charges of which Rs. 25 Lacs were to be paid immediately on receipt of the letter. However, Adhunik Yarns Limited has not deposited Rs. 15 Lacs of the Rs. 25 Lacs required to be deposited, and has not yet complied with certain other conditions of the said letter dated 20th September, 2005 which BOB has requested them to so pay and comply with vide its letter 2nd November 2005.

Defaults:

In addition to litigations wherein Mr. Gourishankar Poddar's name is associated, there are several defaults that have been committed by Adhunik Synthetics Limited and Adhunik Yarns Limited in respect of their loan and debenture repayment obligations and they owe huge amounts of money running into crores of rupees to various banks, financial institutions, Government and other entities. However, in the year 1993-94, when

Mr. Gourishankar Poddar disassociated himself from both these companies, both these companies had posted profits and had declared dividends (Adhunik Yarns Limited had declared dividend of 12.5% and Adhunik Synthetics Limited had declared dividend of 15% in 1993-94).

E. Trading in our Equity Shares was suspended by BSE

Due to short notice given for book closure at the time of AGM held in 1997, trading in our equity shares was suspended by BSE on 26th August 1997. However, the said suspension was revoked on 8th September 1997.

II Outstanding litigations/defaults involving the Promoter Group Companies

A. Raj Money Market Limited

Raj Money Market Limited (“RMML” or “Raj Money Market”) is a Promoter of our Company, and also comes in the Promoter Group, being promoted by the individual promoters of our Company.

Cases by Raj Money Market Limited

NIL

Cases against Raj Money Market Limited

NIL

B. Sangam Spinfab Private Limited

Cases by Sangam Spinfab Private Limited

NIL

Cases against Sangam Spinfab Private Limited

NIL

III. Amounts Owed to Small Scale Undertakings

The name of Small Scale Undertakings to whom our Company owes a sum exceeding Rs. 1 Lac which is outstanding more than 30 days, as on 31st July 2005, are as follows:

Sr. No.	Name of Small Scale Undertakings	Amount (Rs. in Lacs)
1	Vecnor Paper Convertors	1.03
2	Hrf Air Engineers	1.13
3	Jay Instruments & Systems P. Limited	1.33
4	Silver Tex Industries	1.43
5	Shree Pooja Packwell	1.53
6	Loknath Packaging Pvt. Limited	1.62
7	Paawan Poly Pack	2.06
8	J.D.Lubricants Pvt. Limited	2.37
9	Shah Containers P. Limited	3.34
10	Compect Coils	3.78
11	Indo Sind Packaging Industries	3.81
12	Ipsa Texchem Pvt. Limited	12.40
	Total	35.82

IV. Relatives of our Promoter appearing in defaulters/wilful defaulters list on the CIBIL website:

Names of following persons (who are relatives of Mrs. Rajkumari Kanodia, our Promoter, appear on the website of Credit Information Bureau (India) Limited (CIBIL) as directors of the companies which are mentioned as wilful defaulters/defaulters to various banks and financial institutions. Details of the suits are as under:

Sr. No.	Names	Relation to Mrs. Rajkumari Kanodia	Suit filed by and amount (in Rs. lacs)	Quarter ending 31/3/2005	Quarter ending 30/6/2005	Quarter ending 30/9/2005
1.	Mr.Radheshyam Poddar	Father	Bank of Baroda ASL: 574AYL: 263	Appearing under 'wilful defaulters list' as one of the directors of Adhunik Synthetics Limited & Adhunik Yarns Limited	Appearing under wilful defaulters 'list' as one of the directors of Adhunik Synthetics Limited & Adhunik Yarns Limited	Appearing under 'defaulters list' as one of the directors of Adhunik Synthetics Limited & Adhunik Yarns Limited
			Central Bank of India ADL: 269	Appearing under 'defaulters list' as one of the directors of Adhunik Detergents Limited	Appearing under 'defaulters list' as one of the directors of Adhunik Detergents Limited	NIL
2.	Mr.Pradeep Poddar	Brother	Bank of Baroda ASL: 574 AYL: 263	Appearing under 'wilful defaulters list' as one of the directors of Adhunik Synthetics Limited & Adhunik Yarns Limited	Appearing under 'wilful defaulters list' as one of the directors of Adhunik Synthetics Limited & Adhunik Yarns Limited	Appearing under 'defaulters list' as one of the directors of Adhunik Synthetics Limited & Adhunik Yarns Limited
3.	Mr.Sunil Poddar	Brother	Bank of Baroda ASL: 574	Appearing under 'wilful defaulters list' as one of the directors of Adhunik Synthetics Limited	Appearing under 'wilful defaulters list' as one of the directors of Adhunik Synthetics Limited	Appearing under 'defaulters list' as one of the directors of Adhunik Synthetics Limited
4.	Mr.Sandeep Poddar	Brother	Bank of Baroda AYL: 263	Appearing under 'wilful defaulters list' as one of the directors of Adhunik Yarns Limited	Appearing under 'wilful defaulters list' as one of the directors of Adhunik Yarns Limited	Appearing under 'defaulters list' as one of the directors of Adhunik Yarns Limited
5.	Mr. Sushilkumar Kanodia	Spouse	Central Bank of India ADL:269	Appearing under 'defaulters list' as one of the directors of Adhunik Detergents Limited	Appearing under 'defaulters list' as one of the directors of Adhunik Detergents Limited	NIL

Mrs. Rajkumari Kanodia has confirmed that she has no association or transaction(s) or series of transactions with any of the persons or entities mentioned in the above table which (in the event of an adverse order against any of the above-mentioned persons/ entities in respect of the suits filed by the banks/financial institutions or otherwise on account of their status as directors of companies which are defaulters/wilful defaulters) would lead to devolvement of any liability of any of the persons or entities mentioned hereinabove either on her personally or on Raj Rayon Limited.

Material Developments since the Last Balance Sheet Date

Vide resolution passed at our EGM held on 20th December, 2005 we have been authorised to commence certain businesses as contained in our "Other Objects" Clause of our Memorandum of Association. Except as otherwise stated in this Red Herring Prospectus and the regular developments in the Project as per the revised Schedule of Implementation, there are no material developments since the last Balance Sheet date.

2. Government Approvals / Licensing Arrangements
Investment Approvals (FIPB/ RBI, etc.).

As per Notification No. FEMA 20 / 2000 - RB dated 3rd May 2000, as amended from time to time, under automatic route of Reserve Bank, our Company is not required to make an application for Issue of Equity Shares to NRIs/FIIs with repatriation

benefits. However, the allotment / transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

Government and Other Approvals

Currently, our Company has following manufacturing facilities:

Unit I – Survey No. 272/1, Village - Dadra, Silvassa, Dadra and Nagar Haveli, UT

Unit II – Survey No. 185/1/1, Plot No. 17, Dokmardi, Village - Amli, Silvassa, Dadra and Nagar Haveli, UT

Unit III – Survey No. 259/12, Village - Dadra, Silvassa, Dadra and Nagar Haveli, UT

Unit IV – Survey No. 177/1/3 & 177/1/4, Village - Surangi, Silvassa, Dadra and Nagar Haveli, UT (under construction)

We have received all the necessary consents, licences, permissions and approvals from the Government and various Government agencies / private certification bodies required for our present business and no further approvals are required by us for carrying on the present business. However, as mentioned herein below, there are few consents, licenses, permissions and approvals from the Government and various Government agencies / private certification bodies, which are required for our Unit IV, for which application is yet to be made and will be applied for in the due course. Other than for Unit IV, there is our application for registration of “RAJ RAYON LIMITED with R logo” as trademark which has been applied for but not yet received.

It must, however, be distinctly understood that in granting the under mentioned consents / licenses / permissions / approvals, the Government/RBI does not take any responsibility for the financial soundness of our Company or for the correctness of any of the Statements or any commitments made or opinions expressed.

Incorporation and Other Statutory Compliances

1. Certificate of Incorporation bearing no. 11-73489 dated August 17th, 1993 from the Registrar of Companies, Maharashtra at Mumbai.
2. Certificate for commencement of business bearing no.11-73489 dated 1st September 1993 with Registrar of Companies, Maharashtra at Mumbai pursuant to Section 149 (3) of the Act.
3. Our Company's IEC (Importer-Exporter Code) No. is 0393060560, as contained in the Certificate of Importer-Exporter Code from the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, Mumbai, issued from file No. 03/04/130/05385/AM94/3 dated September 02, 2004 **(For Unit I, II, III and IV)**.
4. Registration Certificate of Establishment bearing Registration no. KE-II/015220 dated July 21, 2004 (for the year 2004) issued by the Inspector under Bombay Shops and Establishments Act, 1948 for 3C/205, Sanjay Building, Mittal Industrial Estate, Sakinaka, Andheri (East), Mumbai, 400 059. The same has been renewed for the year 2005 through an endorsement on the face of the certificate.
5. Permanent Account Number (PAN) issued by Income Tax Department, Government of India bearing number AAACR7820E.
6. TAN No. MUMR14047F
7. MAPIN No. 100234260 issued by NSDL.
8. Registration vide Document No. 558/93 dated October 25, 1993 with Sub Registrar Dadra & Nagar Haveli, Silvassa; for Land bearing Survey No. 272/1, Village – Dadra **(Unit I)**
9. Registration vide Document No. 1335/96 dated December 20, 1996 with Sub Registrar Dadra & Nagar Haveli, Silvassa; for Land bearing Survey No. 185/1/1, Plot No. 17, Dokmardi, Village - Amli **(Unit II)**
10. Registration vide Document No. 504/01 dated April 26, 2001 with Sub Registrar Dadra & Nagar Haveli, Silvassa; for Land bearing Survey No. 259/12, Village - Dadra **(Unit III)**
11. Registration vide Document No. 2121/03 dated December 09, 2003 with Sub Registrar Dadra & Nagar Haveli, Silvassa; for Land bearing Survey No. 177/1/3 & 177/1/4, Village - Surangi **(Unit IV)**
12. Acknowledgement receipt bearing reference no. 3698/SIA/IMO/93 dated October 22, 1993, issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of “TEXTURISED YARN TEXTURED YARN (OTHER THAN SEWING of manufacture THREAD) OF POLYESTER” at Village Dadra, Dadra and Nagar Haveli, Silvassa, Dadra and Nagar Haveli, UT **(Unit I)**.

13. Acknowledgement receipt bearing reference no. 296/SIA/IMO/97 dated January 27, 1997, issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneur's Memorandum submitted for the manufacture of "TEXTURISING OF YARN TEXTURED YARN (OTHER THAN SEWING of manufacture THREAD) OF POLYESTER" (proposed capacity 5600 tonnes) located at Village Amli, Silvassa, Dadra and Nagar Haveli, UT **(Unit II)**.
14. Acknowledgement receipt bearing reference no. 4655/SIA/IMO/96 dated December 17, 1996, issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of "TEXTURISING OF YARN TEXTURED YARN (OTHER THAN SEWING of manufacture THREAD) OF POLYESTER" (proposed capacity 15600 tonnes) located at Village Amli / Dadra, Silvassa, Dadra and Nagar Haveli, UT **(Unit III)**.
15. Acknowledgement bearing reference No. 3580/SIA/IMO/2003 dated December 10, 2003 issued by the Entrepreneurial Assistance Unit, Secretariat for Industrial Approvals, Department of Industrial Development, Ministry of Industry, Government of India for the Industrial Entrepreneurs Memorandum submitted for the manufacture of "POY, Texturising of Yarn, Single Yarn twisted of Polyester, Weaving of Fabrics, Dyeing of Yarn" for the manufacture of POY (1,40,000 tonnes), Texturising of Yarn (1,80,000 tonnes), Single Yarn Twisted of Polyester (17,500 tonnes), Weaving of Fabrics (54,00,000 meters) and Dyeing of Yarn (7,000 tonnes) located at Survey No. 177/1/3 & 177/1/4, Village - Surangi **(Unit IV)**.
16. No Objection Certificate bearing No. DIC/1 (401) /NOC/83/1920 dated December 03, 1993 issued by General Manager, District Industries Centre, Department of Industries, Dadra and Nagar Haveli, for manufacture of Texturising of Polyester Yarn in the Union territory of Dadra & Nagar Haveli (for establishing **Unit I**).
17. In principle Clearance no. DIC/1 (996) /NOC/97/504 dated March 06, 1997 issued by General Manager, District Industries Centre, Department of Industries, Dadra and Nagar Haveli, for establishment of new industrial undertaking for manufacture of "Textured Yarn (other than sewing thread) of Polyesters" at proposed location, being Plot No. 17, Survey No. 185/1/1, Village – Amli **(Unit II)**.
18. In principle Clearance no. DIC/1 (401) /NOC/93/938 dated June 06, 2001 issued by General Manager, District Industries Centre, Department of Industries, Dadra and Nagar Haveli, for establishment of new industrial undertaking / expansion of existing Industrial Undertaking for manufacture of "Texturising of Yarn Textured Yarn (other than sewing thread) of Polyester" at proposed location, being Survey No. 259/12, Village – Dadra **(Unit III)**.
19. In principle Clearance no. DIC/1 (401)/NOC/93/126 dated February 16, 2004 issued by General Manager, District Industries Centre, Department of Industries, Dadra and Nagar Haveli, for establishment of undertaking/ expansion of existing industrial undertaking for manufacture of "Partially Oriented Yarn" at proposed location, being Survey No. 177/1/3 and 177/1/4, Surangi **(Unit IV)**.
20. In principle Clearance no. DIC/1 (401)/NOC/93/168 dated February 25, 2004 issued by General Manager, District Industries Centre, Department of Industries, Dadra and Nagar Haveli, for expansion of existing industrial undertaking for manufacture of "texturising of yarn, single yarn twisted of polyester, weaving of fabrics" for proposed location, being Survey No. 177/1/3 and 177/1/4, Surangi **(Unit IV)**.
21. Order No. RD/LND/CP/Fact/3712/95 dated June 02, 1995 from Revenue Department, Administration of Dadra & Nagar Haveli UT, Silvassa for construction of Factory Building at the land bearing Survey No. 272/1, Village – Dadra **(Unit I)**.
22. Permission No. TPS/CP/FB/SN/185/1/1PN/17/97/361 dated April 16, 1997 from Town & Country Planning Department, Silvassa, Administration of Dadra & Nagar Haveli, UT, for construction of Factory Building at the land bearing Survey No. 185/1/1, Plot No.17, Amli **(Unit II)**.
23. Permission No. TPS/CP/Srv.No./Pt.No./259/12/2001/993 dated September 07, 2001 from Town & Country Planning Department, Silvassa, Administration of Dadra & Nagar Haveli UT, for Revised Construction at Survey No. 259/12, Village – Dadra **(Unit III)**.
24. Permission no. TPS/CP/Srv. No. 177/1/3 & 177/1/4/ Surangi/ 346 dated March 17, 2004 & Revised Permission bearing No. TPS/CP/Srv. No. 177/1/3 & 177/1/4/ Surangi/296 dated May 05, 2005, from Town & Country Planning Department, Silvassa, Administration of Dadra & Nagar Haveli UT, for construction of industrial building in respect of land bearing Survey No. 177/1/3 & 177/1/4, area admeasuring 80,000 square meters situated at Village – Surangi **(Unit IV)**.
25. Occupancy Certificate bearing No. TPS/OC/Srv. No. 272/1/1/Dadra/2001/840 dated August 02, 2001 issued by Associate Town Planner, Town & Country Planning Department, Dadra & Nagar Haveli, Silvassa for construction work of Factory Building at Survey No. 272/1, Village – Dadra **(Unit I)**.
26. Occupancy Certificate bearing No. TPS/OC/SRN. No. 181/1/1/Pt.No.17/Amli/289 dated March 30, 1999 issued by Associate Town Planner, Town & Country Planning Department, Dadra & Nagar Haveli, Silvassa for construction work of Factory Building at Survey No. 185/1/1, Plot No.17, Amli **(Unit II)**.

27. Occupancy Certificate bearing No. TPS/OC/Srv. No. 259/12/Dadra/2002/349 dated March 21, 2002 issued by Associate Town Planner, Town & Country Planning Department, Dadra & Nagar Haveli, Silvassa for construction work of Factory Building at Survey No. 259/12, Village – Dadra **(Unit III)**.
28. Part Occupancy Certificate bearing No. ATP/OC/Srv. No. 177/1/3 & 177/1/4/Surangji/2005/399 dated June 13, 2005 issued by Associate Town Planner, Town & Country Planning Department, Dadra & Nagar Haveli, Silvassa for construction work of Part Industrial Building on Survey No. 177/1/3 and 177/1/4 at Village – Surangi **(Unit IV)**
29. No Objection Certificate bearing No. 7-7(27)/ELE/94/1158 dated February 20, 1998 issued by Electricity Department, Administration of Dadra & Nagar Haveli, UT for installation of 1X 500 KVA D.G. Set at Survey No. 272/1, Village – Dadra **(Unit I)**.
30. No Objection Certificate bearing No. 1-2(36)/ELE/97/550 dated January 23, 1998 issued by Electricity Department, Administration of Dadra & Nagar Haveli, UT for installation of 1 X 600 KVA D.G. Set at Survey No. 185/1/1, Plot No.17, Amli **(Unit II)**.
31. No Objection Certificate bearing No. 1-2(36)/ELE/97/4399 dated December 21, 1998 issued by Electricity Department, Administration of Dadra & Nagar Haveli, UT for installation of 2nd 1 X 600 KVA D.G. Set at Survey No. 185/1/1, Plot No.17, Amli **(Unit II)**.
32. No Objection Certificate bearing No. 1-2(24)/ELE/2002/1600 dated May 19, 2003 issued by Electricity Department, Administration of Dadra & Nagar Haveli, UT for installation of 1 X 500 & 2 X 600 KVA D.G. Sets at Survey No. 259/12, Village – Dadra **(Unit III)**.
33. Final Approval Certificate bearing no. 1-2(97)ELE/2004/2652 dated September 8, 2005 issued by the Executive Engineer, Electricity Department, Dadra & Nagar Haveli, Silvassa for running of 4 x 1100 KVA and 1 x 1250 KVA D.G. sets at Survey No. 177/1/3 & 177/1/4, Village Surangi **(Unit IV)**
34. Renewal of Factory License bearing no. 316 for **Unit I** granted by Chief Inspector of Factories, Dadra and Nagar Haveli, Silvassa upto 31.12.2006.
35. Renewal of Factory License bearing no. 962 for **Unit II** granted by Chief Inspector of Factories, Dadra and Nagar Haveli, Silvassa upto 31.12.2006.
36. Renewal of Factory License bearing no. 1552 for **Unit III** granted by Chief Inspector of Factories, Dadra and Nagar Haveli, Silvassa upto 31.12.2006.
37. Factory License bearing no. 3002 for Survey No. 177/1/3 and 177/1/4, Village – Surangi, Silvassa **(Unit IV)** dated July 12, 2005 issued by Chief Inspector of Factories, Dadra and Nagar Haveli, Silvassa. This License is valid up to December 31, 2005.
38. In principle approval for 4 MVA load on 66 KV system from Administration of Dadra and Nagar Haveli, UT, Electricity Department, Silvassa vide their letter No. 1-2(61)/ELE/2004/2366 dated June 02, 2004 for Survey No. 177/1/3 & 177/1/4 Village Surangi **(Unit IV)**.
39. In principle approval for 10 MVA load on 66 KV system from Administration of Dadra and Nagar Haveli, UT, Electricity Department, Silvassa vide their letter No. 1-2(61)/ELE/2004/4225 dated December 03, 2004 for Survey No. 177/1/3 & 177/1/4 Village Surangi **(Unit IV)**.
40. Release of L T Power Connection for 95 HP Motive and 4000 Watt for lighting power granted by the Administrator of Dadra and Nagar Haveli, UT; Electricity Department, South Zone vide their letter no. ELE/DE/SZ/05/250 dated 25th February 2005 for Survey No. 177/1/3 & 177/1/4, Village - Surangi **(Unit IV)**.

Labour Laws:

41. Registration Code No. 31-29416-102 granted by Employees' State Insurance Corporation vide letter dated February 7, 1997.
42. Professional Tax Registration No. PT/R/1/1/29/15812
43. Registration No. MH/ 42529 granted by the Office of the Regional Provident Fund Commissioner vide letter No. MH/PE/APP/42529/Enf Zone VI/064/3324/1185 dated March 21, 1997.
44. Registration No.LEO/CL(R&A)/80/2004 granted under Contract Labour (Regulation & Abolition) Act 1970 to Survey No. 185/1/1, Village- Silvassa **(Unit II)** valid up to 28-12-2005
45. Registration No.LEO/CL(R&A)/81/2004 granted under Contract Labour (Regulation & Abolition) Act 1970 to Survey No. 259/12, Parshwanath Industrial Estate, Dadra – Silvassa **(Unit III)** valid up to 28-12-2005.

46. Registration No. LEO/CL(R&A)/102/2005 granted under Contract Labour (Regulation & Abolition) Act 1970 to Survey No. 177/1/3 & 177/1/4, Village Surangi, Silvassa U.T. Dadra & Nagar Haveli **(Unit IV)** valid up to 26/10/2006
47. Registration No. LEO/Licence/CL(R&A)/Act/165/2005 granted to the contractor, being M/s. Shaheen Protective & Fire Fighting, Silvassa under section 12 (2) of Contract Labour (Regulation & Abolition) Act 1970 to Survey No. 177/1/3 & 177/1/4, Village- Surangi, Silvassa U.T. Dadra & Nagar Haveli **(Unit IV)** valid up to 20-12-2006.
48. Registration No. LEO/Licence/CL(R&A)/Act/166/2005 granted to the contractor, being M/s. Suvarana Contractor under section 12 (2) of Contract Labour (Regulation & Abolition) Act 1970 to Survey No. 177/1/3 & 177/1/4, Village- Surangi, Silvassa U.T. Dadra & Nagar Haveli – **(Unit IV)** valid up to 20-12-2006.
49. Registration No. LEO/Licence/CL(R&A)/Act/167/2005 granted to the contractor, being M/s. S. G. Enterprise under section 12 (2) of Contract Labour (Regulation & Abolition) Act 1970 to Survey No. 177/1/3 & 177/1/4, Village- Surangi, Silvassa U.T. Dadra & Nagar Haveli – **(Unit IV)** valid up to 20-12-2006.
50. Registration No. LEO/Licence/CL(R&A)/Act/168/2005 granted to the contractor, being M/s. Suraj Contractor under section 12 (2) of Contract Labour (Regulation & Abolition) Act 1970 to Survey No. 177/1/3 & 177/1/4, Village- Surangi, Silvassa U.T. Dadra & Nagar Haveli – **(Unit IV)** valid up to 20-12-2006.
51. Renewed Registration No. LEO/Renewal/104/05 to the Contractor Mr. Ram Sevak Mandey for Survey No. 185/1/1, Village- Silvassa **(Unit II)** by Labour Department, Labour Enforcement Officer up to 31-12-2005.
52. Renewed Registration No. LEO/Renewal/105/2005 to the contractor Mr. Vinod Kumar for 259/12, Parshwanath Industrial Estate, Dadra – Silvassa **(Unit III)** by Labour Department, Labour Enforcement Officer up to 31-12-2005.
53. Renewed Registration No. LEO/Renewal/107/05 to Suverna Contractor for Survey No. 185/1/1, Village- Silvassa **(Unit II)** by Labour Department, Labour Enforcement Officer up to 31-12-2005.
54. Renewed Registration No. LEO/Renewal/106/2005 to Suverna Contractor for 259/12, Parshwanath Industrial Estate, Dadra – Silvassa **(Unit III)** by Labour Department, Labour Enforcement Officer up to 31-12-2005.

Excise:

55. Central Excise Registration Certificate bearing no. AAACR7820EXM002 dated February 4, 2003 issued by the Deputy Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for manufacturing of excisable goods at our Company's premises situated at Survey no. 272/1/1, Plot No.1, Dadra Demni Village, Silvassa, Dadra, Dadra and Nagar Haveli, 396230 **(Unit I)**.
56. Central Excise Registration Certificate bearing no. AAACR7820EXM001 dated March 2, 2003 issued by the Assistant Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for manufacturing of excisable goods at our Company's premises situated at Plot No. 17, Survey No. 185/1/1, Dokmandi, Silvassa, Dadra, Dadra and Nagar Haveli, 396230 **(Unit II)**.
57. Central Excise Registration Certificate bearing no. AAACR7820EXM003 dated February 4, 2003 issued by Deputy Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for manufacturing of excisable goods at our Company's premises situated at survey no. 259/12, Parshavnath Industrial Estate, Near Sejal Glass, Silvassa, Dadra, Dadra and Nagar Haveli, 396230 **(Unit III)**.
58. Central Excise Registration Certificate bearing no. AAACR7820EXM004 dated September 01, 2004 issued by the Assistant Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for manufacturing of excisable goods at our Company's premises situated at Survey No. 177/1/3 & 177/1/4, Surangi, Silvassa, Dadra, Dadra and Nagar Haveli – 396230 **(Unit IV)**.
59. Central Excise Registration Certificate bearing no. AAACR7820EXD001 dated April 10, 2003 issued by the Assistant Commissioner of Central Excise under Rule 9 of the Central Excise Rules, 2002 for operating a manufacturer's depot near Anand Weight Bridge, Vijay Nagar, Dungara, Vapi, Valsad, Gujarat, 396191.

Service Tax:

60. Service Tax Registration Certificate bearing no. AAACR7820EST002 dated March 30, 2005 issued by the Assistant Commissioner of Central Excise and Customs for Survey no. 272/1/1, Plot No.1, Dadra Demni Village, Silvassa, Dadra, Dadra and Nagar Haveli, 396230 **(Unit I)**.
61. Service Tax Registration Certificate bearing no. AAACR7820EST003 dated February 04, 2005 issued by the Assistant Commissioner of Central Excise and Customs for Plot No. 17, Survey No. 185/1/1, Dokmandi, Silvassa, Dadra, Dadra and Nagar Haveli, 396230 **(Unit II)**.

62. Service Tax Registration Certificate bearing no. AAACR7820EST001 dated January 25, 2005 issued by the Assistant Commissioner of Central Excise and Customs for survey no. 259/12, Parshavnath Industrial Estate, Village Dadra, Silvassa, Dadra, Dadra and Nagar Haveli – 396230 **(Unit III)**.
63. Service Tax Registration Certificate bearing no. AAACR7820EST004 dated March 15, 2005 issued by the Assistant Commissioner of Central Excise and Customs for Survey No. 177/1/3 & 177/1/4, Surangi, Silvassa, Dadra, Dadra and Nagar Haveli – 396230 **(Unit IV)**.
64. Service Tax Registration Certificate bearing no. ST/MUM/DIV III/GTA/1095 dated October 24, 2005 issued by the Superintendent, Division-III, Service Tax, Mumbai for 3A/205, Mittal Industrial Estate, Saki Naka, Andheri (East), Mumbai – 400 059, being the Registered Office of our Company. The same has been amended to include business auxiliary services bearing no. ST/MUM/DIV. III/BAS/237.
65. Service Tax Registration Certificate bearing no. ST/MUM/DIV. III/CENVAT/188 dated November 14, 2005 issued by the Superintendent, Service Tax, Division-III, Mumbai for 3A/205, Mittal Industrial Estate, Saki Naka, Andheri (East), Mumbai – 400 059, being the Registered Office of our Company.

Sales Tax:

Central Sales Tax (CST)

66. Initial certificate of registration bearing no. DNH/CST/1132 (Central) dated February 22, 1994, with effect from December 24, 1993, issued by the Sales Tax Officer, Silvassa under the Central Sales Tax (Regulation & Turnover) Rules, 1957 for Survey No. 272/1/1, Village Dadra **(Unit I)**, valid up to December 23, 1994. Vide certificate no. ADM/STO/CST/PMT/97/511 dated 6th June 1997, the registration is deemed to have been granted under the Central Sales Tax Act, 1956 with effect from 14th December 1994.
67. Certificate bearing no. ADM/STO/CST/AMDT/97/819 dated August 4, 1997, with effect from July 29, 1997, issued under Rule 7(1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 by the Assessing Authority (Sales Tax Officer, Dadra and Nagar Haveli) for addition in registration certificate No. DNH/CST/1132 of our Company for additional place of business (in the State of registration) situated at Survey No. 185/1/1, Plot No. 17, Village - Amlia **(Unit II)**.
68. Certificate bearing no. ADM/STO/CST/AMDT/2000/682 dated June 19, 2000, issued by the Assessing Authority (Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli) under Rule 7(1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 for amendment made in registration certificate No. DNH/CST/1132 for the purpose of using HSD (High Speed Diesel) in the manufacture or processing of goods for sale, the amendment being effective from June 13, 2000 **(For Unit I & II)**.
69. Certificate bearing no. ADM/ACST/CST/AMDT/2001/2390 dated January 14, 2002, issued by the Assessing Authority (Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli) under Section 12(4) of the Dadra and Nagar Haveli Sales Tax Regulation, 1978 for amendment in registration certificate no. DNH/CST/1132 dated December 24, 1993 for the purpose of incorporation therein of additional place of business situated at Survey No. 259/12, Village - Dadra **(Unit III)**, the amendment being effective from June 8, 2001.
70. Certificate bearing no. ADM/ACST/CST/AMDT/2002/2651 dated February 4, 2002, issued by Assessing Authority (Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli) under Section 12(4) of the Dadra and Nagar Haveli Sales Tax Regulation, 1978 for amendment made in registration certificate no. DNH/CST/1132 dated February 22, 1994 for the purpose of using additional consumable item for manufacture of LDO, the amendment being effective from February 1, 2002 **(For Unit I, II & III)**.
71. Certificate of Registration bearing no. Guj99960279 dated June 26, 2002, with effect from June 04, 2002 issued by Sales Tax Officer (3), Unit – 11, Surat (Jurisdiction) under section 7(1), 7(2) of the Central Sales Tax Act, 1956 for the office situated at 302, 3rd Floor, Rajhans Chambers, 1420/A-B, Khatodara, Ring Road, Sagrapura, Surat for re-selling Yarn, Dyes, Chemicals, Machinery and Packaging Materials. The Registration number of our Company has changed to 24722202058 with effect from September 9, 2005.
72. Certificate bearing no. ADM/ACST/CST/AMDT/2004/529 dated October 19, 2004, with effect from October 4, 2004 issued by the Assessing Authority (Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli) under Section 7(1) of the Central Sales Tax for amendment in our Company's Registration Certificate No. DNH/CST/1132 for the purpose of incorporation therein of additional place of business situated at Survey No. 177/1/3 and 177/1/4, Village-Surangi **(Unit IV)** and for manufacture for sale of certain additional products.
73. Certificate of Registration bearing no. 400059/C/5217 dated October 15, 2004, with effect from September 28, 2004 issued by Sales Tax Officer, Sales Tax Department, Maharashtra under section 7(1)/ 7(2) of the Central Sales Tax Act, 1956 for incorporation therein of additional place of business of our Company situated at Pratham Transport, Godown No. 6, Khandali Estate, Purna Village, Bhiwandi, Thane.

74. Certificate bearing no. ADM/ACST/CST/AMDT/2005/493 dated September 2, 2005 issued by the Deputy Commissioner (VAT), Dadra & Nagar Haveli, Silvassa under Rule 7(1) of the Central Sales Tax (Registration and Turnover) Rules, 1957 for amendment made in Registration Certificate no. DNH/ST/1132 dated December 24, 1993 for the purpose of using additional raw material items as stated therein, the amendment being effective from August 30, 2005 **(For Unit I, II, III and IV)**.

State Sales Tax (SST)

75. Our Company's Sales Tax Registration No. DNH/ST/1190 under the Sales Tax Regulation, 1978 has been replaced pursuant to the VAT Regulations, 2005 to 26000001190.

All references in the RHP to Certificate No. DNH/ST/1190 dated February 22, 1994 shall therefore be deemed to refer to Registration Certificate No. 26000001190 as above.

76. Certificate bearing no. ADM/STO/ST/AMDT/97/819 dated August 4, 1997, with effect from July 29, 1997, issued under Section 12(4) of the Dadra and Nagar Haveli Sales Tax Regulation, 1978 by the Assessing Authority (Sales Tax Officer, Dadra and Nagar Haveli for addition in registration certificate No. DNH/ST/1190 of our Company of additional place of business (in the State of registration) situated at Survey No. 185/1/1, Plot No. 17, Village – Amli **(Unit II)**.

77. Certificate bearing no. ADM/STO/ST/AMDT/2000/682 dated June 19, 2000, issued by the Assessing Authority (Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli) under Section 12(4) of the Dadra and Nagar Haveli Sales Tax Regulation, 1978 for amendment made in Registration Certificate No. DNH/ST/1190 dated December 24, 1993 for the purpose of using HSD (High Speed Diesel) in the manufacture or processing of goods for sale, the amendment being effective from June 13, 2000 **(For Unit I & II)**.

78. Certificate bearing no. ADM/ACST/ST/AMDT/2001/2390 dated January 14, 2002, issued by the Assessing Authority (Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli) under Section 12(4) of the Dadra and Nagar Haveli Sales Tax Regulation, 1978 for amendment in registration certificate no. DNH/ST/1190 dated December 24, 1993 for the purpose of incorporation therein of additional place of business situated at Survey No. 259/12, Village – Dadra **(Unit III)**, the amendment being effective from June 8, 2001.

79. Certificate bearing no. ADM/ACST/ST/AMDT/2002/2651 dated February 4, 2002, issued by the Assessing Authority (Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli) under Section 12(4) of the Dadra and Nagar Haveli Sales Tax Regulation, 1978 for amendment made in registration certificate no. DNH/ST/1190 dated February 22, 1994 for the purpose of using additional consumable item for manufacture - "LDO", the amendment being effective from February 1, 2002 **(For Unit I, II & III)**.

80. Certificate of Registration bearing no. 2222020586 dated July 02, 2002, with effect from July 01, 2002 issued by Sales Tax Officer (1) Class -1, Unit – 8, Surat under Gujarat Sale Tax Act, 1969 for the office situated at 302, 3rd Floor, Rajhans Chambers, 1420/A-B, Khatodara, Ring Road, Sagrampura, Surat for re-selling goods. The Registration number of our Company has changed to 24222202058 with effect from September 9, 2005.

81. Certificate Bearing no. ADM/ACST/ST/AMDT/2004/529 dated October 19, 2004, with effect from October 4, 2004 issued by the Assessing Authority (Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli) under Section 12(4) of the Dadra and Nagar Haveli Sales Tax Regulation, 1978 for amendments in our Company's Registration Certificate No. DNH/ST/1190 dated February 22, 1994 for the purpose of incorporation therein of additional place of business situated at Survey No. 177/1/3 and 177/1/4, Village-Surangli **(Unit IV)** and for manufacture for sale of certain additional products.

82. Certificate of Registration no. 400059/S/5667 dated October 15, 2004, with effect from September 28, 2004 issued by Sales Tax Officer, Sales Tax Department, Maharashtra under Section 22 / 22A of the Bombay Sales Tax Act, 1959 for incorporation therein of additional place of business of our Company situated at Pratham Transport, Godown No. 6, Khandali Estate, Purna Village, Bhiwandi, Thane.

83. Certificate bearing no. ADM/DCVAT/AMDT/2005/493 dated September 2, 2005 issued by the Deputy Commissioner (VAT), Dadra & Nagar Haveli, Silvassa under Rule 15(2) of the Dadra and Nagar Haveli Value Added Tax Rules, 2005 for amendment made in Registration Certificate no. 26000001190 for the purpose of using additional raw material items as stated therein, the amendment being effective from August 30, 2005 **(For Unit I, II, III and IV)**.

Exemption Certificates:

84. Certificate of Exemption from Sales Tax No. ADM/DNH/EXEMPT/CST/99/414 dated April 26, 1999 for "Texturising of Polyester Yarn" issued by Commissioner of Sales Tax, Dadra and Nagar Haveli, Silvassa valid for 15 years period up to May 18, 2009 for **Unit I** situated at Srv. No. 272/1, Dadra Village.

85. Certificate of Exemption from VAT bearing No ADM/DNH/EC/VAT/76 dated August 29, 2005 for "Texturising of Polyester Yarn" issued by the Deputy Commissioner of VAT, Dadra and Nagar Haveli, Silvassa valid upto May 18, 2009 for Unit I situated at Survey No. 272/1, Dadra Village.

86. Certificate of Exemption from Tax no. ADM/DNH/EXEMPT/CST/2001/1332 dated March 08, 2002 for "Textured Yarn (other than sewing thread) of Polyesters" issued by Commissioner of Sales Tax, Dadra and Nagar Haveli, Silvassa valid for 15 years period upto October 17, 2012 for **Unit II** situated at Sry. No. 185/1/1, Amlı Village.
87. Certificate of Exemption from VAT bearing No. ADM/DNH/EC/VAT/78 dated August 29, 2005 for "Texturised Yarn (Other Than Sewing Thread) of Polyester" issued by the Deputy Commissioner of VAT, Dadra and Nagar Haveli, Silvassa valid upto October 17, 2012 for unit II situated at Survey no. 185/1/1 Village – Amlı.
88. Certificate bearing no. ADM/ACST/EXEMPT/ADDL/CST/1288/2503 dated January 21, 2002 with effect from June 8, 2001 issued by the Assistant Commissioner of Sales Tax (Dadra and Nagar Haveli) for amendment to the Exemption Certificate No. ADM/DNH/EXEMPT/CST/99/414 dated April 26, 1999 by incorporation therein of additional place of business situated at Survey No. 259/12, Village – Dadra (**Unit III**).
89. Certificate bearing no. ADM/ACST/EXEMPT/ADDL/ST/3143/2503 dated January 21, 2002, with effect from June 8, 2001, issued by the Assistant Commissioner of Sales Tax (Dadra and Nagar Haveli) for amendment made in exemption certificate No. ADM/DNH/EXEMPT/ST/414 dated April 26, 1999 by incorporation therein of additional place of business situated at Survey No. 259/12, Village – Dadra (**Unit III**).
90. Certificate of Exemption from Sales Tax no. ADM/DNH/EXEMPT/CST/2002/1385 dated April 15, 2002 for "Texturising of Yarn Texturised Yarn (other than Sewing thread) of Polyester" issued by Commissioner of Sales Tax, Dadra and Nagar Haveli, Silvassa valid for 15 years period up to March 27, 2017 for **Unit III** situated at Sry. No. 259/12 Dadra Village.
91. Certificate of Exemption from VAT bearing No. ADM/DNH/EC/VAT/77 dated August 29, 2005 for "Texturising of Yarn Texturised Yarn (Other Than Sewing Thread) of Polyesters" issued by the Deputy Commissioner of VAT, Dadra and Nagar Haveli, Silvassa valid upto March 27, 2017 for unit III situated at Survey no. 259/12, Village – Dadra
92. Certificate of Exemption from Sales Tax No. ADM/DNH/EXEMPT/CST/2005/2103 dated September 15, 2005 for "Partially Oriented Yarn, Texturising of Yarn, Single Yarn Twisted of Polyester, Weaving of Fabrics" issued by Assistant Commissioner of Sales Tax, Dadra and Nagar Haveli, Silvassa valid for a period upto December 31, 2017 for **Unit IV** situated at Survey No. 177/1/3 and 177/1/4 at Village – Surangi

Environment:

93. Consent bearing reference no. PCC/DDD/G-1009/DR/WA/93-94/375 dated November 25, 2004 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under section 25 of Water (Prevention and Control of Pollution) Act, 1974 to establish/ operate/ renew facilities to manufacture Texturised yarn-1260 Tonnes Per Annum at Raj Rayon Limited, Survey No. 272/1/1, Demni Road, Village Dadra, Dadra and Nagar Haveli (**Unit I**), valid up to March 31, 2006.
94. Consent bearing reference no. PCC/DDD/G-2634/AL/WA/99-00/369 dated November 25, 2004 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, under Section 25 of the Water (Prevention & Control of Pollution) Act, 1974 to establish/ operate/renew facilities to manufacture Polyester Texturised Yarn at Survey No. 185/1/1, Plot No. 17, Village-Amlı, Silvassa (**Unit II**) valid up to January 31, 2006.
95. Consent bearing reference No. PCC/DDD/G-2908/DR/WA/01-02/381 dated November 25, 2004 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under Section 25 of Water (Prevention and Control of Pollution) Act, 1974 to establish/operate/renew facilities to manufacture Polyester Texturised Yarn -1200 Tonnes Per Annum at Survey No. 259/12, Parshwanath Industrial Estate, Village – Dadra (**Unit III**) valid up to June 30, 2006.
96. Consent bearing reference No. PCC/DDD/O-2166/SR/WA/04-05/131 dated May 18, 2005 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under Section 25 of Water (Prevention and Control of Pollution) Act, 1974 to establish facilities to manufacture Partially Oriented Yarn – 30,000 Tons / Month at Survey No. 177/1/3 & 177/1/4, Village – Surangi (**Unit IV**) valid up to March 31, 2006.
97. Consent reference bearing No. PCC/DDD/G-1009/DR/AA/93-94/365 dated February 8, 2005 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under Section 21 of Air (Prevention & Control of Pollution) Act, 1981 to establish/operate/renew 1 diesel generator set at Survey No. 272/1, Plot No. 1, Village – Dadra (**Unit I**) valid up to March 31, 2006
98. Consent reference bearing No. PCC/DDD/G-2634/AL/AA/99-00/351 dated February 8, 2005 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under Section 21 of Air (Prevention & Control of Pollution) Act, 1981 to establish/operate/renew 2 diesel generator sets at Survey No. 185/1/1, Plot No. 17, Village Amlı, Silvassa (**Unit II**) valid up to January 31, 2006.

99. Consent reference bearing No. PCC/DDD/G-2908/DD/AA/01-02/349 dated February 8, 2005 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under Section 21 of Air (Prevention & Control of Pollution) Act, 1981 to establish/operate/renew 3 diesel generator sets at Survey No. 259/12, Parshwanath Industrial Estate, Village Dadra, Dadra and Nagar Haveli **(Unit III)** valid up to June 30, 2006.
100. Consent to establish D.G. sets bearing No. PCC/DDD/O-2166/SR/AA/04-05/648 dated July 01, 2005 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under Section 21 of Air (Prevention & Control of Pollution) Act, 1981 to establish four D.G. sets of 1100 KVA, one D.G. set of 1250 KVA and one D.G. set of 1250 KVA at Survey No. 177/1/3 & 177/1/4, Village – Surangi **(Unit IV)** valid up to May 31 2006.
101. Authorization for handling hazardous wastes bearing no. PCC/DDD/G-1009/DR/HW/93-94/366 dated February 8, 2005, granted to operate a facility for collection, storage, transport and disposal of hazardous wastes, that is, used/spent oil at our Company's premises situated at Survey No. 272/1, Plot No. 1, Village- Dadra, Dadra and Nagar Haveli **(Unit I)**.
102. Authorization for handling hazardous wastes bearing no. PCC/DDD/G-2634/AL/HW/99-00/352 dated February 8, 2005, granted to operate a facility for collection, storage, transport and disposal of hazardous wastes, that is, used/spent oil at our Company's premises situated at Survey No. 185/1/1, Plot No. 17, Village-Amli, Silvassa **(Unit II)**.
103. Authorization for handling hazardous wastes bearing no. PCC/DDD/G-2908/DD/HW/01-02/350 dated February 8, 2005, granted to operate a facility for collection, storage, transport and disposal of hazardous wastes, that is, used/spent oil at our Company's premises situated at Survey No. 259/12, Parshwanath Industrial Estate, Village-Dadra, Dadra and Nagar Haveli **(Unit III)**.
104. Consent reference bearing No. PCC/DDD/O-2166/SR/AA/04-05/1182 dated November 29, 2005 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under Section 21 of Air (Prevention & Control of Pollution) Act, 1981 to manufacture Partially Oriented Yarn – 30,000 Tonnes per month, to operate 4 D.G. sets of 1100 KVA and one DG set of 1250 KVA. at Survey No. 177/1/3 and 177/1/4, Village -Surangi, Dadra and Nagar Haveli **(Unit IV)** valid up to November 30, 2006.
105. Consent bearing reference No. PCC/DDD/O-2166/SR/WA/04-05/1181 dated November 29, 2005 issued by Member Secretary, Pollution Control Committee, Daman & Diu and Dadra and Nagar Haveli, granted under Section 25 of Water (Prevention and Control of Pollution) Act, 1974 to manufacture Partially Oriented Yarn -30,000 Tonnes Per month at Survey No. 177/1/3 and 177/1/4, Village -Surangi, Dadra and Nagar Haveli **(Unit IV)** valid up to November 30, 2006.
106. Authorization for handling hazardous wastes bearing no. PCC/DDD/O-2166/SR/WA/04-05/1359 dated 20th December, 2005, granted to operate a facility for storage and disposal of hazardous wastes, that is, used/spent oil, plastic waste and empty drums at our Company's premises situated at Survey No. 177/1/3 & 177/1/4, Surangi, Silvassa, Dadra and Nagar Haveli **(Unit IV)**.

Other:

107. License bearing no. SIL- 43 dated October 15, 1998, issued by Joint Chief Controller of Explosives, Department of Explosives, Government of India, to Import and Store Petroleum in Installation, for 20 kl quantity at Survey No. 185/1/1, Village Amli, Dadra & Nagar Haveli **(Unit II)**. The license is valid up to December 31, 2006.
108. License bearing no. P/HQ/DN/15/523(P143511), dated September 02, 2005 issued by Chief Controller of Explosives, Petroleum and Explosives Safety Organization (formerly Department of Explosives), Ministry of Commerce and Industry, Government of India, to import and store Petroleum in Installation, for a quantity of 180 K.L at Survey No. 177/1/3 & 177/1/4, Village Surangi, Dadra & Nagar Haveli **(Unit IV)**. The license is valid up to December 31, 2007.
109. Renewal of Solvent License No.SUP/SI/Sol.Lic/57/2004 granted to Unit II for storage of LDO for power generation for Plot No. 17, Survey No. 185/1/1, Dokmardi (Unit II) for 1200 KL per year by the District Magistrate, Dadra & Nagar Haveli, Silvassa. This License is valid up to December 31, 2005.
110. Solvent License No.SUP/SI/Sol.Lic/73/2005 granted to Unit IV for storage of LDO (1200 KL per year) and FO (16800 KL per year) for running of D.G. sets for Unit IV by the District Magistrate, Dadra & Nagar Haveli, Silvassa. This License is valid up to December 31, 2006.

Approvals for which Application has been made but not yet received:

Sr. No.	Approval/Consent	Authority	Status
1.	Application for Registration of Trade Mark "RAJ RAYON LIMITED with R Logo" in class 25	The Registrar of Trade Marks, The Trade Marks Registry, Mumbai	Application made vide letter dated February 02, 2005

Government Approval, which is yet to be applied For the New Project (Unit IV):

Approval / Consent	Concerned Authority	Remarks
Approval to operate one DG Set of 1500 KVA	Electricity Department, Dadra and Nagar Haveli, Silvassa.	Will be applied once DG set is purchased by our Company

We can undertake the activities proposed by us in view of the present approvals and except as stated hereinabove, no further license/registration/permissions/approvals etc. from any Government Authorities /RBI are required by us to undertake the proposed activities. We also undertake that all pending licenses/registrations/permissions etc would be obtained by us.

VII. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue and Details of the Resolution Passed for the Issue

Our Board of Directors have authorized this Issue pursuant to resolution passed at its meeting held on November 29, 2004 subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act. The shareholders of our Company have authorized the Issue by special resolution in accordance with section 81(1A) of the Companies Act passed at the EGM of our Company held on December 27, 2004.

Prohibition by SEBI

Our Company, our promoter company, our directors, the directors or the persons(s) in control of our promoter company, any of our Associates or group companies, and Companies with which our directors are associated, as directors or promoters, have not been prohibited from accessing the capital market under any order or directions passed by SEBI. None of the bodies corporate / natural person in control of the bodies corporate forming part of the promoter group has been restrained from accessing capital markets under any direction or order passed by SEBI or any other Authorities. The listing of any of our securities has never been refused at anytime by any of the stock exchanges in India. However, trading in our Equity Shares was temporarily suspended by BSE for almost two weeks in 1997. For details, please refer to "Trading in our Equity Shares was suspended by BSE" under the head "Risk Factors" on Page 9 of this Red Herring Prospectus.

Our Eligibility to Enter the Capital Market

Since, our Company is a listed Company, it is eligible to make a public issue of Equity Shares as per Clause 2.3.1 of the SEBI (Disclosure & Investor Protection) Guidelines, 2000, as the aggregate of the Issue and all previous issues made in the same financial year in terms of size (i.e., Issue through Issue document + firm allotment + Promoters' contribution through the Issue document), issue size does not exceed 5 times its pre-issue net worth as per the audited balance sheet of the last financial year. The detailed working of the same is mentioned hereunder:

(Rs. in Lacs)

a).	Proposed Issue Size	[●]
b).	All Previous Issues made in the same financial year in terms of size (i.e. Issue through Issue document + firm allotment + Promoters' contribution through the Issue document)	Nil
c).	Aggregate of a). & b).	[●]
d).	Pre-Issue Net worth as per the audited balance sheet of the last financial year i.e. March 31, 2005	2,535.85
e).	Five (5) times of d).	12,679.25

Note: We hereby undertake that the Proposed Issue Size will not exceed Rs. 12,679.25 lacs (i.e. Five (5) times of Pre-Issue Net worth as per the audited balance sheet of the last financial year i.e. March 31, 2005)

Further, there is no change in the name of our Company within the last 1 year (reckoned from the date of filing of the Red Herring Prospectus)

SEBI Disclaimer Clause

AS REQUIRED, A COPY OF THIS RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. BOOK RUNNING LEAD MANAGER, UTI SECURITIES 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 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MAMANGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, UTI SECURITIES LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 30, 2005 IN ACCORDANCE WITH SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS :

- i) 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;
- ii) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- (a) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPER RELEVANT TO THE ISSUE;
- (b) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- (c) THE DISCLOSURES MADE IN THE 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) WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.

THE FILING OF DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THIS DRAFT RED HERRING PROSPECTUS.

Disclaimer from the Issuer and the Lead Manager

We, our Directors, the BRLM and the CBRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and that anyone placing reliance on any other source of information, would be doing so at his or her own risk.

The BRLM and the CBRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding dated 5th February 2005 entered into between the BRLM and our Company and the Memorandum of Understanding dated 16th May 2005 entered into between the CBRLM and our Company and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us, the BRLM & CBRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at collection centers or elsewhere.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to Indian Nationals, who are resident in India and are Adult Individuals and are not lunatic, in single name or joint names (not more than three); HUF's through the Karta of the HUF; Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Equity Shares; Indian Mutual Funds registered with SEBI; Indian Financial Institutions & Banks; Indian Venture Capital Funds / Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any; State Industrial Development Corporations; Insurance Companies registered with Insurance Regulatory and Development Authority; Provident Funds with minimum corpus of Rs.2500 Lacs; Pension Funds with minimum corpus of Rs.2500 Lacs; Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and are authorised under its constitution to hold and invest in Equity Shares of a Company; Commercial Banks and Regional Rural Banks, Co-operative Banks may also apply subject to permission from Reserve Bank of India; Eligible Employees; Eligible Shareholders; Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis. This Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an Issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself about and to observe any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) and/or tribunals/authorities in Mumbai only. No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares, represented thereby may not be offered

or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of or at any time subsequent to such date.

Disclaimer Clause of Bombay Stock Exchange Limited

"BSE – Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated August 17, 2005 permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:-

- i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean 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.

Filing of Red Herring Prospectus with the Board and the Registrar of Companies

A copy of this Red Herring Prospectus has been filed with Corporation Finance Department of SEBI at Mittal Court, "B" Wing, 1st Floor, Nariman Point, Mumbai - 400 021.

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 60 of the Companies Act has been delivered for registration to the Registrar of Companies, Mumbai at Everest, 100, Marine Drive, Mumbai – 400 002.

Listing

The existing Equity Shares of our Company are listed on BSE. Further, the Equity Shares to be issued through this Red Herring Prospectus are proposed to be listed on BSE and listing application has been made to the Stock Exchange for permission to list the Equity Shares and for an official quotation of the Equity Shares of our Company.

In case, the permission for listing and or dealing & official quotation of the Equity Shares is not granted by the above mentioned Stock Exchange, we shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then we and our every director who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the stock exchange mentioned above are taken within seven working days of finalization and adoption of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 1956, which is reproduced below:

"Any person who:

- a) makes in a fictitious name, an application to a Company for acquiring or subscribing for, any shares therein, or
- b) otherwise induces a Company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Consents

The written consents of Directors, Company Secretary, BRLM, CBRLM, Legal Advisor to the Issue, Registrar to the Issue, Auditors, Tax Auditors, Bankers to the Company, Bankers to the Issue 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, Maharashtra,

Mumbai as required under Section 60 of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus to SEBI.

Expert Opinion

Our Company has not obtained any expert opinions related to the present Issue, except the opinion of the Tax Auditors, R.S. Agrawal & Associates, Chartered Accountants on the tax benefits available to the investors.

Public Issue Expenses

Public Issue expenses are estimated as follows:

Sr. No.	Particulars	Amount (Rs. in Lacs)	% of Total Issue Expenses	% of Total Issue Size
1	Lead Management, Underwriting, Brokerage and Selling Commission*	[●]	[●]	[●]
2	Advertisement & Marketing Expenses	40.00	[●]	[●]
3	Printing & Stationery, Distribution, Postage, etc.	150.00	[●]	[●]
4	Other Expenses (incl. Fees of Registrar, Legal Advisor, Auditors and Tax Auditors, Filing Fees, Listing Fees, Depository Charges, etc.)*	[●]	[●]	[●]
	Total	[●]	[●]	[●]

* Will be incorporated after finalization of Issue Price

Fees Payable to BRLM

The total fees payable to the BRLM will be as per the Memorandum of Understanding signed with the BRLM, copy of which is available for inspection at our Registered Office.

Fees Payable to CBRLM

The total fees payable to the CBRLM will be as per the Memorandum of Understanding signed with the CBRLM, copy of which is available for inspection at our Registered Office.

Fees Payable to Registrar to the Issue

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with the Registrar, copy of which is available for inspection at our Registered Office.

The Registrar will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) / letter(s) of allotment / share certificate(s) by registered post.

Others

The total fees payable to the Legal Advisor, Auditors and Tax Auditors will be as per the terms of their respective engagement letters. Filing Fees, Listing Fees, Depository Charges, etc. will be the charges actually levied by the relevant institutions/ authorities.

Underwriting Commission, Brokerage and Selling Commission

The Underwriting Commission will be paid not more than @ 2.5% of the Issue size.

Brokerage for the Issue will be paid not more than @ 1.5% of the Issue Price of the Equity Shares by Raj Rayon on the basis of the allotments made against the applications bearing the stamp of a member of any recognized Stock Exchange in India in the 'Broker' column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of the allotments made against applications procured by them provided the respective forms of application bear their respective stamp in the Broker column. In case of tampering or over-stamping of Brokers'/ Agents' codes on the application form, our Company's decision to pay brokerage in this respect will be final and no further correspondence will be entertained in this matter.

We, at our sole discretion, may consider payment of additional incentive in the form of kitty or otherwise to the performing brokers on such terms and mode as may be decided by us.

Previous Public or Rights Issues (during the last five years)

We have not made any public or rights Issue during last five years.

Previous Issue of Shares Otherwise than for Cash

We have not issued any Equity Shares for consideration other than for cash.

Commission or Brokerage on Previous Issues

We have made only one public Issue since inception (in April, 1995) and no underwriting commission was paid, as the issue was not underwritten. We paid brokerage @ 1.5% to the members of any recognized stock exchange in India on the issue price of Equity Shares on the basis of allotment made against applications bearing their respective stamps in the Broker's column. Brokerage at the same rate was also paid to the Bankers to the Issue in respect of allotments made against applications procured by them provided the relative forms of application bear their respective stamps in the Broker's column.

Particulars in regard to Capital Issue during the last three years

Neither we, nor any other listed companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956, has made any capital issue during the last three years.

Withdrawal of the Issue

We, in consultation with the BRLM and CBRLM, reserve the right not to proceed with the Issue anytime after the Bid/ Issue Opening Date without assigning any reason therefore.

Promise vis-à-vis Performance

Issuer Company

We made our maiden issue in April 1995, of 14,40,000 Equity Shares of Rs.10/- each at par aggregating Rs.144Lacs.

The purpose of the issue was to set up an additional plant at the Dadra & Nagar Haveli Unit, to augment its manufacturing capacity from 600TPA to 1200TPA. Commercial Production of the new plant was expected to start by June 1995; however the actual production started in 31st October 1995, mainly due to delay in delivery of plant & machines.

As per our Prospectus for IPO, the cost of project and means of finance were estimated aggregating Rs. 263.00 Lacs, whereas the total actual cost of project and means of finance was Rs. 264.78 Lacs, which was 0.68% more than the estimation. Further, the commercial production of the project was started in the month of October 1995 instead of June 1995, as envisaged by us. The variations in the projections during the year 1995-96 were as under:

For the Year		Particulars			
		Total Income (Rs. in Lacs)	PAT (Rs. in Lacs)	Dividend (%)	EPS (in Rs.)
1995-96	Projected	1,624.15	87.47	15%	2.92
	Actual	1,449.61	28.27	0.00%	0.94
	Variation %	-10.75%	-67.68%	-100.00%	-67.92%
1996-97	Projected	2,010.20	124.74	20%	4.16
	Actual	2,734.56	151.83	0.00%	5.03
	Variation %	36.03%	21.71%	-100.00%	20.95%
1997-98	Projected	2,010.20	129.67	20%	4.32
	Actual	3,361.86	156.64	0.00%	3.74
	Variation %	67.24%	20.80%	-100.00%	-13.43%

Reasons for Adverse Variations in Promises V/s. Performance

- (a) **Total Income & PAT:** During the year 1995-96, the projected total income & PAT could not be achieved due to delay in commencement of commercial production on 31st October 1995 as against the expected date of May 1995. This delay was mainly on account of delay in supply of plant & machines by the supplier.
- (b) **Dividend:** We did not declare any dividend during the years due to ploughing back of profits for expansion plans.
- (c) **EPS:** During the year 1995-96, the EPS was lower on account of lower PAT, whereas during 1997-98, it reduced due to further issue of equity shares by way of preferential allotment.

Listed Ventures of Promoter

There are no listed ventures of Promoters. However, there were two listed companies, Adhunik Yarns Limited and Adhunik Synthetics Limited, promoted by our Promoter, Mr. Gourishankar Poddar, both of which are currently almost non-operational, and have defaulted on their loan repayments, etc. Mr. Gourishankar Poddar disassociated himself with both these companies in 1993, that is, almost twelve years ago. For details, please refer "Outstanding Litigations and Material Developments" on page 123 of this Red Herring Prospectus.

Outstanding Debentures or Bonds and Redeemable Preference Shares and Other Instruments issued by Raj Rayon Outstanding as on the Date of Prospectus and Terms of Issue

There are no outstanding debentures or bonds or redeemable preference shares and other instruments outstanding as on the date of filing of this Red Herring Prospectus.

STOCK MARKET DATA

Our Equity Shares are presently listed only on Bombay Stock Exchange Limited only. Until August 17, 2004 our Equity Shares were also listed on the Jaipur Stock Exchange. However, pursuant to a resolution passed at our AGM by our members for voluntary delisting of our Equity Shares from the Jaipur Stock Exchange, we applied to the Jaipur Stock Exchange for the delisting and subsequently our Equity Shares were delisted with effect from August 17, 2004. The relevant stock market data obtained from BSE website are as under:

(i) The particulars of yearly stock market data of our Company are as follows:

Calendar Year	High				Low				Average Price (Rs.)
	Date	Price (Rs.)	No. of Shares Traded	Volume for the Day (Rs.)	Date	Price (Rs.)	No. of Shares Traded	Volume for the Day (Rs.)	
2002	12.07.02	12.95	100	1,295	24.10.02	4.30	499	2,145	6.99
2003	28.08.03	15.69	1,050	15,405	21.05.03	3.00	500	1,500	8.65
2004	30.01.04	23.40	35,340	771,671	08.11.04	12.70	60,283	934,880	17.80

Calendar Year	Total Volume for the Year (Rs.)
2002	56,476
2003	3,730,659
2004	245,894,821

During the preceding three years, the changes in our paid-up equity share capital were as under:

Date of Change	Increase in Equity Share Capital (Rs.)
15.05.02	1,50,00,000
04.03.04	2,00,00,000

(ii) The particulars of monthly stock market data of our Company are as follows:

Month	High				Low				Total Volume for the Month (Rs.)
	Date	Price (Rs.)	No. of Shares Traded	Volume for the Day (Rs.)	Date	Price (Rs.)	No. of Shares Traded	Volume for the Day (Rs.)	
Jun-05	06.06.05	48.90	63,961	3,051,858	22.06.05	41.10	62,100	2,670,695	28,051,868
Jul-05	22.07.05	78.95	466,027	34,393,735	04.07.05	41.25	8,600	363,561	217,812,771
Aug-05	31.08.05	97.00	550,560	51,654,358	01.08.05	66.45	52,460	3,471,279	339,167,457
Sep-05	14.09.05	119.85	559,799	64,124,031	30.09.05	72.90	85,003	6,250,226	373,726,352
Oct-05	04.10.05	87.00	1,34,293	11,257,885	21.10.05	59.40	29,756	1,849,065	7,81,46,247
Nov-05	24.11.05	78.40	75,094	5,749,481	22.11.05	63.40	30,088	2,026,753	55,271,345

There was no change in capital structure during the preceding six months.

(iii) The closing market price of our equity share on the BSE on the day after our Board approved the Issue, i.e. 29th November 2004 was Rs. 19.26.

INVESTORS' GRIEVANCES REDRESSAL MECHANISM

Intime Spectrum Registry Limited, the Registrar to the Issue, will handle investors' grievances pertaining to this issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to our Company. Our Company would also be coordinating with the Registrar to the issue in attending to the grievances of the investors. Our Company assures that the Registrar, in respect of the complaints, if any, to be received shall adhere to the following schedules:

Sr. No	Nature of the Complaint	Time Taken
1.	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of information.
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

Our Company has appointed Mr. Pradeep Kumar Agrawal, President (Finance) and Company Secretary of our Company, as the Compliance Officer who would directly liaise with SEBI with respect to implementation/compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints. The investors may contact the Compliance Officer in case of any pre issue/post issue related problems. The Compliance Officer will be available at the Registered Office of our Company.

CHANGES IN AUDITORS DURING THE LAST THREE YEARS AND REASONS THEREOF

There has been no change in auditors of our Company during the last 3 years.

CAPITALISATION OF RESERVES OR PROFITS DURING LAST FIVE YEARS

There has not been any capitalization of reserves or profits during the last five years.

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

There has not been any revaluation of assets during the last five years.

VIII. ISSUE INFORMATION

1. TERMS OF THE 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 Red Herring Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the Allotment advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, FIPB, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

Our Board of Directors has authorized the fresh Issue pursuant to resolution passed at its meeting held on November 29, 2004 subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act. The shareholders of our Company have authorized the Issue by special resolution in accordance with section 81(1A) of the Companies Act passed at the EGM of our Company held on December 27, 2004.

Ranking of Equity Shares

The Equity Shares to be issued shall be subject to the provisions of our Memorandum and Articles of Association and rank *pari passu* with the existing Equity Shares of our Company in all respects including rights in respect of dividend. The Allottees will be entitled to dividend, voting rights or any other corporate benefits, if any, declared by our Company after the date of Allotment.

Mode of Payment of Dividend

Payment of dividend by our Company, if recommended by our Board and declared at our general meeting, would be in any of the modes specified or permitted by the Act from time to time.

Face Value and Issue Price per Equity Share

The Equity Shares having a Face Value of Rs. 10/- each are being issued in terms of this Red Herring Prospectus at a price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination of 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.

Price Band

The Equity shares are being issued in the Price Band of Rs. 55 and Rs. 65 per Equity Share.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations, guidelines and the Articles of Association, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offer for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public limited company under the Companies Act, Listing Agreement and the Memorandum and Articles 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, etc., see paragraph pertaining to 'Description of Equity Shares and Terms of Articles of Association' beginning on page 167 of this Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialized form for all investors.

Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiples of one Equity Shares to the successful bidders subject to a minimum Allotment of 100 Equity Shares. For details of allocation and allotment, see "Basis of Allotment or Allocation" on page 163 of this Red Herring Prospectus.

Jurisdiction

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the registrar and transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective depository participant.

Subscription by Non Residents, Eligible NRIs/FIIs

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by 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 the 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 of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold 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 to certain persons in offshore transactions in compliance with Regulations and the applicable laws of the jurisdiction where those offers and sales occur.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Net Issue to Public including devolvement of the Underwriters, if any, within 60 days from the Bid 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.

Arrangements for Disposal of Odd Lots

Our shares will be traded in dematerialized form only and therefore the marketable lot is one (1) Equity Share. Hence, there is no possibility of any odd lots.

Restriction, if any on transfer and transmission of Shares/Debentures and on their Consolidation/Splitting

For details, please refer to paragraph on Description of Equity Shares and Terms of Articles of Association' of Our Company on Page 167 of this Red Herring Prospectus.

ISSUE STRUCTURE

The present Issue of 85,00,000 Equity Shares of Rs.10/- each at a price of Rs. [●] for cash aggregating Rs. [●] is being made through the 100% Book Building Process.

	Eligible Employees	Eligible Shareholders	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 8,50,000 Equity Shares	Up to 8,50,000 Equity Shares	Net Issue to the Public less allocation to Non-Institutional Bidders and Retail Individual Bidders	Minimum of 10,20,000 Equity Shares	Minimum of 23,80,000 Equity Shares.
% of Issue Size available for* allocation	Up to 10% of the Issue size	Up to 10% of the Issue size	Not more than 50% of Net Issue to the Public	Not less than 15% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders	Not less than 35% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is over-subscribed	Proportionate	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	100 Equity Shares and in multiples of 100 Equity Shares thereafter.	100 Equity Shares and in multiples of 100 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 1,00,000 and in multiples of 100 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter.	100 Equity Shares and in multiples of 100 Equity Shares thereafter.
Maximum Bid	Up to 8,50,000 Equity Shares	Up to 8,50,000 Equity Shares	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form	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	One Equity Share
Who can Apply **	Eligible Employees (as defined herein)	Eligible Shareholders of Group Company (as defined herein)	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, Venture Capital Funds registered with SEBI, foreign Venture capital investors registered with SEBI, State	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. 1,00,000 in value.

	Eligible Employees	Eligible Shareholders	QIBs	Non-Institutional Bidders	Retail Individual Bidders
			Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500 Lacs and pension funds with minimum corpus of Rs. 2,500 Lacs in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application form to the syndicate	Margin Amount applicable to Eligible Shareholders of Group Company at the time of submission of Bid cum Application form to the syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application form to the syndicate	Margin Amount applicable to Non-Institutional Bidders at the time of submission of Bid cum Application form to the syndicate	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application form to the syndicate
Margin Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Nil	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any of the categories, would be allowed to be met with spillover inter-se from any other categories, at our sole discretion in consultation with the BRLM & CBRLM 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 Eligible Employees and/or Eligible Shareholders will be added back to the categories of Non-Institutional Bidders and Retail Individual Bidders in the ratio of 50:50. In case of under subscription in the Net Issue spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion and/or Shareholders of Group Company Portion.

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON	: JANUARY 12, 2006
BID/ISSUE CLOSES ON	: JANUARY 18, 2006

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 centres 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) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

We reserve 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 and can move up or down to the extent of 20%.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three working days after revision of Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM, the CBRLM and at the terminals of the Syndicate.

2. ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Net Issue to the Public shall be available for allocation to Qualified Institutional Buyers on a discretionary basis. Further, not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail 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. We, in consultation with the BRLM and CBRLM, reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reasons thereof from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

We, in consultation with the BRLM would have discretion to allocate to QIBs based on a number of criteria, which will typically include, but would not be limited to, the following: prior commitment, investor quality, price, earliness of bid, existing and continued shareholding of QIBs during the period prior to the Bid Opening Date and until the date of pricing.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have 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 RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian Public including QIB, Non-Institutional Bidders or NRIs applying on non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund / Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue
Eligible Employees	Green
Eligible Shareholders	Pink

Who Can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. 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 approvals in the Public Issue;
8. State Industrial Development Corporations;
9. Multilateral and bilateral development financial institutions;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to hold and invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to invest in Equity Shares;

13. Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in Equity Shares;
14. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non- repatriation basis subject to compliance with applicable laws, rules, regulations, guidelines and approvals in this Issue; and
15. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares.

Note: The BRLM, CBRLM and Syndicate Member and any associate of the BRLM, CBRLM and Syndicate Member [except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks] cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible as a QIB in this Issue. Further, the BRLM, the CBRLM and the Syndicate Member 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 applicable law, rules, regulations, guidelines and approvals.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The Issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of our Company. In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of our Company. The applicable cap for foreign investment in textile sector companies is 100%, hence aggregate FII holding in our company can go upto such limit.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 33.33% of the corpus of the venture capital fund/ foreign venture capital investor. 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 Share Capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLM is not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid size

For Eligible Employees: The Bid must be for minimum 100 Equity Shares and in multiples of 100 Equity Shares thereafter. The maximum Bid in the Employee Reservation Portion cannot exceed 8,50,000 Equity Shares

For Eligible Shareholders: The Bid must be for minimum 100 Equity Shares and in multiples of 100 Equity Shares thereafter. The maximum Bid in the Shareholders of Group Company Portion cannot exceed 8,50,000 Equity Shares

For Retail Individual Bidders: The Bid must be for minimum 100 Equity Shares and in multiples of 100 Equity Shares thereafter, subject to maximum bid amount of Rs. 1,00,000. In case, the maximum Bid Amount is more than Rs. 1,00,000; 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.

For Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of such number of Equity Shares and in multiples of 100 Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1,00,000. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them.

Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000, for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Information for the Bidders

- a) We have filed the Red Herring Prospectus with the RoC/Designated Stock Exchange at least 3 (three) days before the Bid/Issue Opening Date.

- b) The members of the Syndicate will circulate copies of this Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
- c) Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of this Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from our registered office or from the BRLM, the CBRLM or from a member of the Syndicate.
- d) The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.

Method and Process of bidding

1. We, with the BRLM have declared the Bid/Issue Opening Date and Bid/Issue Closing Date in the Red Herring Prospectus filed with RoC and publish the same and the Price Band in two national newspapers (one each in English and Hindi) and a regional newspaper (Marathi). This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the members of the Syndicate. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period.
2. Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be a minimum of 3 (three) working days and not exceed 7 (seven) working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchanges and published in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and the Bidding Period may be extended, if required, by an additional 3 (three) working days, subject to the total Bidding Period not exceeding 10 (ten) working days.
4. During the Bidding Period, the Bidders may approach the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.
5. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page 151 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
6. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the paragraph "Build up of the Book and Revision of Bids" on page 154 of this Red Herring Prospectus.
7. The members of the Syndicate will enter each option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum application Form.
8. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" on page 152 of the Red Herring Prospectus.
9. It may be noted that the bids received in the Employee Reservation Portion and the Shareholders of Group Company Portion shall not be considered for the purpose of determining the Issue Price through Book Building Process.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 55 to Rs. 65 per Equity Share, Rs. 55 being the floor of the Price-Band and Rs. 65 being the cap of the Price Band. The Bidders can bid at any price within the price Band, in multiples of Re. 1/-.
2. We, in consultation with the BRLM and the CBRLM can revise the Price Band during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three working days, subject to the total Bidding Period not exceeding ten working days. The cap on the Price Band should not be more than 20% of the Floor of the Price-band. Subject to compliance with the immediately preceding sentence, the floor of Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Red Herring Prospectus.
3. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi), and one regional newspaper (Marathi) and also indicating the change on the relevant websites of the BRLM and the terminals of the members of the Syndicate.
4. We, in consultation with the BRLM and the CBRLM can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.

5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders, Bidders in the Employee Reservation Portion and Shareholders of Group Company Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**
6. Retail Individual Bidders, Employees bidding under Employee Reservation Portion and Shareholders bidding under Shareholders of Group Company Portion who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders or Employees, who bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 of the bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.1,00,000, the Bid will be considered for allocation under the Non-Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders shall be deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall remain 100 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.

Escrow Mechanism

1. Our Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account of our Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with our Company. Payment of refund to the Bidders shall also be made from the Escrow Agreement and Red Herring Prospectus.
2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between our Company, the Syndicate, Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Collection Account

In case of Retail Individual Bidders, Non Institutional Bidders, Employees bidding under Employee Reservation Portion and Shareholders bidding under the Shareholders of Group Company Portion shall, with the submission of the Bid-cum-Application Form draw a cheque, demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph "Payment Instructions" in this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds whose bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account, lying credited with Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to refunds. On the Designated Date, and not later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders (i.e. Eligible Employees, Eligible Shareholders, 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 Money payable by each category of Bidders is mentioned on page 147 under the heading "Issue Structure" in this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (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 Closing Date/Issue Closing Date, failing which our Company shall pay interest @15% per annum for any delay beyond the periods mentioned above.

Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one NSE/BSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. Members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on an half hourly basis. On the Bid Closing Date, the Members of Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for bids registered on the electronic facilities of NSE and BSE will be downloaded on an half hourly basis, consolidated and displayed on-line at all bidding centers. A graphical representation of consolidated demand and price would be made available at the bidding centers during the bidding period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor.
 - Investor Category – Individual, Corporate, NRI, FII, Mutual Fund, etc.
 - Numbers of Equity Shares bid for.
 - Bid price.
 - Bid-cum-Application Form number.
 - Whether payment is made upon submission of Bid-cum-Application Form.
 - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) Consequently, the BRLM/ member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page 161 in this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the online IPO / Public Issue system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our promoter(s), its management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by NSE and BSE for the use of their online IPO system should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on half-hourly basis.
- (b) The book gets build up at various price levels. This information will be available with the BRLM on a half-hourly basis.
- (c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
- (d) Revisions can be made in both the desired numbers of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
- (f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she has placed the original Bid. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) **In case of discrepancy of data between NSE or BSE and members of the Syndicate, the decision of the BRLM based on the 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 shall analyze the demand generated at various price levels and discuss pricing strategy with our Company.
- (b) Our Company, in consultation with the BRLM shall finalize the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based on the quality of the Bidder and the size, price and time of the Bid.
- (c) The allocation for QIBs of not more than 50% of the Net Issue to Public would be discretionary. The allocation to Non-Institutional Bidders and Retail Individual Bidders of not less than 15% and not less than 35% of the Net Issue to Public, respectively, would be on proportionate basis in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (d) Under subscription, if any, in any category would be allowed to be met with spill over from any of the other categories at our discretion, in consultation with the BRLM.
- (e) Allocation to NRIs, FIIs, Foreign Venture Capital Funds registered with SEBI applying on basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission, if applicable, for Allotment of Equity Shares to them.
- (f) The BRLM and the CBRLM in consultation with our Company shall notify the Syndicate Member 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 without assigning reasons whatsoever.
- (h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid / Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

- (a) Our Company, the BRLM, the CBRLM 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 will update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Filing of the Red Herring Prospectus with the ROC

We have filed a copy of the Red Herring Prospectus with the ROC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on this Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one Hindi National newspaper and a regional language newspaper with wide circulation at Mumbai.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by us after the filing of the Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Issue Price along with a table showing the number of Equity Shares to be issued. Any material updates between the date of the Red Herring Prospectus and the date of the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note

- 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 Members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account on or prior to the time of bidding shall pay in full amount into the Escrow Account on or prior to the Pay-in Date specified in the CAN.
- c) Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for allotment to such Bidder.

Designated Date and Transfer of Funds to Public Issue Account

After the funds are transferred from the Escrow Account of our Company to the Issue Account on the Designated Date, we would ensure allotment and transfer the Equity Shares to the allottees within two days of the finalization of the basis of allotment. Successful Bidders will receive credit for the Equity Shares directly in their depository account. **Equity shares will be allotted only in the dematerialized form to the allottees.** Successful Bidders 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. Our Company will ensure the allotment/transfer of Equity Shares within 15 days of the Bid/Issue Closing Date and also ensure that credit is given to the Successful Bidder's depository accounts within two working days from the date of allotment.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We will ensure the allotment of Equity Shares within 15 days of the Bid/ Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would ensure that credit is given to the successful Bidders' depository accounts within two working days from the date of allotment.

General Instructions

Do's:

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the Eligible Employees Bid-cum-Application Form (green in colour) or Eligible Shareholders of Group Company Bid-cum-Application Form (pink in colour) or resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) as the case may be;
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialised form only;
- d) Ensure that the Bids are submitted at the Bidding Centres only on forms bearing stamp of the Members 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 you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. In case neither the Pan nor the GIR number has been allotted, mention "Not Allotted" in the appropriate place.
- h) 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, together with permissible documents as address proof.
- i) Ensure that Demographic details (as defined herein) are updated true and correct in all respects.

Don'ts:

- a) Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b) Do not Bid for lower than minimum Bid size;
- c) Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- d) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- e) Do not pay Bid amount in cash;
- f) Do not Bid at cut off price (for QIB Bidders and Non-Institutional Bidders for whom the Bid Amount exceeds Rs. 1,00,000);
- g) Do not fill up the Bid cum Application Form for an amount that exceeds the investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable law.
- h) Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.

Instructions for Obtaining the Bid-Cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the Members 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 in colour for Resident Indians and blue in colour for NRI or FII or foreign venture capital fund registered with SEBI 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 100 Equity Shares and in multiples of 100 thereafter subject to a maximum of Rs. 1,00,000. The Bids from the Eligible Employees under the Employee Reservation Portion must be for a minimum of 100 Equity Shares and in multiples of 100 thereafter subject to a maximum of 850,000 Equity Shares. The Bids from the Eligible Shareholders under the Shareholders of Group Company Reservation Portion must be for a minimum of 100 Equity Shares and in multiples of 100 thereafter subject to a maximum of 850,000 Equity Shares.
- (d) For non-institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 1,00,000 and in multiples of 100 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. 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 applicable laws or regulations.
- (e) In single name or in joint names (not more than three and in the same order as their Depository Participant details).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Eligible Employees

Bids under Employee Reservation Portion by Eligible Employees shall be.

- Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. green colour form).
- Eligible Employees should mention the following at the relevant place in the Bid-cum-Application Form:
- Employee Number

- The sole/ first Bidder should be Eligible Employee.
- Only Eligible Employees would be eligible to apply in this Issue under this Reservation Portion.
- Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees 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 Eligible Employees whose minimum Bid amount exceeds Rs. 100,000.
- The maximum bid in this category by any Eligible Employee cannot exceed 8,50,000 Equity Shares.
- Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 8,50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Under subscription in this category would be added back to the Non-Institutional and Retail Individual Bidders category in the ratio of 50:50. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
- If the aggregate demand in this category is greater than 8,50,000 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 Allocation” on page 163 of this Red Herring Prospectus.

Bids by Eligible Shareholders

Bids under Shareholders of Group Company Portion shall be:

- Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. pink colour form).
- Eligible Shareholders should mention the following at the relevant place in the Bid-cum-Application Form:
- The sole/ first Bidder should be Eligible Shareholder.
- Bids by Eligible Shareholders 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.
- Eligible Shareholders 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 Eligible Shareholder whose minimum Bid amount exceeds Rs. 100,000.
- The maximum bid in this category by any Eligible shareholder cannot exceed 8,50,000 Equity Shares.
- Bid/ Application by Eligible Shareholder can be made also in the “Net Issue to the Public” and such bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 8,50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible shareholders to the extent of their demand.
- Under subscription in this category would be added back to the Non-Institutional and Retail Individual Bidders category in the ratio of 50:50. In case of under-subscription in the Net Issue, spillover to the extent of under-subscription shall be permitted from the Shareholders of Group Company Portion.
- If the aggregate demand in this category is greater than 8,50,000 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 Allocation” on page 163] of this Red Herring Prospectus.

Bidder’s Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participants Name, Depository Participants 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 Bidder’s bank account details. **These bank account details would be printed on the Refund order, if any, to be sent to the 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 Bidder’s sole risk and neither the BRLM nor our Company 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 THE DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, Bidder would have deemed to 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 Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ allocation advice/ CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidders in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

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.

Investors should note that the refund cheques will be overprinted with details of bank account as per the details received from the depository.

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 & Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, the Issuer 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 FII's, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

In case of Bids made by provident fund with the minimum corpus of Rs. 2500 Lacs and pension fund with the minimum corpus of Rs. 2500 Lacs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as our Company/BRLM may deem fit.

Bids by NRIs

NRI Bidders will have to comply with the following:

1. Individual NRI Bidders can obtain the Bid-cum-Application Forms from our registered office or from members of the Syndicate or the Registrar to the Issue.
2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application form meant for Resident Indians (white in colour).

Bids by non-residents including NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis.

Bids and Revision to Bids must be made:

- On the prescribed Bid cum Application Form or Revision Form, as applicable (Blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three)
- NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 1,00,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of 100 thereafter that the Bid Amount exceeds Rs. 1,00,000; for further details see "Maximum and Minimum Bid Size" at page 150 of this Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. 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 Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open an Escrow Account of our Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. The BRLM, CBRLM and Syndicate Member shall also open Escrow Accounts of the Syndicate with one or more of the Escrow Collection Banks for the collection of the margin 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 to the Issue

1. The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account of our Company and submit the same to the member of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account of our Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. The payment instruments for payment into the Escrow Account of our Company should be drawn in favour of:
 - (i) In case of Eligible Employees : **"Escrow Account- Raj Rayon Limited Public Issue – Employees "**
 - (ii) In case of Eligible Shareholders of Group Company : **"Escrow Account- Raj Rayon Limited Public Issue - Eligible Shareholders"**
 - (iii) In case of Resident Bidders: **"Escrow Account- Raj Rayon Limited Public Issue"**

(iv) In case of Non Resident Bidders: **“Escrow Account- Raj Rayon Limited Public Issue- NR”**

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

4. Where a Bidder has been allocated a lesser number of Equity Shares than what 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 of our Company.
5. The monies deposited in the Escrow Account of our Company will be held for the benefit of the Bidders till the Designated Date.
6. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account of our Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
7. 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 drafts drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid cum Application Form is submitted. Outstation cheque/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ 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 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stock invest will not be accepted.

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 BRLM/CBRLM/Syndicate Member at the time of submitting the Bid-cum-Application Form. The BRLM/CBRLM/Syndicate Member may at their discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the BRLM/CBRLM/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 favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form (“First Bidder”). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

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 in single or joint names will be deemed to be multiple bids if the sole and/ or first bidder is one and the same.

Eligible Employees under the Employee Reservation Portion and Eligible Shareholders under the Shareholders of Group Company Portion can also bid in the “Net Issue to the Public” Portion and such bids shall not be treated as multiple bids.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of an Indian mutual fund registered with the Board and that such applications shall not be treated as multiple applications. The applications made by the AMCs or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made.

We reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

PAN or GIR Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the 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.**

Our Right to Reject Bids

Our Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders and Employees, we would have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:-

1. Amount paid doesn't tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional and QIB Bidders;
10. Bids for number of Equity Shares, which are not in multiples of 100 Equity Shares;
11. Category not ticked;
12. Multiple bids as defined in this Red Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

14. Bids accompanied by Stock invest/money order/ postal order/ cash;
15. Bids not duly signed by the sole/joint Bidders;
16. Bid-cum-Application Form does not have the stamp of the Members of the Syndicate;
17. Bid-cum-Application Form does not have Bidder's depository account details;
18. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form; or
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
20. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary's identity;
21. Bids by OCBs;
22. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act.
23. Bids by NRIs not disclosing their residential status.

Equity Shares in Dematerialised Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among our Company, the Depositories and the Registrar:

1. Tripartite Agreement dated May 7, 2001 between our Company, Intime Spectrum Registry Limited and CDSL.
2. Tripartite Agreement dated May 22, 2001 between our Company, Intime Spectrum Registry Limited and NSDL.

Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's Identification number) appearing in the Bid cum Application Form or Revision Form.
3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.
6. 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/her Depository Participant.
7. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
8. The trading of our Equity Shares would only be in dematerialized form for all investors in the demat segment of the respective Stock exchanges.

Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment / share certificates / credit of securities in depositories beneficiary account / refund orders, etc., Investors may contact Compliance Officer or 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 of Bid Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Procedure and Time Schedule for Allotment of Equity Shares

We reserve, at our absolute and uncontrolled discretion and without assigning any reason thereof, the right to accept or reject any Bid in whole or in part. In the case of Retail and Non-Institutional Bidders, the rejection of any Bid is only on grounds of technical non-compliance with the specified procedure. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. We will ensure the allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date. We shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if allotment is not made, refund orders are not dispatched and/ or dematerialized credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Applications Money

We shall ensure despatch of Allotment advice or refund orders and giving of benefit to the beneficiary account with Depository Participants and submission of the Allotment and Listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. We shall ensure the despatch of refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and despatch of 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 our best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 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:

- i) Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- ii) We would ensure despatch of refund orders within 15 days of the Bid/Issue Closing Date; and
- iii) 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, refund orders are not dispatched and/or dematerialized credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required by the Registrar to the Issue for despatch of refund orders or allotment advice.

Refunds will be made by cheque, pay orders or demand drafts drawn on a bank appointed by our Company as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of Excess Bid Amount

We shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Basis of Allotment or Allocation

1. For Eligible Employees:

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 8,50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 8,50,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 100 Equity Share. For the method of proportionate basis of allocation, refer below.
- Only Eligible Employees during the period commencing from the date of filing the Red Herring Prospectus with RoC and the Bid/Issue Closing Date are eligible to apply.

2. For Eligible Shareholders of Group Company for purposes of this paragraph.
 - Bids received from the Eligible Shareholders of Group Company at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Shareholders of Group Company will be made at the Issue Price.
 - If the aggregate demand in this category is less than or equal to 8,50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Shareholders of Group Company to the extent of their demand.
 - If the aggregate demand in this category is greater than 8,50,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 100 Equity Share. For the method of proportionate basis of allocation, refer below.
 - Only Eligible Shareholders of Group Company during the period commencing from the date of filing the Red Herring Prospectus with RoC and the Bid/Issue Closing Date are eligible to apply.
3. 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 portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price.
 - The Net Issue size less allocation to Non-Institutional Bidders and QIBs 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 23,80,000 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 23,80,000 Equity Shares at or above the Issue Price; the allocation shall be made on a proportionate basis up to a minimum of 100 Equity Shares or in multiples of one Equity Share. For the method of proportionate basis of allocation, refer below.
4. 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 portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
 - The Issue size 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 10,20,000 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 10,20,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 100 Equity Shares or in multiples of one Equity Share. For the method of proportionate basis of allotment refer below.
5. For QIB Bidders
 - Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to all the QIBs will be made at the issue price.
 - The Issue size less allocation to Non-Institutional portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
 - The allocation would be decided by us in consultation with the BRLM and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
 - The aggregate allocation to QIB Bidders shall not be more than 34,00,000 Equity Shares.

Method of Proportionate Basis of Allocation in the Retail and Non-Institutional Portions

Bidders will be categorized according to the number of Equity Shares applied for by them.

- The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of shares applied for) multiplied by the inverse of the over-subscription ratio.
- 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 portion multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 100 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 100 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 portion is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate allotment to a Bidder works out to a number that is more than 100 but is a fraction, the fraction would be rounded off to the higher whole number if that decimal is 0.5 or more. If that decimal is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any portion 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 Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Disposal of Applications and Application Money

We shall give credit to the Beneficiary Account with Depository Participants within two (2) working days of finalization of the basis of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs.1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first applicant's sole risk.

In accordance with the Act, the requirements of the Stock Exchange and the SEBI Guidelines, We further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue closing date
- Dispatch of refund orders will be done within 15 days from the Bid/Issue closing date
- Our Company shall pay interest at 15 % per annum (for delay beyond 15 days time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credit are not made to investors within the 15 day time period prescribed above.

Refunds will be made by cheques, pay-orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

DESPATCH OF REFUND ORDERS

Our Company shall ensure dispatch of refund orders of value over Rs. 1,500 by Registered/ Speed Post only and adequate funds for the purpose shall be made available to the Registrar of our Company.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS / REFUND ORDERS:

Our Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received by us 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-8/6/SE/79 dated July 21, 1983, as amended by their letter no. F/14/SW/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.

UNDERTAKING BY OUR COMPANY

We undertake as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) that all steps shall take all steps 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;
- (c) that the funds required for despatch of refund orders / allotment advice/ certificates by registered post or speed post shall be made available to the Registrar to the Issue by the Issuer;
- (d) that the refund orders or allotment advice to the NRIs or FIIs shall be dispatched within specified time; and
- (e) that no further issue of Equity Shares shall be made until the Equity Shares Offered through this Red Herring Prospectus are listed or until the Bid Money's are refunded on account of non-listing, under-subscription etc.

UTILISATION OF ISSUE PROCEEDS

Our Board of Directors certifies 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 the Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilized;
- (c) details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

IX. DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

(i) *Rights of members and other provisions regarding voting, dividend, lien on shares and forfeiture of shares:*

No.	VOTES OF MEMBERS
75.	No member shall be entitled to vote either personally or by proxy for another member at any General Meeting or meeting of a class of shareholders either upon a show of hands or upon poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the company has any right of lien and has exercised the same.
76.	a. On a show of hands, every holder of equity shares entitled to vote and present in person or by proxy shall have one vote and on a poll the voting right of every holder of equity share whether present in person or by proxy shall be in proportion to his share of the paid up equity capital of the Company. b. The voting rights of the holders of redeemable cumulative preference shares shall be in accordance with section 87 of the Companies Act, 1956.
77.	On a poll taken at a meeting of the Company a member entitled to more than one vote of 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.
78.	A member if unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, any vote, whether on a show of hands or in a poll by his committee or other legal guardian and any such committee or guardian may on a poll, vote by proxy if any member be a minor the vote in respect of his share shall be by his guardian or any one of his guardians, if more than one.
79.	1. Subject to the provisions of these Articles votes may be given either personally or by proxy. A corporation being a member may vote by representative duly authorised in accordance with Section 187 of the Act, and such representative shall be entitled to speak, demand a poll, vote, appoint a proxy and in all other respects exercise the rights of a member and shall be reckoned as a member for all purpose. 2. Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, or the hand of its officer or an attorney, duly authorised, it and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meetings. 3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instruments or proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of after the expiration of twelve months from the date of its execution. 4. Every instrument of proxy whether for a specified meeting or otherwise shall, as nearly as circumstances will admit, be in either of the forms set out in Schedule IX of the Act. 5. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or of any power of attorney under which such proxy was signed or the transfer of the share in respect of which the vote is given provided that no intimation in writing of the death, revocation or transfer shall have been received at the office before the meeting.
80.	1. No objection shall be made to the validity of any vote except at the 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. 2. The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

81.	Subject to the provisions of section 193 of the Act, the Company shall cause to be kept minutes of all proceedings of general meetings which shall contain a fair and correct summary of the proceedings thereat and a book containing such minutes shall be kept at the registered office of the Company and shall be open during business hours, for such periods not being less in the aggregate than two hours in each day as the direction may determine for the inspection of any member without charges. The minutes aforesaid shall be kept by making within thirty days of the conclusion of every such meeting concerned entries thereof in the said book which shall have its pages consecutively numbered. Each page of the book shall be initialed or signed and the last page of the record of the proceedings of each meeting in the book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of the chairman to sign as aforesaid within the period by a director duly authorised by the Board for that purpose. In no case shall be minutes be attached to any such book by pasting or otherwise.
No.	DIVIDENDS
126.	Subject to the rights or members entitled to shares (if any) with preferential or special rights attached thereto the profits of the Company which it shall from time to time be determined on divide in respect of any year or other period shall be applied in the payment of a dividend on the equity shares of the Company but so that a partly paid-up shares shall only entitle the holder with respect thereto to such proportion of the distribution upon a fully paid-up shares as the amount paid thereof bears to the nominal amount of such share and so that where capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.
127.	The Company in General Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may fix the time for payment.
128.	No longer dividend shall be declared than in recommended by the Directors but the Company in General Meeting may declare a smaller dividend.
129.	No dividend shall be payable except out of the profits of the Company of the year or any other undistributed profits and no dividend shall carry interest as against the Company.
130.	Where any assets, business or property is bought by the company as from a past date upon the terms that the company shall as from that date take the profits and bear the losses thereof such profits and loss as the case may be shall, at the discretion of the Directors, be so credited or debited wholly or in part to the profit and loss account and in that case the amounts so credited or debited shall for the purpose of ascertaining the fund available for dividend be treated as a profit or loss arising from the business of the Company and available for dividend accordingly. If any shares or securities are purchased with dividend or interest such dividend or interest when paid may at the discretion of the Directors be treated, as revenue and it shall not be obligatory to capitalise the same or any part thereof.
131.	The declaration of the directors as to the amount of the net profits of the Company shall be conclusive.
132.	The Directors may from time to time pay to the members such interim dividends as in their judgment the position of the company justifies.
133.	The Directors may retain dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts liabilities or engagement in respect of which the lien exists.
134.	Any General Meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members be set off against the call.
135.	No member shall be entitled to receive payment of any interest or dividend in respect of his share or shares, whilst any money may be due or 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.
136.	A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

137.	Unless otherwise directed any dividend may be paid by cheque or warrant or by a pay slip or receipt having the force of a cheque or warrant, sent through the post to the registered addressed of the member or person entitled or in case of joint-holders to that one of them first named in the Register of Members in respect of the joint-holding. Every such cheque or warrant shall be payable to the order of the person to whom it is sent. The company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or the forged signature of any pay slip or receipt or the fraudulent recovery of the dividend by any other means. If several persons are registered as joint-holders of any shares, any one of them can give effectual receipts for a dividends or other money payable in respect thereof. No unclaimed shall be forfeited before the claim through becomes barred by law. The Directors may annual such forfeiture and pay any such dividend.
FORFEITURE AND LIEN	
26.	If any member fails to pay any call or instalment on or before the day appointed for the payment of the same, the directors may at any time thereafter during such time as the call or instalment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non payment.
27.	The notice shall name a day (non 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 and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of at or before the time and at the place appointed the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.
28.	If the requisition of any such notices as aforesaid be not complied with any shares in respect of which such notice has been given may at any time thereafter before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
29.	When any share shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
30.	Any share so forfeited shall be deemed to be property of the Company and the directors may sell, re-allot or otherwise dispose of the same in such manner as they think fit.
31.	The Directors may at any time before any share so forfeited shall have been sold reallocated or otherwise disposed of annual the forfeiture thereof on such conditions as they think fit.
32.	Any member whose shares have been forfeited shall notwithstanding be liable to pay and shall forthwith pay to the Company all calls 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 forfeiture until payment at 12 per cent per annum and the Directors may enforce the payment thereof without any deduction or allowance for the value of the shares at the time of forfeiture but shall not be under any obligation to do so.
33.	The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incidental to the share except only such of those rights as by these Articles are expressly saved.
34.	A duly verified declaration in writing that the declarant is a direct or secretary of the Company and that certain shares in the company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration if any, given for the shares on the sale or disposal thereof shall constitute a good title to such shares and shall not be bounded to see to the application of the purchase money nor shall this title to such shares be affected by any irregularity or invalidity in the proceeding in reference to such forfeiture, sale or disposal.
35.	The Company shall have first and paramount lien upon all the shares (not being fully paid up) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for moneys called or payable at a fixed time in respect of such shares solely or jointly with any other person to the company whether the period for the payment thereof shall have actually arrived or not and no equitable interest in any share shall be

	created except upon the footing and condition that Article II hereof is to have full effect and such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares.
36.	For the purpose of enforcing such lien, the directors may sell the shares subject thereto in such manner as they think fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee curators bonis or other legal curator and default shall have been made by him or them in the payment of moneys called in respect of such shares for seven days after such notice.
37.	The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as presently payable and residue, if any, shall (subject to a like lien for sums not presently payable, as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.
38.	Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given, the directors may appoint some persons to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the register in respect of the shares sold and the Purchaser shall not be bound to see to the regularity of the proceedings nor to the application of the purchase money and after his name has been entered in the register in respect of such share the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
39.	Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative share shall (unless the same shall on demand by the company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect and the directors shall be entitled to issue a new certificate or certificate or certificates in respect of the said shares to the person or persons entitled thereto distinguishing it or them in such manner as they may think fit from the old certificate or certificates.

(ii) Other main provisions of our Articles of Association:

CAPITAL	
3.	The Authorised Share Capital of the Company is Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000/- (Three Crores) Equity shares of Rs. 10/- (Rupees Ten) each. The Company shall have power to increase consolidate, sub divide, reduce or otherwise outsets share capital, subject to the provision of the Companies Act, 1956.
SHARE AND CERTIFICATES	
4.	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 sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.
5.	The Board shall observe the restriction as to allotment of shares to the public contained in sections 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 72 of the Act.
6.	(1) Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation (whichever is earlier) the Board decides to increase the capital of the Company by the issue of new shares shall be offered to the persons who at the date of the Issue are holders of the equity shares of the Company, in proportion as nearly to the capital paid upon those shares at the date and such Issue 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 Issue within which the offer, if not accepted will be deemed to have been declined. After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given, if he declines to accept the shares offered, the Board may dispose of them in such manner as it thinks most beneficial to the Company.

	(2) Notwithstanding anything contained in clause (1) hereof the further shares therein referred to may be offered to any persons (whether or not those persons) include the persons referred to in clause (1) in any manner whatever either:
	(a) If a special resolution to that effect is passed by the Company in general meeting or
	(b) Where no such special resolution is passed, 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 proxies exceed the votes, if any, cast against the proposal by members of entitled and voting and the Central Government is satisfied, on an application made by the Board in this behalf that the proposal is most beneficial to the Company.
	(3) Nothing in clauses (1) and (2) of this Article shall apply to the increase of the subscribed capital caused by exercise of option attached to debentures issued or loans raised by the Company to convert such debentures or loans raised by the Company or to subscribe for shares in the Company in the case permitted by sub-clause (b) of sub-section (3) of Section 81 of the Act.
7.	Subject to the provisions of these Articles and of the Act the shares shall be under the control of the Directors, who may allot or otherwise dispose of the same to such persons on such terms and conditions and at such times as the directors think fit and (subject to the provisions of section 78 and 79 of the Act) either at a premium or at par or at discount. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.
8.	In addition to and without derogating from the powers for that purpose conferred on the Board under Articles 6 & 7, the Company in General Meeting may determine that any shares whether forming part of the original capital or of any increased capital of the Company shall be offered to such persons (whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as such General Meeting shall determine and with full power to give any person (whether a member or not) the option 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 by the Company in General Meeting may make any other provisions whatsoever for the issue, allotment, removal of difficulty in apportionment of shares or disposal of any shares.
9.	Any application signed by or on behalf of any applicant for shares in the company, followed by an allotment of any shares herein shall be an acceptance of shares within the meaning of these Articles; and every person who thus or otherwise accepts any shares and whose name is on the Register shall for the purpose of these Articles be a member.
10.	1) 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 inscription of the name of the allottee in the register of Members as the name of the holder of such shares becomes a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.
	2) Every member or his heirs, executors or administrators shall pay to the company the portion of the capital represented by his share or shares which may for the time being remain unpaid thereon, in such 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.
11.	Except as required by law or ordered by a court of competent jurisdiction no person shall be recognised by the company as holding any shares upon any trust and the company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any benami, equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share (except only by these presents or by law otherwise provided) or any other rights in respect of any share except in an absolute rights to the entirely thereof in the registered holder.

11A.	Beneficial owner of shares will be absolute owner: Saves herein otherwise provided, the Company shall be entitled to treat the person whose name appears as the beneficial owner of the shares in the record of Depository as the absolute owner thereof as regards receipt of dividends or bonus or service of notices and all or any other matters connected with the Company and accordingly the Company shall not (except as ordered by court of competent jurisdiction or as by law required) be bound to recognise any benami, trust or equity or equitable, contingent, or other claim to or interest in such share(s) on the part of any other person (s) whether or not it shall have express or implied notice thereof.
12.	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.
12A.	Notwithstanding anything contained in the Article of Association of the Company and preceding Article 12, but subject to the provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and all other applicable provisions of law, as may be in force at any time and from time to time, the company may acquire, purchase, hold, re sell any of its own fully/partly paid equity shares or redeemable shares and may make payment out of its own funds for and in respect of such acquisition/purchase on such terms and conditions and at such times as the Board may in its discretion decided and deem fit.
13.	The certificates of title to share and duplicate thereof when necessary shall be issued under the seal of the Company.
14.	Every member shall be entitled to one certificate for all the shares registered in his name, or if the Directors so approve to several certificates each for one or more of such shares, but in respect of each additional certificate there shall paid to the company a fee of Rs. 2/- or such less sum as the Directors may determine. Every certificate of shares shall specify the number and denoting numbers of the shares in respect of which it is issued and the amount paid up thereof. The Directors may in any case or generally waive the charging of such fees.
15.	If any certificate be worn out or defaced then upon production thereof to the Directors they may order the same to be cancelled and may issue a new certificate in lieu thereof, and if any certificate be lost or destroyed, then upon proof thereof to the satisfaction of the directors and on such indemnify as the directors deem adequate being given a new certificate in lieu thereof shall be given to the registered holder of the shares to which such lost or destroyed certificate shall relate.
16.	For every certificate issued under the last preceding Articles there shall be paid to Company the sum of Rs. 2/- or such smaller sum as the Directors may determine. The Directors may in any case or generally waive the charging of such fees.
17.	Subject to the provisions of Section 76 of the Act, the Company may at any time pay a Commission to an person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditional) for any shares or debentures in the Company, or procuring, or agreeing to procure subscriptions (whether absolute or conditional) for any shares or debentures in the Company, but so that the commission shall not exceed in the case of shares five percent of the price at which the shares are issued, and in the case of debentures of two and a half per cent of the price at which the debenture are issued, such commission may be satisfied by payment of cash or by allotment, of fully or partly paid shares or debentures or partly in one way and partly in the other. The Company may also pay on any issue of shares or debentures such brokerage as may be lawful and reasonable.
CALLS	
18.	The directors may from time to time, subject to the terms on which any shares may have been issued, make such calls as they think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotments thereof made payable at fixed times and each member shall pay the amount of every call so made on him to the person and at the time and place appointed by the directors. A call may be made payable by installments.
19.	A call shall be deemed to have been made at the time when the resolution of the directors authorising such call was passed. Not less than fourteen days' notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.

20.	The board may, from time to time, at its discretion extend the time fixed for the payment of any call and may extend such time as to call of any of the members who from residence at distance or other cause, the Board may shall be entitled to such extension save as a matter of grace and favour.
21.	If any member fails to pay any call, due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member and the Board shall be at liberty to waive payment of such interest either wholly or in part.
22.	If by the terms of issue of any shares or otherwise any amount is made payable on allotment or at any fixed date or installments at fixed times, whether on account of the amount of the shares or by way of premium, every such amount or installment shall be payable as if it were a call duly made by the Directors and on which due notice had been given and all provisions herein contained in respect of calls shall relate to such amount or installment accordingly.
23.	On the trial or hearing of any action or suit brought by the Company against any shareholder his representatives to recover any debt of money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the defendant is or was when the claim arose on the Register of Share-holders of the Company as a holder or one of the holders of the number of shares in respect of which such claim is made and that the amount claimed is not entered as paid in the books of the Company and it shall not be necessary to prove the appointment of the directors who made any call, nor that a quorum of directors was present at the Board at which any call was made was duly convened or constituted, nor any other matter whatsoever but the proof of matters aforesaid shall be conclusive evidence of the debt.
24.	The Directors may, if they think fit, receive from any member willing to advance the same, all or any part of the money's due upon the shares held by him beyond the sums actually called for and upon the money so paid in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest as such rate as the members paying such sum in advance and the Directors agree upon. Moneys so paid in excess of the amount of calls shall not rank for dividends or participate in profits. The directors may at any time repay the amount so advanced upon giving to such member three months' notice in writing.
JOINT HOLDERS	
25.	Where two or more persons are registered as holders of any shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship subject to the following and other provisions contained in these Articles.
	a. Shares may be registered in the name of any persons, company or other body corporate but not more than three persons shall be registered jointly as members in respect of any shares.
	b. The Certificates of shares registered in the names of two or more persons shall be delivered to the person first named on the register.
	c. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
	d. If any share stands in the names of two or more persons, the person first named in the register shall as regards receipt of share certificates, dividends or bonus or service of notices and all or any other matter connected with the Company except voting at meetings and the transfer of the shares, be deemed the sole holder thereof but the joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls due in respect of such shares and for all incidents thereof according to the Company's regulations.
	e. In the case of death of any one or more of the persons named in the register of members as the joint holders of any shares, the 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 any liability on shares held by him jointly with any other persons.
	f. If there be joint registered holders of any shares, any one of such persons may vote at any meeting either personally or by proxy in respect of such shares, as if he were solely entitled thereto, providing that if more than one of such joint holders be present at any meeting either personally or by proxy, then one of the said persons

	<p>so present whose name stands higher on the register of members shall alone be entitled to vote in respect of such shares, but the other or others of the joint holders shall be 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 joint holders thereof.</p>
	<p>g. A document or notice may be served or given by the company on or to the joint holders of a share by serving or giving the documents or notice on or to the joint holder named first in the register of members in respect of the share.</p>
	<p>TRANSFER AND TRANSMISSION OF SHARES</p>
40.	<p>a. The instrument of transfer of any shares in the company shall be executed both by the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect thereof.</p>
	<p>b. The Company shall not register a transfer of shares in or debentures of the Company, unless proper instrument of transfer duly stamped and executed by or on behalf of the transferor and transferee and specifying the name, address and occupation, if any of the transferee has been delivered to the company along with the certificate relating to the shares or debenture or if no such certificate is in existence along with the letter of allotment of shares or debentures provided that where on an application made in writing to the Company by transferee and bearing the stamp required for an instrument of transfer, it is provided to the satisfaction of the Board of Directors that instrument of transfer signed by or on behalf of the transferor and transferee has been lost, the company may register the transfer on such terms as to indemnity or otherwise as the Board may think fit.</p>
	<p>c. An application for the registration of the transfer of any share or shares may be made either by the transferor or by the transferee, provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the company gives notice of the application to the transferee in accordance with section 110 of the Act.</p>
	<p>d. For the purpose of sub-clause (c) notice to the transferee shall be deemed to have been duly given if dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered in the ordinary course of post.</p>
	<p>e. Nothing in sub-clause (d) shall prejudice any power of the Board of Directors to register as a shareholder any person to whom the right to any share has been transmitted by operation of law.</p>
	<p>f. Nothing in this article shall prejudice the power of the Board of Directors to refuse to register the transfer of any share, to a transferee, whether a member or not.</p>
40A.	<p>Dematerialisation of shares:Notwithstanding anything contained in these Articles, the Company shall be entitled in accordance with the provision of the Depositories Act, 1996 to dematerialise any or all its shares or debentures and other marketable securities and Issue the same for subscription in dematerialized form and on the same being done, the company shall be further be entitled to maintain a Register of Members with the details of members holding shares both in material and dematerialized forms in any media as permitted by law including any form of electronic media, either in respect of existing shares or any future issue.</p>
41.	<p>The Board shall have power on giving not less than seven day's previous notice by advertisement in a newspaper circulating in the district in which the registered office of the Company is situated to close the transfer books, the register of members or register of debenture holders at such time or times and for such period or period, not exceeding thirty days at one time and exceeding not in the aggregate forty-five days in each year, as it may seem expedient.</p>
42.	<p>Subject to the provisions of Section III of the Act the Directors without assigning any reason may, within one month from the date on which instrument of transfer was delivered to the company refuse to register any transfer of a share upon which the company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any person or persons indebted to the Company on any account whatsoever unless the Company has lien on the shares. In case of refusal to transfer shares the Company shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferor and the transferee notice of the refusal to register such transfer. Provided that registration of a transfer shall not be refused on the ground of the transferor being either along or jointly with any other person or persons indebted to the company on any amount whatsoever except a lien on shares.</p>

43.	The executors or administrators or holders of a succession certificate or the legal representatives of a deceased (not being one or two or more joint holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators or holders of succession certificate or the legal representatives unless they shall have first obtained Probate or letters of Administration or Succession Certificate or other leg. I representation as the case may be from a duly constituted court in the Union of India; provided that in any case where the Board in its absolute discretion thinks fit, the Board may dispense with production of Probate or letters of Administration or Succession Certificate upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and under the next Article register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased number as a member.
44.	Subject to the Provisions of the preceding two Articles, any person becoming entitled to shares in consequence of the death, lunacy bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that sustains the character in respect of which he purports to act under these Articles or of his title as the Board think sufficient either be registered himself as the holder of the shares or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless that if such person shall elect to have his 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.
45.	The person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled as if he were registered holder of the shares except that he shall not, before being registered as member in respect of the shares, be entitled in respect of it to exercise any right conferred by membership in relation to the meeting of the Company provided that the Board may at any time give notice requiring any such persons to elect either to be registered himself or to transfer shares and if notice is not complied with within sixty days, the Board may thereafter withhold payment of all dividends, bonus or other moneys payable in respect of the shares until the requirements of the notice have been complied with.
46.	Every instrument of transfer which is registered shall remain in the custody of the company until destroyed by order of the Board.
47.	No fee shall be payable to the Company in respect of the transfer or transmission of any shares in the Company.
48.	The Company shall incur no liability or responsibility whatever is consequences of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register or 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 to notice prohibiting registration.
48A.	Article 40 (b), 42 and 43 shall not apply in respect of shares entered in the record of depositories. Nothing contained in Articles 40 (b), 42 and 43 shall apply to the transfer of shares, debenture or other marketable securities effected by the transfer and the transferee both of whom are entered as beneficial owner in records of Depository.
48B.	Applicability of Depositories Act: In the case of transfer of shares, debentures or other marketable securities where the company has not issued any certificate and where the shares and securities as being held in electronics form, the provisions of the Depositories Act shall apply. Provided that in respect of shares, debentures or other marketable securities held by the depository on behalf of the beneficial owner as defined in Depositories Act, Sections 153, 153 A, 187B, 187C and 372 of the Companies Act, 1956 shall not apply."
BORROWING POWERS	
49.	Subject to the provisions of Section 292 and 293 of the Act and of these Articles the Board may, from time to time at its discretion, by a resolution passed at a meeting of the Board, accept deposits from members, either in advance of calls or otherwise and generally raise or borrow or secure the payment of any sum or sums of money for the Company.
50.	The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit and in particular by a resolution passed at a meeting of the Board (and not by circular resolution) by the issue of debentures or debenture-stock of the Company charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being and debentures, debenture-stock and other securities may be made assignable free from any equities between the Company and the person of whom the same may be issued.

51.	Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and subject to the provisions of the Act may be issued on condition that they shall be convertible into shares of any denomination and with any privileges or conditions as to redemption surrendering, allotment of shares and attending (but not voting) at General Meetings, appointment of the directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in General Meeting.
52.	If any uncalled capital of the Company is included in or charged by any mortgage or other securities, the directors may subject to the provisions of the Act and these presents make calls and the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed.
53.	The Company shall comply with all the provisions of the Act in respect of the mortgage or charges created by the Company and the registration thereof and transfer of the debentures of the Company and the register required to be kept in respect of such mortgages, charges and debentures.
54.	If the directors or any of them or any other persons shall become personally liable for the payment sum primarily due from the Company the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the directors or persons so becoming liable as aforesaid from any loss in respect of such liability.
55.	The Directors may from time to time before recommending any dividend set apart any and such portion of the profits of the Company as they think fit as a Reserve fund to meet contingencies or for the liquidation of any debentures, debts or other liabilities of the Company, for equalization of dividends or for repairing, improving and maintaining any of the property of the Company and for such other purposes of the Company as the Directors in their absolute discretion think conducive to the interest of the Company and may invest the several sums so set aside upon such investments (other than shares of the Company) as they may think fit and from time to time deal with and vary such investments and dispose of all or any part thereof for the benefit of the Company and may divide the Reserve Fund into such special funds as they think fit, with full power to employ the Reserve funds or any part thereof in the business of the company and that without being bound to keep the same separate from the other assets and without being bound to pay interest on the same with power, however, to the Board in their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.
56.	The directors may, from time to time before recommending any dividend, set apart any and such portion of the profits of the Company, as they think fit, as a depreciation fund applicable at the discretion of the directors for providing against any depreciation in the investment of the Company or for rebuilding restoring replacing or for altering any part of the buildings, work, plant, machinery or other property of the Company, destroyed or damaged by fire, flood, storm, tempest, earthquake, accident, riot, wear and tear or any other means whatsoever and for repairing, altering and keeping in good condition the property of the Company or for extending and enlarging the building machinery and property of the Company with full power to employ the assets constituting such depreciation fund in the business of the company and that without being bound to keep the same separate from the other assets.
57.	All moneys carried to any reserve fund and depreciation fund respectively shall nevertheless remain and be profits of the Company applicable subject to due provisions being made for actual loss or depreciation, for the payment, of dividend and such moneys and all the other moneys of the Company may be invested by the directors in or upon such investments or securities as they may select or may be used as working capital or may be kept at any bank on deposit or otherwise as the directors may from time to time think proper.
GENERAL MEETINGS	
58.	1. In addition to any other meetings, general meetings of the company shall be held at such intervals as are specified in Section 166 (1) of the Act and subject to the provisions of Section 166 (2) of the Act at such times and places as may be determined by the Board.
	2. Each such general meeting shall be called Annual General meeting. Every Annual Meeting shall be called for a time during business hours on a day that is not a public holiday and shall be held either at the registered office of the Company or at some other place within the city, town or village in which the registered office of the Company is situated.
59.	All other meetings of the Company other than those referred to in the preceding clause shall be called Extra Ordinary General Meeting.

60.	The Directors may, whenever think fit and they shall, on the requisition of the holders of not less than one tenth of the paid up capital of the Company as at the date earns right of voting in regard to the matter in respect of which the requisition is made forthwith proceed to convene an Extra ordinary General meeting of the Company and in the case of such requisition the provisions of Section 169 of the shall apply.
61.	Twenty one day's notice at least of every General Meeting, Annual or Extra ordinary and by whomsoever called, specifying the day, place and hour of meeting and the general nature of the business to be transacted there at shall be given in the manner hereinafter provided to such persons as are under these Articles or the Act entitled to receive notice from the Company provided that in the case of an annual general meeting with consent in writing of all the members entitled to vote the meeting and in the case of any other meeting with consent of the members holding not less than 95 percent (95%) of such part of the said up capital of the Company of the Company as gives a right to vote at the meeting may be 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 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 the material facts concerning each such item of business including in particular the nature and extent of the Interest if any therein of every Director and the Manager (if any). Where any such item of business relates to or affects any other company in the extent of shareholding interest in that other company of every Director or Manager if any, of the Company shall also be set out in the statement if the extent of such shareholding and interest is not less than twenty per cent of the paid up share capital of that other company. Where any item of business consists of the accord of approval to any documents by the meeting the time and place where the documents can be inspected shall be specified in the statement aforesaid.
62.	The accidental omission to give any such notice to or the non receipt of notice by any of the members or persons entitled to receive the same shall not invalidate the proceedings at any such meeting.
63.	Five members present in person shall be a quorum for a General Meeting. A corporation being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State shall be deemed to be personally present if he is represented in accordance with Section 187-A of the Act.
64.	If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum shall not be present the meeting if convened by or upon the requisition of members shall stand dissolved but in any other case the meeting shall stand adjourned to the same day in the next succeeding week which is not a public holiday at the same time and place or to such other day and at such other time and place as the Board may determine and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be a quorum and may transact the business for which the meeting was called.
65.	The Chairman (if any) of the directors shall be entitled to take the chair at every General Meeting, whether annual or extra ordinary. If there be no such Chairman of the Directors or if at any meeting he shall not be present within ten minutes of the time appointed for holding such meeting or shall decline to take the chair then any other director present there at shall be entitled to take the chair and 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 members to the Chairman.
66.	The election of the Chairman, if necessary shall be carried out in accordance with Section 175 of the Act.
67.	No business shall be discussed at any General Meeting except election of a Chairman, whilst the chair is vacant.
68.	The Chairman with the consent of the meeting may and shall if so directed by the meeting adjourn any meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. Subject to the provisions of the ACT it shall not be necessary to give any notice of an adjournment or of the date the time or the place of the adjourned meeting or of the business to be transacted thereat.
69.	At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) ordered by their chairman or demanded by at least five members having the right to vote on the resolution and present in person or by proxy or by any member or

	members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution being shares on which an aggregate sum has been paid up which is not less than one-tenth of the total sum paid up on all the shares conferring that right and 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.
70.	In the case of an equality of votes the Chairman shall both on a show of hands and at a poll (if any) have a casting vote in addition to the vote or votes to which he may be entitled as a member.
71.	If poll is demanded as aforesaid the same shall subject to Article 73 be taken at such time (not later than forty-eight hrs. from the time to time when the demand was made) and place 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 the persons who made the demand.
72.	Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinizers to scrutinize the votes given on the poll and to report thereon to him. One of the scrutinizers 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 scrutinizer from the office and fill vacancies in the office of scrutinizer arising from such removal or from any other cause.
73.	Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting forthwith.
74.	The demand for a poll, except on the questions of the election of the Chairman and of an adjournment, shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
DIRECTORS	
82.	Until otherwise determined by a General Meeting and subject to Sections 252 and 259 of the Act, the number of Directors shall not be less than three or more than twelve. The first Directors will be: 1. SHRI GOURISHANKAR RATANLAL PODDAR 2. SHRI RATANCHAND DESHMAL JAIN 3. SMT. SHASHIDEVI GOURISHANKAR PODDAR 4. SMT. SURAJDEVI RATANCHAND JAIN
84.	The Board of Directors of the company may appoint an alternate director to act for as a director (hereinafter in this Article called "the original director") during the absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. An alternate director appointed under this Article shall not hold office as such 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 the State of Maharashtra.
85.	The Directors shall have power at any time and from time to time appoint any qualified person to be a director to fill a casual vacancy. Such casual vacancy shall be filled by the Board of Directors at a meeting of the Board. Any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office, if it had not been vacated as aforesaid but he shall then be eligible for re-election. The Director shall have power at any time and from time to time to appoint any other qualified person to be a director as an addition to the Board but so that the total number of directors shall not at any time exceed maximum fixed above. Any person so appointed an addition to the Board shall retain his office only up to the date of the next Annual General Meeting, but shall be eligible for re-election at such meeting.
86.	a. The Company agree with any financial institution, company or any other authority, person, state or institution that in consideration of any loan or financial assistance of any kind whatsoever which may be rendered by him it shall have power to nominate such number of directors on the Board of Directors of the Company as may be agreed and from time to time remove and re-appoint them and to fill in vacancy caused by such directors

<p>otherwise ceasing to hold office. The directors appointed under this Article is hereinafter referred to as Institutional Director' in these presents.</p>
<p>b. That subject to the provisions of the Companies Act, 1956 and notwithstanding anything to the contrary contained in these Articles, so long as any moneys remain owing by the Company to any Financing Company or Body of Financial corporation (Each such Financing Company or Body of financial Corporation, Credit Corporation or Bank or any Insurance Corporation is hereinafter referred to as "Financial Institution") out of any loans granted by the Financial Institution to the Company or so long as the Financial Institution continues to hold debentures in the Company by direct subscription or private placement, or so long as the financial Institution hold shares in the Company, as a result of underwriting or direct subscription or so long as any liability of the company arising out of any guarantee furnished by the Financial Institution on behalf of the Company remains outstanding, the Financial Institution shall have a right to appoint from time to time, its nominee/as a Director or Directors (Which Director or Directors is/are hereinafter referred to as Nominee directors) on the Board of the Company and to remove from such office the Nominee Director/s so appointed, and at the time of such removal and also in the case of death or resignation of the Nominee Director/s so appointed at any time appoint any other person/persons in his/their place/s and also fill any vacancy which may occur as a result of such director/s ceasing to hold office for any reason whatsoever such appointment or removal shall be made in writing on behalf of the Financial Institution appointing such Nominee Director/s and shall be delivered to the company at its Registered Office.</p>
<p>c. The Nominee Director/s shall not be required to hold any qualification shares in the Company to qualify him/ them for the office of a director/s not shall he/they be liable to retirement by rotation. The Board of Directors of the Company shall have power to remove from office the Nominee Director/s so appointed. Subject to the aforesaid, the said Nominee Director/s shall be entitled to same rights and privileges and be subject to the obligations as may other Director of the company.</p>
<p>d. The Nominee director/s so appointed shall hold the office only so long as moneys remain owing by the Company to the Financial Institution or so long as the Financial Institution or so long as the Financial Institution hold Debentures in the Company as a result of direct subscription or private placement or so long as the financial Institution hold shares in the Company as a result of underwriting or direct subscription or the liability of the Company arising out of any guarantee is outstanding and the Nominee Director/s so appointed in exercise or the said power shall ipso facto vacate such office immediately, the moneys owing by the company to the financial Institution is paid off or on the financial Institution ceasing to hold debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of any Guarantee furnished by the Financial Institution.</p>
<p>e. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attended all General Meeting, Board Meetings and the meeting of the Committee of which the Nominee Director/s is/are member/s and also the minutes of such meeting. The Financial Institution shall also be entitled to receive all such notices and minutes.</p>
<p>f. The Company shall pay to the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, PROVIDED that if the Nominee director is an Officer of the Industrial Development Bank of India (IDBI) the sitting fees in relation to such Nominee Director shall accrue to IDBI and the same shall accordingly be paid by the company directly to the IDBI. Any expenses that may be incurred by the Financial Institution or such Nominee Director/s in connection with his/their appointment or directorship shall be paid by the Company. The IDBI or the Financial Institution shall be entitled to depute on observer to attend the meetings of the Board of any other Committee constituted by the Board.</p>
<p>g. Any Trust Deed for securing debentures or debenture stock may, if so arranged, provided for the appointment from time to time by the trustees thereof or by the holders of the debentures or debenture-stock of some person to be a director of the Company and may empower such trustees or holders of debentures or debenture-stock from time to time to remove any director so appointed. A Director appointed under this Article is herein referred to as a "Debenture Director" and the term "Debenture Director" means a Director for the time being in office under this Article. A debenture director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The trust deed may contain such ancillary provisions as may be arranged between the Company and the trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.</p>

88.	No share qualification will be necessary for being appointed as or holding the office of a director of the Company.
89.	Every Director shall be paid a sitting fees as may be prescribed or permitted under the Act/or by the Central Govt. from time to time for each meeting of the Board of Directors or any committee thereof attended by him. Subject to the provisions of the Act, the directors shall be paid such further remuneration (if any) as the Company in General Meeting shall from time to time determine and such additional remuneration shall be divided among the directors in such proportion and manner as the Board may from time to determine and in default of such determination shall be divided among the directors equally.
90.	The Directors may submit to limitations provided by the Act allow and pay to any Director who is not a resident of the place where the Registered Office for the time being of the Company is situated or where the meeting of the Board is held and who shall come to such place for the purposes of attending a meeting of the Board or a Committee thereof such sum as the directors may consider fair compensation for traveling expenses, in addition to his fees for attending such meeting as above specified.
91.	Subject to the provisions of the Act and these Articles, if any directors be called upon to perform extra service or special exertions 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 or such extra services or special exertions or efforts by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.
92.	The continuing directors may act notwithstanding any vacancy in their body but so that if the number falls below the minimum number fixed, the directors shall not except in emergencies or for the purposes of filling up vacancies or for summoning a general meeting of the Company Act as the number is below the minimum.
93.	The office of a Director shall ipso facto be vacated on the happening of any of the event provided for in Section 283 of the Act.
94.	Subject to the provisions of Section 297 of the Act, a director shall not be disqualified from contracting with the Company either as vendor, purchaser or otherwise for goods, materials or service or for underwriting the subscription of any shares in or debentures of the Company nor shall any such contract or arrangement entered into by or on behalf of the Company with a relative of such director or a firm in which such director or relative is a partner or with any other partner in such firm or with a private company of which director is a member or director be avoided nor shall director so contracting or being such member or so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding office or of fiduciary the relation thereby established.
95.	Every Director who is in any way whether directly or indirectly concerned to interested in a 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 as required by Section 299 of the Act. A general notice renewable in last month of each financial year of the Company as provided for in Section 299 (2) (b) of the Act, that director is a director or a member of any specified body corporate or is a member of any specified firm and is to be regarded as concerned or interested in any subsequent contract or arrangement with that body corporate or firm shall be sufficient disclosure of the concern or interest in relation to any contract or arrangement so made and after such general notice, it shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or the firm provided that such general notice is given at a meeting of the Board of Directors or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting this Article will not apply to any contract or arrangement entered into or to be entered into between the Company or two or more of them together holds or hold not more than two percent of the paid-up share capital in the other Company.
96.	A Director of a company may be or become a Director of any company promoted by the Company or in which he may be interested as vendor, member or otherwise and no such director may be accountable for any benefit received as director or member of such company.
97.	Subject to the provisions of section 300 of the Act, no director shall, as a director take part in the discussions of or vote at any contract or arrangement in which he is any way whether directly or indirectly concerned or interested nor shall his presence count for the purpose of forming a quorum at the time of such discussion or vote. This prohibition shall not apply to the exceptions provided for in Section 300 of the Act.
98.	Except as otherwise provided by these articles all the directors of the Company shall have in all matters equal rights and privileges and be subject to equal obligations and duties in respect of the affairs of the Company.

ROTATION OF DIRECTORS	
99.	At the first annual general meeting of the Company, all the directors (except those who are not liable to retire by rotation) and at the annual general meeting of the Company in every subsequent year one-third 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 one third shall retire from office.
100.	Subject to Section 256 of the Act the Directors to retire by rotation under the last preceding Article 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 arrangement among themselves, be determined by lot.
101.	A retiring director shall be eligible for re-election.
102.	Subject to provisions of the Act the Company at the General Meeting at which a director retires in manner aforesaid may fill up the vacated office by electing a person thereto.
103.	<p>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.</p> <p>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,</p> <p>i) At that meeting or at the previous meeting a resolution for the re-appointment of such directors has been put to the meeting and lost, or</p> <p>ii) The retiring director has, by a notice in writing addressed to the Company or the Board, expressed his unwillingness to be so re-appointed; or</p> <p>iii) He is not qualified or is disqualified for appointment; or</p> <p>iv) A resolution whether special or ordinary is required for the appointment or re-appointment by virtue of any provisions of the Act; or</p> <p>v) The proviso to sub-section (2) of the Section 263 of the Act is applicable to the case.</p>
104.	Subject to the provisions of sections 252, 258 and 159 of the Act the company may, by ordinary resolution, from time to time, increase or reduce the number of directors and may alter their qualifications and the Company may (subject to the provisions of Section 284 of the Act) remove any director before the expiration of his period of office and appoint another qualified person in his stead. The person so appointed shall hold office during such time as the director in whose place he is appointed would have held the same if he had not been so removed.
105.	<p>a. No person, not being a retiring director, shall be eligible for election to the office of director at any General Meeting unless he or some other member intending to propose him has at least fourteen clear days before the meeting, left at the office 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.</p> <p>b. On the receipt of the notice referred to in clause (a) of this Article, the Company shall inform its members of the candidature of a person for the office of director or the intention of a member to propose such person as a candidate for that office, by serving individual notice on the members not less than seven days before the meeting provided that it shall not be necessary for the Company to serve individual notice upon the member if the Company advertises such candidature or intention not less than seven days before the meeting in at least two newspapers circulating in the district in which the registered office of the Company is situated of which one is published in the English language and the other in the regional language.</p>
106.	<p>a. Every Director (including a person deemed to be a director by virtue of the explanation of sub-section (1) of section 303 of the Act), Managing Director, Manager or Secretary of the Company shall, within twenty days of his appointment to or as the case may be relinquishment of any of the above office in 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 sub-section (1) of section 303 of the Act.</p>

	b. Every Director, and every person deemed to be a director the Company by virtue of sub-section (10) of Section 307 of the Act, and every manager 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.
107.	<p>1. Subject to the provisions of Section 285 of Act, the Board of directors may meet for the despatch of business, adjourn and otherwise regulate its meeting as it thinks fit.</p> <p>2. Subject to section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one), or two directors, whichever is higher provided that where at any time the number of interested directors exceeds or is equal to two-thirds of the total strength the number of the remaining directors, that is to say, the number of directors who are not interested shall be the quorum during such time provided such number is not less than two.</p>
108.	If a meeting of the Board could not be held for want of quorum, then the meeting shall stand adjourned to such other time, date and place as may be fixed by the directors present not being later than fifteen days a from the date originally fixed for the meeting.
109.	The Chairman, if any, or the Managing Director of his own motion or the Secretary of the Company shall upon the request in writing on two directors of the Company or if directed by the Managing Director or Chairman, if any, convene a meeting of the Board by giving a notice in writing to every director for the time being in India and at his usual address in India to every other director.
110.	The directors may from time to time elect from among their number, a Chairman of the Board and determine the period for which he is to hold office. If at any meeting of the Board the Chairman is not present within five minutes after the time appointed for holding the same, the directors present may choose one of their members to be chairman of the Meeting.
111.	Questions arising at any meeting of the Board shall be decided by a majority of votes and in case an equality of votes, the Chairman have a second or casting vote.
112.	A meeting of the Board for the time being at which 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 time being vested in or exercisable by the Board generally.
113.	Subject to the restrictions contained in sections 292 of the act, the Board may delegate any of their powers to a committee of directors consisting of such director or directors or one or more directors and a member or members of the Company as it thinks fit or to the Managing Directors, the Manager or any other principal officer of the company or a branch office or to one or more of them together 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. All acts done by any such committee of the Board in conformity confirm to any resolution 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 confirm to any resolution that may from time to time be imposed on it by the Board. All acts done by any such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board provided that such delegation shall not be in respect of matters enumerated in sub-clauses (a), (b), (c), (d), or (e) of Clause (1) as modified by explanation, II (thereof) of Section 292 save and except that the said powers may be delegated only to the extent permitted by and subject to the restrictions and limitations contained in clauses (2), (3) and (4) of Section 292 of the Act.
114.	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 superceded by any regulations made by the directors under the last preceding articles.
115.	A resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, if the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors or to all the members of the Committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other directors or members of the Committee at their usual address in India and has been approved by such of the Directors or members of the Committee as are then in India or by a majority of such of them as are entitled to vote on the resolution.

116.	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 or 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 was qualified to be a director and had not vacated his office or his appointment had been terminated provided that nothing in this Article shall be deemed to give validity to acts done by a direction after his appointment has been shown to the Company to be invalid or to have terminated.
117.	<p>The Company shall cause minutes to be duly entered in a book or books provided for the purpose;</p> <ul style="list-style-type: none"> i. Of the names of the Directors present at such meetings of the Board, and of any committee of the Board; ii. Of all orders made by the Board and Committees of the Board; iii. Of all resolutions and proceedings of the meetings of the Board and committees of the Board; and iv. In the case of each resolution passed at a meeting of the Board, or Committees of the Board the names of those directors, if any dissenting from or not concurring in the resolution. Every such book shall be maintained and the minutes entered therein and signed in the manner laid down by Section 193 of the Act and the minutes so entered and signed shall be received as conclusive evidence of the proceedings recorded therein.
POWERS OF THE BOARD	
118.	Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do provided that the Board shall not exercise any power or do any act or thing which is directly or required whether by the Act or in other statute or by the Memorandum of the Company or by these Articles or otherwise to be exercised or done by the Company in general meeting provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or in any other Act or in the Memorandum of the Company or these Articles or any regulations not inconsistent therewith and duly made there under including regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if those regulations had not been made.
119.	<p>Without prejudice to the general powers conferred by the last preceding Articles and so as not in any way to limit or restrict those powers and without prejudice to the other powers conferred by the Articles, but subject to the restrictions contained in the last preceding Articles, it is hereby declared that the directors shall have the following powers, that is to say, power:-</p> <ul style="list-style-type: none"> i. To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company. ii. To pay and charge to the capital account of the company any commission or interest lawfully payable under the provisions of Sections 76 and 208 of the Act. iii. Subject to Sections 292, 297, and 360 of the Act to purchase or otherwise acquire for the Company any property, rights or privileges which the company is authorised to acquire at or for price or consideration and generally on such terms and conditions as they may think fit and if any such purchase or other acquisition of accept such title as the directors may believe or may be advised to be reasonably satisfactory. iv. 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 partly in cash or in shares bonds, debentures, mortgages or other securities of the Company and any such shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon and any such bonds, debentures, mortgages, or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged. v. To secure the fulfillment of any Contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit.

vi.	To accept from any member, so far as may be permissible by law, surrender of his shares or any part thereof, on such terms and conditions as shall be agreed.
vii.	To appoint any person to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purposes and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.
viii.	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 claims or demands by or against the Company and to refer any differences to arbitration either according to Indian law or according to any foreign law and either in India or abroad, and observe, perform or challenge any award made thereon.
ix.	To make and give receipts, release and other discharges for moneys payable to the company and for the claims and demand of the Company.
x.	To make and give receipts, release and other discharges for moneys payable to the Company and for the claims and demand of the Company.
xi.	Subject to the provisions of Section 292, 292 (1) (a), 295, 369, 370, 372, and 373 of the Act, to invest and deal with any moneys of the Company, not immediately required for the purpose thereof upon such security (not being shares of this Company), or without security and in such manner as they may think fit and from time to time to vary or realise such investments/ Save as provided in Section 49 of the Act, all investment shall be made and held in the Company's own name.
xii.	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.
xiii.	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.
xiv.	To distribute by way of bonus amongst the staff of the Company a share in the profits of the Company and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transactions and to charge such bonus or commission as part of the working expenses of the Company.
xv.	To provide for the welfare of directors or ex-directors or employees or ex-employees of the Company and the wives, widows and families or the dependants or connection of such persons by building or contributing to the building of houses, dwelling or chawls or by grants of money, pension, gratuities, allowances, bonus or other payments or by creating and from time to time subscribing or contributing to provident and other associations, institutions, funds or trusts and by providing or subscribing or contributing to provident and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards places of interest and recreation, hospitals and dispensaries, medical and other attendance subject to the limits laid down by sections 293 and 293-A of the Act as amended by the Companies (Amendment) Act, 1960 as the Board shall think fit and subject to provisions of the Act to subscribe or contribute or otherwise to assist or to guarantee moneys to charitable, benevolent, religious, scientific, national, or other institutions, bodies and objects 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.
xvi.	To appoint and at their discretion, remove or suspend such general managers, managers, secretaries, assistances, supervisors, scientists, technicians, engineers, consultants, legal, medical or economic advisers, research workers, labourers, clerks, agents and servants for payment, 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 of such amount as they may think fit and from time to time to provide for the management and transaction of the affairs of the Company in any specifically in India or elsewhere in such manner as they think fit.
xvii.	To comply with the requirements of any local law, which in their opinion it shall, in the interest of the Company, be necessary or expedient to comply with.

	<p>xviii. 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 persons to be members of such local Board and to fix their remuneration</p> <p>xix. Subject to Section 292 of Act from time to time and at any time to delegate to any person so appointed any of the powers authorities and discretion for the time being vested in the Board and to authorise the member 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 conditions as the Board thinks fit and may at any time remove any person so appointed and may annual or very such delegation.</p> <p>xx. At any time and from time to time by powers 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 excluding the power to make calls and excluding also except in their limits authorised by the Board the powers to make loans and borrow moneys) 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 the members or any of the members of any local Board established as aforesaid or 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 any such power of attorney may contain such powers for the protection of convenience of persons dealing with such attorneys as the Board may think fit and may contain powers enabling any such delegate or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them.</p> <p>xxi. Subject to Section 294, 297 and 300 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company to enter into all such negotiations and contracts and rescind and very all such contracts and execute and do all such acts, and thinks in the name and on behalf of the Company as they may consider expedient.</p>
MANAGING DIRECTORS	
120.	The Board may from time to time with such sanction of the Central Government as may be required by law, appoint one or more or their body to the office of the Managing director or Managing Directors of whole-time Directors (s).
121.	Subject to the provisions of Sections 309,310 and 311 of the Act a Managing Director shall, in addition to any remuneration that might payable to him as a Director of the Company under these Articles, receive such remunerations as may from time to time be approved by the Company.
122.	Subject to the provisions of the Act and in particular to the prohibition, and restrictions contained in Section 292 thereof the Board may from time to time entrust to and confer upon the Managing Director or Managing Directors for the time being such of the powers exercisable under these presents by the Directors as they may think fit and may confer such powers for such time and to be exercised for such objects and purpose and upon such terms and conditions and with such restrictions as they think fit, and they may confer such powers, either collaterally with, or to the exclusion of, and in substitution, for all or any of the powers of the directors in that behalf and may from time to time revoke, withdraw, alter or very all or such powers.
123.	Subject to the provisions of the Act the Managing Director or Managing Directors shall not, while he or they continue to hold that office, be subject to retirement by rotation in accordance with Article 100.
SEAL	
124.	The Board shall provide a common seal for the purpose of the Company and shall have powers from time to time to destroy the same and substitute a new seal in lieu thereof and the Board shall provide for the safe custody of the seal for the time being and the seal shall never be used except by the authority of the Board or a committee of the Board previously given and in the presence of a Director of the company or some other person appointed by the Directors for the purpose. The Company shall also be in liberty to have an official Seal in accordance with Section 50 of the Act for use in any territory, district or place outside India.
125.	Every Deed or other instruments to which the Seal of the Company is required to be affixed shall unless the same is executed by a duly constituted attorney be signed by one director, provided nevertheless that certificate of shares may be sealed in accordance with the provisions of the Companies (issue of Share Certificate) Rules, 1960 or the statutory modification or re-enactment thereof for the time being in force.

CAPITALISATION	
138.	Any General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of any reserve or reserves or any capital redemption reserve fund or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalised 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 proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such shareholders in paying up in full any unissued shares, 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 and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the said capitalised sum provided that any sum standing to the credit of a share premium account or a capital redemption reserve fund may for the purpose of this Article only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.
139.	A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the company or any investment representing the same or any other undistributed profits of the Company not subject to charge for income-tax, be distributed among the members on the footing that they receive the same as capital.
140.	For the purpose of giving effect to any resolution under the preceding two Articles the Board may settle any difficulty which arise in regard to the distribution as they think expedient and in particular may issue fractional certificate and may fix the value for distribution of any specific assets and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalised fund as may seem expedient to the Board. Where requisite a proper contract shall be filed in accordance with Section 75 of the Act and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund and such appointment shall be effective.
BOOKS AND DOCUMENTS	
141.	The directors shall cause to be kept proper books of accounts in accordance with Section 209 of the Act with respect to : (a) All sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place. (b) all sales and purchases of goods by the Company; (c) the assets and liabilities of the Company.
142.	The books of accounts shall be kept at the office or subject to the proviso to section 209 of the Act at such other place as the directors think fit and shall be open to inspection by the directors during the business.
143.	The Directors shall from time to time determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of the members not being directors and no member (not being a director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorised by the Directors.
144.	The directors shall from time to time, in accordance with Section 210, 212, 215, 216, 217 and 221 of the Act cause to be prepared and to be laid before the Company in General Meeting such Profit and Loss Accounts. Balance Sheet and reports as are referred to in those Sections.
145.	A copy of every such Profit and Loss Account and Balance Sheet (including the Auditor's Report and every other document required by law to be annexed or attached to the Balance Sheet) shall, at least twenty-one days before the meeting at which the same are to be laid before the members, be sent to the members of the Company, to holders of debentures issued by the Company (not being debentures which ex facie are payable to the bearer thereof), to trustees for the holders of such debentures and to all persons entitled to receive notices or General Meetings of the Company.

AUDIT	
146.	Auditors shall be appointed and their rights and duties regulated in accordance with sections 224 & 233 of the Act.
147.	Every account of the Company when audited and approved by General Meeting shall be conclusive except as regards any error discovered therein within three months next after the approval thereof. When any such error is discovered within that period the accounts shall forthwith be corrected and thenceforth shall be conclusive.
DOCUMENTS AND NOTICE	
148.	<p>(1) A document or notice may be served or given by the company on any member or an officer thereof either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for serving documents or notices on him.</p> <p>(2) Where a document or notice is sent by post, service of the document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice, provided that where a member has intimated to the Company in advance that documents or notices, should be sent to him under a certificate of posting or by registered post with or without acknowledgement due and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall not be deemed to be effected unless it is sent in the manner intimated by the member and such service shall be deemed to have been effected in the case of a notice of a meeting at the expiration of forty-eight hours after the letter containing the document or not notice is posted and in any other case, at the time at which the letter would be delivered in the ordinary course of post.</p>
149.	A document or notice advertised in a newspaper circulating in the neighbourhood of the Office shall be deemed to be duly served or sent on the day on which the advertisement appears on or to every member who has no registered address in India and has not supplied to the Company any address within India for the service of documents on him or the sending of notice to him.
150.	A document or notice may be served or given by the Company on or to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to him by name or by the title of representative of the deceased or assignee of the insolvent or by any like description, at the address (if any) in India supplied for the purpose by the person claiming to be so entitled or (until such an address has been so supplied) by serving the document or notice in any manner in which the same might have been given if the death or insolvency had not occurred.
151.	Documents or notices of every General Meeting shall be served or given in same manner hereinbefore authorised on or to (a) every member (b) every person entitled to a share in consequence of the death or insolvency of a member and (c) the auditor or auditors for the time being of the Company.
152.	Every person, who, by operation of law, transfer or other means whatsoever, shall become entitled to any share, shall be bound by every document or notice in respect of each share, previously to his name and address being entered on the Register of Members, shall have been duly served on the person from whom he derives his title to such share.
153.	Any document or notice to be served or given by the company may be signed by a director or some person duly authorised by the Board for such purpose and the signature may be written, printed or lithographed.
154.	All document or notices to be served or given by members on or to the Company or any officer thereof shall be served or given by sending them to the Company or officer at the office by post under a certificate of posting or by registered post under a certificate of posting or by registered post or by leaving it at the office.
AUTHENTICATION OF DOCUMENTS	
155.	Save as otherwise expressly provided in the Act or these Articles documents or proceedings requiring authentication by the Company may be signed by a Director or an authorised officer of the company and need not be under its seal.

WINDING UP	
156.	The liquidator on any winding up (whether voluntary, under supervision, or compulsory) may, with the sanction of a special resolution but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may, with the like sanction, vest any part of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit.
INDEMNITY AND RESPONSIBILITIES	
157.	Subject to the provisions of Section 201 of the Act every director, manager, officer, or servant of the Company or any person (whether an officer of the Company or not) employed by the company as auditor shall be indemnified out of the funds of the Company against all claims and it shall be the duty of the directors to pay all costs, charges, losses and damages which any such person may incur or become liable to, by reason of any contract entered into or act or thing done, about the execution or discharge of his duties or supposed duties except such if any, as he shall incur or sustain through or by his own wilful act, neglect or default including expenses and in particular and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such director, manager, officer or auditor in defending any proceedings whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 633 of the Act in which relief is granted to him by the Court.
158.	Subject to the provisions of the Act, no director auditor or other officer of the Company shall be liable for the act, receipts, neglects or defaults of any other director or officer or for joining in any receipt or other act for conformity or for any loss or expenses to the Company through the insufficiency or deficiency of title to any property acquired by order of the director for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the company shall be invested or for any loss or damages arising from the bankruptcy, insolvency or tortious act of any person, firm or company to or with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error or judgment, omission, default or oversight on his part or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of the duties of his office or in relation thereto unless the same shall happen through his own dishonesty.
159.	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 detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business of the Company and which in the opinion of this directors it would be inexpedient in the interest of the Company to disclose.

X. OTHER INFORMATION

1. LIST OF 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 entered into more than two years before the date of this Red Herring Prospectus), which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus delivered to the Registrar of Companies, Maharashtra located at Everest, 100, Marine Drive, Mumbai – 400 002 for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office situated at 3A/205, Mittal Industrial Estate, Sakinaka, Andheri East, Mumbai 400 059, India between 10.00 a.m. to 4.00 p.m. on any working day, excluding Saturday and Sunday, from the date of this Red Herring Prospectus until the Issue Closing Date.

MATERIAL CONTRACTS

1. Memorandum of Understanding dated 5th February 2005 with UTI Securities Limited, appointing them as BRLM to the issue.
2. Memorandum of Understanding dated May 16, 2005 with Centrum Capital Limited, appointing them as CBRLM to the issue.
3. Memorandum of Understanding dated 6th January 2005 signed with Intime Spectrum Registry Limited, appointing them as Registrar to the Issue.
4. Letter of Appointment of M/s. Crawford Bayley & Co. as Legal Advisor to the Issue.
5. Escrow Agreement dated December 28, 2005 entered into by the Company, the Registrar, the BRLM, the CBRLM, the Syndicate Member and the Escrow Collection Bank(s) for collection of the Bid Amounts.
6. Syndicate Agreement dated December 28, 2005 among the BRLM, the CBRLM, Syndicate Member and the Company.
7. Underwriting Agreement dated [●] between the Company, the BRLM, the CBRLM and the other Underwriters.

DOCUMENTS FOR INSPECTION

1. Our Memorandum and Articles of Association.
2. Our Certificate of Incorporation bearing Company Registration No. 11-73489 dated August 17, 1993
3. Our Certificate for Commencement of Business dated September 1, 1993.
4. Tripartite Agreement dated May 7, 2001 between the Company, Intime Spectrum Registry Limited and CDSL.
5. Tripartite Agreement dated May 22, 2001 between the Company, Intime Spectrum Registry Limited and NSDL.
6. Copy of the Resolution passed at the 10th Annual General Meeting of the Company held on August 29, 2003 re-appointing Mr. Gourishankar Poddar as Chairman and Managing Director of the Company.
7. Resolution Passed by our Board of Directors for the proposed Public Issue at their meeting held on November 29, 2004.
8. Resolution passed under Section 81(1A) of the Companies Act, at our Extra Ordinary General Meeting held on December 27, 2004.

9. Copy of the Resolution passed at the Meeting of Board of Directors of the Company held on January 31, 2005 appointing Mr. Ashok Trehan as Director (Technical) of the Company.
10. Letter of Central Government (Ministry of Company Affairs, Government of India) No. 1/176/2005-CL.VII dated 12th August, 2005 approving appointment of Mr. Ashok Trehan.
11. Certificate dated 27th September 2005 from R.S. Agrawal & Associates, Auditors of the Company detailing the tax benefits.
12. Auditors' Report dated 16th December 2005 included in the Prospectus and copies of the Balance Sheet referred in the said report.
13. Copy of the Auditors Certificate dated 13th December'2005 regarding the sources and deployment of funds as on 9th December'2005.
14. Consent from our Directors, Compliance Officer, Auditors, BRLM, CBRLM, Registrar to the Issue, Bankers to the Issue, Bankers to the Company, Underwriters, Legal Advisor and Tax Auditors to act in their respective capacities.
15. Due Diligence Certificate dated 30th May,2005 to SEBI from UTI Securities Limited
16. Copy of in principle approval received from BSE vide their letter dated August 17, 2005
17. SEBI observation letter dated 19th October 2005
18. Copy of Sanction letter AGM/CPC/SCP/24 from State Bank of India dated April 27, 2004 for term loan of Rs. 20.00 Crores for the Project.
19. Copy of Sanction letter BRB/MC/ARS/1805 from State Bank of India dated 27th September 2005 for additional term loan of Rs. 3.10 Crores for the Project.
20. Copy of Sanction letter Adv/C&I/RRL/000187 from State Bank of Mysore dated 30th November 2005 for term loan of Rs. 10.00 Crores for the Project.
21. Copy of Sanction letter from State Bank of Indore dated 29nd August 2005 for term loan of Rs. 15.00 Crores for the Project.
22. Certificate dated 15th November 2005 from VSM Consultants, Consulting Engineer (Civil) on status of construction of factory building.
23. Certified true copy of the resolution passed at the EGM of our Company held on December 20, 2005 for commencement of any of the businesses contained in Clauses 62, 73 and 87 of Part C (being the "Other Objects" clause) of Clause III (being the Objects clause) of the Memorandum of Association of our Company.
24. Letter from Reserve Bank of India no. DNBS.CO.CMD-II.No.1016/11.09.001/2005-06 dated 15th September, 2005 regarding application of Raj Money Market Limited seeking an exemption from the requirement of registration to carry on business as a non-banking financial institution, stating on the basis of the facts and circumstances as presented by Raj Money Market Limited, that the requirement for registration as a Non-banking Financial Institution, would not apply to it.

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 Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or 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 statements in this Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS

Sd/-
Mr. Gourishankar Poddar, Chairman and Managing Director

Sd/-
Mrs. Rajkumari Kanodia, Director

Sd/-
Mr. Jagdish Chandra Somani, Director

Sd/-
Mr. Vinod Kumar Jain, Director

Sd/-
Mr. Ashok Trehan, Director (Technical)

Sd/-
Mr. Neraj Agarwal, Additional Director

Place : Mumbai

Date : December 29, 2005

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