DRAFT PROSPECTUS
July 7, 2009
(This Draft Prospectus will be updated upon filing with the ROC)**Fixed Price Issue**

SAI SILKS (KALAMANDIR) LIMITED

(CIN: U52190AP2008PLC059968)

(Our Company was originally incorporated on 3rd July 2008 as Sai Silks (Kalamandir) Private Limited with Registrar of Companies, Andhra Pradesh, at Hyderabad by converting the existing Partnership firm "Sai Silks (Kalamandir) under Part IX of the Companies Act, 1956. Our Company was subsequently converted into a public limited company by a resolution passed by the members at their Extra Ordinary General Meeting held on 14th May, 2009 under the provisions of Section 44 of the Companies Act, 1956. The fresh certificate of incorporation consequent upon change of name on conversion to Public Limited Company was granted on 21st May, 2009 by the Registrar of Companies Andhra Pradesh at Hyderabad and the name of our Company was changed to its present name, Sai Silks (Kalamandir) Limited.) For further details of the history of our company, kindly refer to section D "History and Corporate Structure" beginning on page [*] of this Draft Prospectus.

Registered Office: 6-3-790/8, Flat No. 1, Bathina Apartments, Ameerpet, Hyderabad - 500016.
Tel: +91-040-6656 6555; Fax +91-040-6610 6699; E-mail: info@kalamandir.com; Website: www.kalamandir.com
Contact Person: Mr. Soumith Kumar Sikinderpurkar, Compliance Officer & Company Secretary
Tel: +91-040-6656 6555; Fax: +91-040-6610 6699; E-mail: secretarial@kalamandir.com

PUBLIC ISSUE OF 66,80,000 EQUITY SHARES OF RS. 10/- EACH AT A PRICE OF RS. [*] PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF RS. [*] PER EQUITY SHARE) FOR CASH AGGREGATING RS. [*] MILLIONS BY SAI SILKS (KALAMANDIR) LIMITED (HEREINAFTER REFERRED TO AS THE "ISSUE"). THE ISSUE WILL CONSTITUTE 25.04% OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

THE ISSUE PRICE IS [*] TIMES OF THE FACE VALUE

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the equity shares of the Company. The face value of the shares is Rs. 10/- and the issue price is [•] times of the face value. The Issue Price has been determined by the Company, in consultation with the Lead Manager ("LM") and should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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 the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Draft Prospectus. Specific attention of the investors is invited to "Risk Factors" beginning on page [•] of this Draft Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft 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 Draft Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

IPO GRADING

This Issue has been graded by ICRA Ltd. and has been assigned [•] indicating "[•]" to the Initial Public Offer of our Company. The IPO grading is assigned on five point scale from 1 to 5, with an IPO grade of 5/5 indicating strong fundamentals and 1/5 indicating poor fundamentals. For further details, please refer the section titled 'IPO Grading' on page no. [•] of this Draft Prospectus.

LISTING

The Equity Shares offered through this Draft Prospectus are proposed to be listed on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). In principle approvals have been received from BSE and NSE for the listing of the equity Shares vide their letters dated [*] and [*] respectively. For the purposes of this issue, [*] shall be the designated Stock exchange.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
VIVRO FINANCIAL SERVICES PVT. LTD. **SEBI Regn. No.: INM000010122** 1st Floor, Manu Mansion, 16/18, Shahid Bhagatsingh Road, Opp. Old Custom House, Fort, Mumbai - 400 023 Tel.: +91-22-22657364, Fax: +91-22-22658406 Website: www.vivro.net , E-mail: kalamandir@vivro.net Contact Person: Mr. Jayesh Vithlani, Sr. Vice President	**BIGSHARE SERVICES PVT. LTD.** **SEBI Regn. No.: INR 000001385** E-2 Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai 400 072. Tel: +91 22 2847 0652 Fax: +91-22–2847 5207 Web: www.bigshareonline.com, E- Mail: ashok@bigshareonline.com Contact Person: Mr. Ashok Shetty, Vice President

ISSUE SCHEDULE

ISSUE OPENS ON	[•]	ISSUE CLOSES ON	[•]

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SECTION – A GENERAL

I. DEFINITIONS AND ABBREVIATIONS

A. CONVENTIONAL / GENERAL TERMS

Term	Description
AGM	Annual General Meeting of Sai Silks (Kalamandir) Limited
Articles / Articles of Association / AOA	Articles of Association of Sai Silks (Kalamandir) Limited
ASBA	Application Supported by Blocked Amount
Companies Act / Act	The Companies Act, 1956 as amended from time to time
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time i.e. NSDL & CDSL
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository Participant	A depository participant registered as such under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992
DIN	Director Identification Number
DP Id	Depository Participant Identity
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and amendments thereto
FDI	Foreign Direct Investment
FII	Foreign Institutional Investor [as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000] registered with SEBI under laws applicable in India.
Financial year / Fiscal year / FY	Period of twelve months ended March 31 of that particular year
Indian GAAP	Generally accepted accounting principles in India issued by ICAI
I. T. Act	The Income-Tax Act, 1961, as amended from time to time
Memorandum / MOA	Memorandum of Association of Sai Silks (Kalamandir) Limited
Non- Resident	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a person Resident outside India) Regulations, 2000
NRI / Non-Resident Indian	A person resident outside India who is a citizen of India or is person of Indian origin under Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000
ROC	Registrar of Companies, 2nd Floor, CPWD Bldg., Kendriya Sadan, Sultan Bazar, Koti, Hyderabad – 500195
RBI	Reserve Bank of India
SCRA	Securities Contracts (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, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI/(DIP) Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended, including instructions and clarifications issued by SEBI from time to time

B. OFFERING RELATED TERMS

TERM	DESCRIPTION
Allotment/Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue
Allottee	The successful Applicant to whom the Equity Shares are being / or have been issued or transferred
Applicant	Any prospective investor who makes an application for Equity Shares in terms of the Prospectus
Application Form	The form in terms of which the investor shall apply for the Equity Shares of our Company
Application Supported by Blocked Amount (ASBA)	Means an application for subscribing to an issue containing an authorization to block the application money in a bank account
ASBA Investor	Means an Investor who intends to apply through ASBA process and
	(a) is a "Resident Retail Individual Investor";
	(b) is applying at cut-off, with single application option as to the number of shares applied for;
	(c) is applying through blocking of funds in a bank account with the SCSB;
	(d) has agreed not to revise his/her application;
	(e) is not applying under any of the reserved categories."
ASBA Form	Application form for Resident Retail Individual Investor intending to subscribe through ASBA
Banker(s) to the Issue	[*]
Bankers to the Company	State Bank of India, State Bank of Hyderabad, Axis Bank Ltd., ICICI Bank Ltd., HSBC Bank Ltd., HDFC Bank Ltd., ING Vysya Bank Ltd.
Designated Stock Exchange	[*]
DEMAT	Dematerialized form of Equity Shares
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account of the Company to the Public Issue Account after the Prospectus has been filed with the ROC, following which the Board of Directors shall allot Equity Shares to successful applicants
Draft Prospectus / Draft Offer Document / Offer Document	This Draft Prospectus issued in accordance with the provisions of SEBI (DIP) Guidelines, 2000 which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue.
Equity Shares	Equity Shares of the Company of the face value of Rs. 10/- each, unless otherwise specified in the context thereof.
First Applicant	The Applicant whose name appears first in the Application Form

Grading Agency	ICRA Ltd. having its registered office at 1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi-110001 and having its branch office at 301, Concourse, 3rd Floor, No. 7-1-58, Ameerpet, Hyderabad-500016
Issue	The Issue of 66,80,000 Equity Shares of Rs. 10/- at the Issue Price of Rs. [*] Aggregating Rs. [*] Millions.
Issue Closing Date	The date on which the issue closes for subscription
Issue Opening Date	The date on which the issue opens for subscription.
Issue Period	The period between the Issue Opening Date and the Issue Closing Date inclusive of both days and during which prospective investors can submit their Applications
Issue Price	The final price at which the Equity Shares will be issued by the Company under the Prospectus. The Issue Price will be determined by our Company in consultation with the Lead Manager(s) prior to filing of the Prospectus with RoC
Indian GAAP	Generally Accepted Accounting Practices in India
Indian National	As used in the context of the Employee Reservation Portion, a citizen of India as defined under the Indian Citizenship Act as amended, who is not an NRI
LM or Lead Manager	Lead Manager to the Issue, in this case being Vivro Financial Services Private Limited.
Mutual Funds	Means mutual fund registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended from time to time.
Prospectus	The Prospectus, to be filed with the RoC containing, inter alia, this Issue Price, the number of Equity Shares offered through this Issue and certain other information.
Registrar/ Registrar to the issue	Bigshare Services Private Limited
Retail Investor	Means an investor who applies for securities for a value of not more than Rs. 1,00,000/-
Stock Exchanges	Bombay Stock Exchange Ltd., National Stock Exchange of India Ltd.

C. COMPANY/ INDUSTRY RELATED TERMS

Terms	**Description**
Aspirational Products	Good quality and high priced lifestyle products
Auditors	The statutory auditors of our Company, being M/s. B. Vithlani & Co., Chartered Accountants, Hyderabad
Board/ Board of Directors	Board of Directors of Sai Silks (Kalamandir) Limited
CAGR	Compounded Annual Growth Rate
Catchment Studies	Systematic study of consumption and spending habits of an individual or family in target area based on parameters such as age group, sex, preference and purchase category
Category Killers	Dominant retailers in terms of profitability and growth of market shares.

CIN	Corporate Identification Number
Committee	Committee of the Board of Directors of Sai Silks (Kalamandir) Limited authorized inter alia to take decisions on matters related to or incidental to this Issue
Department Store	A retail organization that has several departments for various types of products viz. home furnishings, apparel for men, women, and children, and home linens and dry goods.
Distribution Centre	A warehouse which processes, moves and stores goods A storage facility that takes orders and delivers products.
Equity Shares	Equity Shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
Equity Shareholders	Persons holding Equity Shares of the Company unless otherwise specified in the context thereof
EOU's	Export Oriented Units
ERP	Enterprise Resource Planning
Face Value	Nominal Value of each equity share, in this case being Rs. 10/- each
FMCG	Fast Moving Consumer Goods
Format	It is a type of retail store to sell a specific nature of goods to a particular segment of customers
GDP	Gross Domestic Product
High Street	A place or locality in a major city or principal street of a small town; which would be the main point of purchase from well known shops stocking high quality, apparels and non-apparels
Hyper Markets	A large retail operation which combines the features of a Supermarket and a discount house
IT/ ITES	Information Technology/ Information Technology Enabled Services
Life Style Products	Products that meet way of living centered around certain activities
Lifestyle Retailing	The stores under this category primarily retail non-food items such as Apparel, footwear, accessories, cosmetics and household products.
MIBOR	Mumbai Inter Bank Offer Rate
PATTU	Silk Saree made of silks materials
Private Label	Brands that are developed in house by the retailer
Registered Office /Registered Office of the Company	6-3-790/8, Flat No. 1, Bathina Apartments, Ameerpet, Hyderabad – 500016, India.
SAP	Systems, Applications and Products in data Processing
SSKL / Sai Silks / We / Us / Our Company / The Issuer / Issuer Company / The Company	Our Company was originally incorporated on 3rd July 2008 as Sai Silks (Kalamandir) Private Limited with Registrar of Companies, Andhra Pradesh, at Hyderabad by converting the existing Partnership firm "Sai Silks (Kalamandir) under Part IX of the Companies Act, 1956. Our Company was subsequently converted into a public limited company by a resolution passed by the members at their Extra Ordinary General Meeting held on 14th May, 2009 under the provisions of Section 44 of the Companies Act, 1956. The fresh certificate of incorporation consequent upon change of name on conversion to Public Limited Company was granted on 21st May, 2009 by the Registrar of Companies Andhra Pradesh at Hyderabad and the name of our Company was changed to its present name, Sai Silks (Kalamandir) Limited.)
SKU	Store Keeping Units

Shrinkages	Loss in inventory on account of a combination of employee theft, shoplifting, vendor fraud and administrative error
Super Markets	A self service store that satisfies regular shopping needs of consumers, including food and non food items
Value Retailing	The stores under this category retail mainly food and household items. These are primarily large stores with volume based discounted prices
VAT	Value Added Tax

D. ABBREVIATIONS

Abbreviation	Full Form
A/c	Account
Amt.	Amount
Act or Companies Act	Companies Act, 1956 and amendments thereto
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
B & M	Buying & Merchandising.
BUA	Built Up Area
CEO	Chief Executive Officer
CDSL	Central Depository Services (India) Limited
Co.	Company
CRM	Customer Relationship Manager
DC	Distribution Centre
DIN	Directors Identification Number.
EBITDA	Earning Before Interest, Tax, Depreciation & Amortizations
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting.
EPS	Earnings per share.
ESI	Employee's State Insurance.
ESIC	Employee's State Insurance Corporation.
ESOP	Employee Stock Option Plan
FDI	Foreign Direct Investment, as understood under applicable Indian regulations.
GDP	Gross Domestic Product
GOI	Government of India
HUF	Hindu Undivided Family
ICRA	ICRA Ltd.- Grading Agency
IPO	Initial Public Offering
MD	Managing Director
Misc.	Miscellaneous
Mn/ mn	Million
MOU	Memorandum of Understanding
NA	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation, Preference share capital and

	share application money) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of 'profit and loss account', divided by number of issued equity shares outstanding at the end of fiscal.
NBFC	Non Banking Finance Company as defined under the Reserve Bank of India Act, 1934 and regulations promulgated thereunder, as amended from time to time
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non Resident
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
OCBs	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000 p.a. per annum.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number allotted under the Income Tax Act, 1961.
PAT	Profit After Tax
PBT	Profit Before Tax.
PLR	Prime Lending Rate.
Pvt.	Private
QIB	Qualified Institutional Buyer
RoNW	Return on Net Worth
Rs.	Indian Rupees
Sec.	Section.
SICA	The Sick Industrial Companies (Special Provisions) Act, 1985.
SSI	Small Scale Industry
Stock Exchange(s)	The BSE and/ or the NSE as the context may refer to.
STT	Securities Transaction Tax.
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.
UIN	Unique Identification Number
W.E.F	With effect from

II. CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL SUMMARY, USE OF INDUSTRY AND MARKET DATA.

CERTAIN CONVENTIONS

In this Draft Prospectus, the terms "we", "us", "our Company", "the Company", "issuer", "SSKL" unless the context otherwise implies, refer to Sai Silks (Kalamandir) Limited.

All references to "India" contained in this Draft Prospectus are to the Republic of India. All references to the "US", "USA", or the "United States" are to the United States of America.

PRESENTATION OF FINANCIAL SUMMARY

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India and all references to "USD" "US $" are to United States Dollars, the official currency of United States of America.

In this Draft Prospectus, unless the context otherwise requires, all references to the word "Lakh" or "Lac", means "One Hundred Thousand" and the word "Crore" means "Ten Million".

For additional definitions used in this Draft Prospectus, see the sections 'Definitions and Abbreviations' on page no. [*] of this Draft Prospectus. In the section entitled "Description of Equity shares and Terms of Articles of Association of Sai Silks (Kalamandir) Limited", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Unless stated otherwise, the financial data in this Draft Prospectus is derived from our restated summary financial statements prepared in accordance with Indian GAAP and the SEBI Guidelines included in this Draft Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the 12 months period ended on March 31 of that year.

In this Draft Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

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

USE OF INDUSTRY AND MARKET DATA

Market data used throughout this Draft Prospectus was obtained from internal Company reports, data, industry publications and relevant web-sites. Industry publication data generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although we believe that the market data used in this Draft Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

III. FORWARD LOOKING STATEMENTS

All statements contained in this Draft Prospectus that are not statements of historical fact constitute “forward-looking statements.” All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Draft Prospectus regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Draft Prospectus (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. These forward-looking statements generally can be identified by words or phrases like “aim”, anticipate”, “believe”, “contemplate”, “estimate”, “expect”, “future”, “goal”, “intend”, objective”, “plan”, “project”, “seek to”, “should”, “will”, “will continue”, “will likely result”, “will pursue” and similar expressions or variations of such expressions, that are “forward looking statements”. Similarly, the statements that describe our objectives, plans or goals are also 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 statements.

Important factors that could affect our results to differ materially from our expectations includes, inter-alia,

- Our ability to successfully implement our strategy,
- Our growth and expansion, technological changes,
- If we experience insufficient cash flows or are unable to obtain the necessary funds to allow us to make required payments on our debt or fund working capital requirements;
- Our exposure to market risks,
- General economic and political conditions in India which have an impact on our business activities or investments,
- The monetary and interest policies of India,
- Inflation,
- Deflation,
- Unanticipated turbulence in interest rates,
- Foreign exchange rates,
- Equity prices or other rates or prices,
- The performance of the financial markets in India and globally,
- Changes in domestic and foreign laws,
- Regulations and taxes,
- Changes in laws and regulations in the Retail industry,
- Changes in competition in the said industry and force majeure conditions.

For further discussion of factors that could cause our actual results to differ, refer to the section entitled “Risk factors” beginning on page no. [*] of this Draft Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither we nor our Directors, nor the Lead Manager, nor any of their affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date thereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the Lead Manager will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

SECTION – B: RISK FACTORS

An investment in our Equity Shares involves a degree of risk. You should carefully consider all the Information in this Draft Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares.

To obtain, a complete understanding of our Company, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages [*] and [*] as well as the other financial and statistical information contained in the Draft Prospectus.

If any of the following risks actually occur, our business, results of operations and financial condition could suffer, and the trading price of our Equity Shares and the value of your investment in our Equity Shares could decline and you may lose all or part of your investment.

These risks are not the only ones that we face. Our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. Unless otherwise mentioned we are not in a position to quantify the extent of the Risks specified herein.

Materiality: The Risk Factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality -

- Some events may not be material individually but may be found material collectively,
- Some events may have material impact qualitatively instead of quantitatively,
- Some events may not be material at present but may be having a material impact in the future.

INTERNAL RISK FACTORS -

Risks Related to the Objects of the Issue:

1. **Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been independently appraised.**

Our Company would like to deploy the proceeds of the Issue mainly for working capital purposes and meeting the Public Issue expenses. Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank, financial institution or other independent organization.

2. **We have not entered into any definitive arrangements to utilize the proceeds of the issue. Further, our management will have significant flexibility in applying the proceeds of the issue.**

We intend to use the proceeds of the Issue for working capital purposes and meeting the public issue expenditure as described in the section "Objects of the Issue" on page [*].

Kalamandir

Corporate and Other Internal Risk Factors:

3. The brand "Kalamandir" is owned by one of the promoters of our Company.

We run our business under the brand name of "**Kalamandir**" and the brand has considerable acceptability in the market. Our products, mostly sarees, are popular under the brand name "Kalamandir" as it differentiates the quality, colour, designs, patterns, etc. from other competing products in the market. Customers recognize products based on the brand. However, the brand / trademark "Kalamandir" is owned by one of the promoters of our Company i.e. Mrs. Chalavadi Jhansi Rani. We have entered into a long-term royalty agreement with Mrs. Chalavadi Jhansi Rani on 1st October 2005 allowing us to use, advertise and maintain the "**Kalamandir**" brand for business promotions for a period of 10 years at a consideration of Rs. 1,50,000 p.a.

4. The brand "Kalamandir" is a common brand in India and it may invite suits, court cases for use of brand "Kalamandir" from existing users.

The brand "Kalamandir" is generic term and is common and popular in India. It's use by others in similar or related trade in India and abroad cannot be ruled out We may face suits, court cases from the existing users of the Brand. In view of the wide acceptability of the "Kalamandir" brand and its common use in traditional wear, we believe that our customers may get misguided by other similar or resembling branded products selling in the market and may not buy from our showrooms, which may affect our ability to use Brand exclusively and get its benefits exclusively.

5. We have a limited operating history and might not be able to operate our business or implement our strategies successfully.

We started our retail business in sarees and dress materials on 10th August 2005 by forming a partnership firm, which was later on converted into a private limited company on 3rd July, 2008, which was again converted into public limited company on 14th May 2009. Given our limited operating history it is possible that we may not be able to anticipate or evaluate business risks. Further, we may have limited regulatory experience in managing corporate disclosures and compliance requirements and would have to acclimatize ourselves to the regulatory environment and build-up in-house expertise and resources for the same.

6. Our Company has failed to generate positive cash flows from its operating activity and investing activity for the financial year 2005-06 to 2008-09.

We have had negative cash flows from operating activity and investing activity during financial year 2005-06 to 2008-09, as indicated in the table below.

(Rs. in Million)

Particulars	**2008-09**	**2007-08**	**2006-07**	**2005-06**
Net Cash Flow from Operating Activities	(223.61)	(49.41)	(74.60)	(24.09)
Net Cash Flow from Investing Activities	(69.07)	(73.59)	(27.25)	(11.45)
Net Cash Flow from Financing Activities	269.58	166.82	100.31	37.66

7. **We have a contingent liability outstanding as on Mach 31, 2009.**

Our company has received Notice u/s 143(2) of Income Tax Act, 1961 from Income Tax Department for the Assessment Year 2007-08 relevant for financial year 2006-07. The assessment may give rise to tax liability which can adversely affect our financial position.

8. **The success of our business is highly dependent on our ability to attract customers to our stores.**

Customer footfall, which directly contributes to our sale, is dependent on many physical factors like location of our stores, its design, ambience and comfort provided to visitors on one hand and certain external factors like local economy, weather conditions, natural disasters, social unrest and government regulations specific to the states in which we operate on the other hand. External factors are largely beyond our control and can have significant influence on footfall and resultant sales.

9. **Our business depends on our ability to maintain consistency in customer service and other operations**

Business needs trained manpower with expertise in selling products for its successful operation. Our success depends upon our ability to hire the right personnel, train, retain them and implement best processes effectively to achieve best results.

10. **Our products include a range of lifestyle merchandise, services and Aspirational Products which may be seasonal due to the bunching of festivals like Durga Puja, Diwali, Christmas and Id in the second and third quarter of our financial year and hence our ability to forecast and correctly understand fashion cycles and customer preference is critical for our continued operations.**

We retail products and services that our customers require including Lifestyle and Aspirational Products mainly comprising of Indian Ethnic wear like Sarees, Kurta, Dress Materials, Men’s Sherwani, etc. Our success is dependent on our ability to meet our customers’ requirements. We plan our products based on forecasts of customers buying patterns as well as on forecasts of fashion trends for forthcoming seasons. Any mismatch between our forecasts, our planning and the actual purchase by customers can impact us adversely, leading to excess inventory and requiring us to resort to higher markdown and thus lower margins in order to clear such inventory.

Further, the success of our Private Label strategy depends on our ability to understand fashion trends, introduce new designs/apparels and explore new business opportunities on a regular basis. Our inability to identify and recognize international and domestic fashion trends and the risk of obsolescence could adversely affect our business.

We could be adversely affected if consumers lose confidence in the quality of certain products sold as Private Labels and are discouraged from buying our products.

Thus, our inability to promptly identify and respond to changing customer preferences or evolving fashion trends may decrease the demand for our apparel among our customers, which would adversely affect our business.

11. The success of our business is dependent on supply chain management

We strive to keep optimum inventory at our stores and distribution center to control our working capital requirements. A strong supply chain system is essential to ensure timely availability of merchandise at the stores. Ensuring shelf availability of our products warrants quick turnaround time and high level of coordination with suppliers. Inefficient supply chain management could adversely affect the results from operations.

We rely on our supply chain and adopt operational processes to optimize our inventory position and reduce cost. We strive to keep optimum inventory at our stores and distribution centers to control our working capital requirements. For instance, on back of our supply chain management, we do not provide for dedicated storage spaces in most of our stores. In addition, we do not have any long term arrangements with our suppliers and vendors.

12. We currently rely on two distribution centers located in Hyderabad & Bangalore.

We currently operate two distribution centers one in Hyderabad and one in Bangalore, which delivers merchandise to all our Megastores in the Southern region. Any serious disruption at these distribution centres due to fire, earthquake, flood, riots or any other cause may damage our inventory. It may also impair our ability to adequately stock our stores and could negatively affect our results from operations. However, our distribution center and warehouses are adequately insured against the probable risks.

13. We are dependent on third parties for the supply and transportation of our apparel from our warehouses to our exclusive brand outlets, which are subject to various uncertainties and risks.

We depend on road transportation to deliver our apparel from the warehouses to our exclusive brand outlets. We rely completely on third parties to provide such services. These transportation facilities may not be adequate to support our existing and future operations. Further, disruptions of transportation services due to weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure or other events could impair our ability to supply our apparel to our customers. Any such disruptions could materially and adversely affect our business, financial condition and results of operations.

14. Competition may impede our ability to renew leases signed by us when they expire.

We compete with other large retailers for scarce real estate resources. We may not be able to renew our leases on terms acceptable to us. Our competitors may also provide attractive terms to landlords, which may reduce our ability to get the lease of centrally located retail space.

15. Our business depends on our ability to obtain and retain quality retail spaces.

Our success in business depends on our ability to identify and acquire quality retail space at appropriate terms and conditions. We compete with other large retailers for acquiring quality real estate resources. If we fail to acquire targeted properties, we would face delays in execution of our strategies, which may adversely affect our business, operations and profitability.

16. None of the properties on which our retail stores are situated, are owned by us, but are leased or licensed in our favour under various agreements.

None of the properties on which our retail stores are situated, are owned by us. Our stores are operated on properties which are taken either on lease or license basis or under certain franchisee arrangements, which may or may not be renewed. Normal lease period ranges between 3 to 7 years. The termination of our leases or licenses or franchisee arrangement, or disputes that may arise with owners of such properties may result in closure of our stores, thus affecting our business and profitability.

17. Any adverse impact on the title or ownership rights or development rights of our landlords from whose premises we operate may impede our effective operations of our stores, offices or distribution centres in the future

All of the premises from which we operate our stores / offices / distribution centre are taken by us on long term lease or sub-lease or leave and license or on conducting basis and/or on the basis of other contractual agreements with third parties. We may continue to enter into such transactions with third parties. Any adverse impact on the title / ownership rights / development rights of our landlords from whose premises we operate our stores may impede our business, our operations and our profitability. The financial impact of such aforesaid risk cannot be quantified. Additionally, some of our lease agreements prescribe a lock-in period. These lock in periods have minimum guaranteed rents payable and hence it may prevent us from moving our stores without any financial losses, in case there are events or circumstances that impede our profitability at a particular location. Any such event and such restrictive covenants in our lease agreements affects our ability to move the location of our stores and may adversely affect our business, financial condition and results of operations.

18. Our Registered Office and other premises from which we operate are not owned by us.

We do not own the premises on which our registered office including distribution center are located. We operate from rented and leased premises. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions unfavorable to us, we may suffer a disruption in our operations. For further details, see section titled "Our Business" beginning on page [*] of this Draft Prospectus.

19. We are dependent on our key domestic vendors, distributors or manufacturers for the availability of products at our stores.

Any disruption in supply from our major domestic suppliers or distributors may lead to unavailability of merchandise at our stores which could adversely affect our results from operations. Moreover, many of our suppliers provide us with incentives, such as return privileges (consignment sales), volume discounts and cooperative advertising and a decline in or discontinuation of these incentives could affect our results from operations.

20. Past comparable store sales may not be indicative of future store sales

Various factors affect the sales at our stores including competition, our capabilities in sourcing and buying and merchandising, our supply chain, store location and floor plate, fashion trend changes, our systems and processes etc. These factors will have an influence on existing and future stores and thus past figures of sales may not be true indication of future sales.

21. Our business could be harmed if key management personnel with significant experience and expertise in the retail industry terminate their employment with us.

Our success depends, to a significant extent, on the continued services of our key management personnel. The loss of services of one or more members of our key management team could adversely affect the implementation of our expansion plan as well as results from operations.

22. We rely extensively on our IT systems and any failures in our systems could adversely impact our business. We are in the process of upgrading out IT infrastructure and any disruptions in the implementation or functioning thereafter could adversely affect our business operations.

We rely extensively on our IT systems to provide us connectivity across our business functions through our software, hardware and connectivity systems. Any delay in implementation or any disruptions in the functioning could disrupt our ability to track record and analyze the merchandise that we sell and cause disruptions of operations, including, among others, an inability to process shipments of goods, process financial information or credit card transactions, deliver products or engage in similar normal business activities.

23. Possible conflict of business with the entities controlled by Promoter/Promoter Group

The object clause as contained in the Memorandum of Association of M/s. Sai Swarnamandir Jewellers (P) Ltd. and business nature of M/s. Sai Readymade, M/s. Sai Retail, M/s. SSS Marketing forming part of the Promoter Group, enable them to carry on the business of establishing/operating/managing retail outlets which may result in our Promoter Group having a conflict of interest with our line of business.

24. Post Initial Public Offering, our Promoters would continue to control substantial voting power in the Company and investors may not be able to affect the outcome of any shareholder vote.

Following this offering, our Promoters will own 74.96% of our outstanding shares. As a result, the promoters after this offering will control 74.96% of the voting power of all of our outstanding shares. As long as the Promoters continue to own shares representing more than 50% of the voting power, they will be able to direct the election of all of the members of our Board of Directors and determine the outcome of all matters submitted to a vote of our shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares or other equity securities and the payment of dividends.

25. Lack of quality, unsatisfactory after sales service, allegations of spurious goods and negative publicity could adversely impact our business. The value of our brand, and our sales, could be diminished if we are associated with negative publicity.

We procure goods from third parties. In addition, some of the goods that we procure are unbranded and are from small and medium size manufacturers. In the event that goods procured by us from external vendors and sold to our customers suffer in quality, are spurious in nature or after sales service provided by these vendors to us or directly to the consumers is unsatisfactory, our brand image and sales could be negatively impacted.

Further, any allegation that the goods sold by us are spurious or otherwise infringe the intellectual property rights of others, may lead to legal proceedings against us both by the owners of such intellectual property rights and our customers.

Our business is dependent on the trust our customers have in the quality of our merchandise. Any negative publicity regarding our company, brands, or products, including those arising from a drop in quality of merchandise from our vendors, mishaps at our store sites, or any other unforeseen events could adversely affect our reputation and our results from operations.

26. Any inability to manage our rapid growth could disrupt our business

We have experienced high growth in recent periods. Our sales have grown at a CAGR of 126.28 % from FY2006 to FY2009. However, our future growth plans can place significant demands on our management and other resources. There can be no assurance that we will be able to execute our strategy on time and within the stipulated budget or that we will meet the expectations of the customers and achieve our planned growth.

27. There are restrictive covenants in the agreements we have entered into with certain banks for working capital credit facilities and other borrowings

The following are some of the significant restrictive covenants that form part of the agreement we have entered into with State Bank of India and State Bank of Hyderabad for our working capital requirements. These include restrictions on:

- Creation of any encumbrance or security over assets
- Reorganization, amalgamation, reconstruction, takeover or any other schemes of compromise or arrangement

Our financing agreements contain restrictive covenants regarding, among other things, our capital structure, the constitution of our Board, declaration of dividend or distributable profits, raising additional finance, the disposition of assets and the expansion of our business. These agreements also require us to maintain certain financial ratios. Should we breach any financial or other covenants contained in any of our financing agreements, we may be required to immediately repay our borrowings either in whole or in part, together with any related costs. We may be forced to sell some or all of our assets if we do not have sufficient cash or credit facilities to make repayments. Additionally, as our borrowings are secured against all or a portion of our assets, lenders may be able to sell those assets.

28. **Uninsured losses or losses in excess of our insurance coverage could result in a loss of our investment**

There are losses against which there is no insurance available or the coverage may not be adequate for extreme events. We may face loss of investments in the absence of insurance and even in cases in which any such loss may be insured, we may not be able to recover the entire claim from insurance companies.

29. **Some of our immovable properties may have irregularities, as a result of which our operations may be impaired.**

For the immoveable properties for our stores, we enter into lease or license arrangements. Some of such properties may not be constructed or developed as per the local laws and statutory requirements.

In addition, some of the agreements for such arrangements may not be adequately stamped or registered in the land records of the local authorities. We cannot assure you that we would be able to continue to use all such properties or be able to enforce our rights under such agreements, which may impair our operations and adversely affect our financial condition.

Risk related to Future Plans

30. **Our inability to deliver as per our business plan could have an adverse impact on our results from operations**

Our business has grown rapidly since we began operations in August, 2005. Our stores under operation have increased from 1 store as on March 31, 2006 to 9 stores as on May 31, 2009. Our rapid growth has got impetus from retail evolution in India with higher disposable income, growth in urban population, and change in outlook of customers among others. Our total sale has increased from Rs. 109.81 million in financial year 2005-06 to Rs. 1272.23 million in financial year 2008-09. During the same period, our profit after tax has increased from Rs. 0.79 million to Rs. 30.81 million.

We have a limited operating history and the development of systems and procedures are in a nascent stage. This may entail substantial senior level management time and resources and we may also not be able to anticipate or evaluate all the business risks. In addition, our growth plans are considerable and would put significant demands on our management team and other resources.

Risk Related to Industry

31. **The risk of merchandise obsolescence is very high in certain categories of our business given the changing consumer preferences**

Our customer offering includes a range of lifestyle retail merchandise and aspirational products. Further, our success in saree retailing depends in part on our ability to anticipate the tastes and preferences of Indian women consumers and to offer products that appeal to their preferences. Hence our ability to correctly understand fashion cycles and customer preferences and manage our merchandise planning is critical for our operations

32. Our business is seasonal and our annual results are significantly dependent on our second and third quarter sales.

We cater to niche product i.e. sarees used for female wear for occasions like marriages. The industry is characterized by high sales during the second and third fiscal quarter, which is due, in part, to the festival selling season. Any decrease in second and third quarter sales, whether because of a low festival season sale, weather conditions, or otherwise, could have a material adverse effect on our business and results from operations. We also face seasonality due to climatic conditions. Any mismatch between our planned and actual sales can lead to excess inventory and may require us to resort to higher markdown and thus lower margins, in order to clear such inventory.

33. Losses on account of shrinkage can negatively impact our profitability

Shrinkage in the retail business is defined as the loss in inventory through a combination of shoplifting by customers, pilferage by employees, and errors in documents and transactions that go un-noticed. The retail industry world over is affected by shrinkage. Any increase in shrinkage levels at our existing and future stores can adversely impact results from operations.

34. We face the risk of potential liabilities from lawsuits or claims by consumers.

We may face the risk of legal proceedings and claims being brought against us by our customers/consumers for any defective product sold or any deficiency in our services to them. We could face liabilities should our customers/ consumers face any loss or damage due to any unforeseen incident such as fire, accident etc in our stores, which could cause financial and other damage to our customers/consumers. Commencement of these lawsuits against us or the establishment of new regulations could reduce our sales. In addition, we are subject to regulation by the Consumer Protection Act, Weights & Measures Act, Sale of Goods Act and similar Acts by State regulatory bodies like the Shop & Establishment Act. If we fail to comply with government and industry safety standards, we may be subject to claims, lawsuits, fines and adverse publicity that could have a material adverse effect on our business and results from operations.

35. We face significant competition in the retail industry.

The Indian retail industry is competitive. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability, availability of retail space. We also face competition from other forms of retail other than through stores including sale of goods on-line over the internet, door-to door sales and sale of household products from homes.

Certain large domestic industrial and business groups have evinced interest in this sector and seem to be in the process of establishing retail chain in India. Such prospective competitors are larger and better placed to take advantage of efficiencies created by size, and have better financial resources or greater access to capital at lower costs, and may be better known nationally.

Additionally, we may face competition from international players if foreign participation in the retail sector is further liberalized. Moreover, as the industry is highly fragmented and we also face competition from local stores, who may, for a variety of reasons such as easier to access and personal relationships with the customers, be able to cater to local demands better than us. Our inability to compete successfully in our industry would materially affect our business prospects and financial condition.

EXTERNAL RISK FACTORS -

36. We are subject to adverse impact of economic and political conditions.

Global economic and political factors that are beyond our control, influence forecasts and directly affect performance. These factors include interest rates and its impact on availability of retail space, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. The taxation system within the country still remains complex. Multi-point octroi and tax evasion by smaller stores are some of the concerns faced by organized retailers. Changes in local taxes and levies can impact the performance of retailers adversely. The Government's stand on foreign direct investment (FDI) in the retail trading sector is still unclear. The absence of FDI may impact growth and exposure to some best practices. Retailers also have apprehensions about the co-existence of value added tax (VAT) and maximum retail price (MRP).

37. If financial instability occurs in certain countries, particularly emerging market countries in Asia and other countries, our business and the price of our Equity Shares may be adversely affected.

Indian markets and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia and certain other countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause exchange rate instability and increased volatility in Indian financial markets, and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and may harm our business, our future financial performance and the price of our Equity Shares.

38. We may be subject to risks arising from exchange rate fluctuations.

We may place orders with overseas contractors or consultants for buying equipments for our new as well as existing stores. We may source some of our products from overseas markets for sale in our stores. The exchange rate between the Rupee and other currencies is variable and may continue to fluctuate in the future and affect us to the extent of increasing the cost of import of goods and services.

39. Terrorist attacks or acts of war may seriously harm our business.

Terrorist attacks may cause damage or disruption to our company, our employees, our facilities and our customers, which could impact our sales and results from operations. Any future terrorist attacks, the national and international responses to terrorist attacks, or other acts of war or hostility may cause greater uncertainty and cause our business to suffer in ways that we currently cannot predict.

40. Multiplicities of legislations may impact the growth of organized retail.

The retail sector functions under multiple laws and regulations. Multiple licenses and clearances are required before a store can be opened. Thereafter, stringent laws pertaining to labour, hours of work, etc may limit flexibility in operations; add to overall costs and impact retail operations.

41. We may experience fluctuations in our stock price, which may affect the trading price of the equity shares issued in this Issue.

The stock market in general and the market for shares of retail companies in particular, have from time to time experienced considerable price fluctuations. Often, these changes may have been unrelated to the operating performance of the affected companies, In addition, factors such as competition, new store openings, general regional and national economic conditions, bulk deal in our stocks, consumer trends and preferences, new product introductions and changes in our product mix, timing and effectiveness of promotional events and lack of new product introductions to spur growth in sales and weather may have an adverse effect on the market price of our shares.

The prices of our Equity Shares on the stock exchanges may fluctuate as a result of several factors, including:

- Volatility in the Indian and global securities market;
- Our results of operations and performance;
- Announcements by us or others regarding contracts, mergers & acquisitions, strategic partnerships, joint ventures, or capital commitments;
- Significant developments in India's liberalization, deregulation, fiscal, environmental and any other policies and regulations.

The prices of our Equity Shares may fluctuate after this Issue. There can be no assurance that the Issue Price will correspond to the prices at which our Equity Shares will trade in the market subsequent to this offering.

42. Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

NOTES TO RISK FACTORS –

1) Public Issue of 66,80,000 Equity Shares of Rs. 10 each at a price of Rs. [*] /- per equity share for cash aggregating Rs. [*] Millions.

2) The net worth of the Company as per audited accounts, as on 31-03-2009 was Rs. 229.46 Millions.

3) The average cost of acquisition of Equity Shares by the Company's Promoters/ Promoter Group, is Rs. 10 /- per Equity Share.

4) Book value of the Equity Shares of the Company, as per its audited restated financial statements as on 31-03-2009 was Rs. 11.47 per share.

5) The company has entered into certain transactions with related parties for an aggregate value of Rs 520.28 Millions as on 31-03-2009. For more details on Related Party Transactions refer to the Annexure -XIV "Related Party Transactions" of Statement of Restated Accounts on page [*] of this Draft Prospectus.

6) For details of loans and advances made by the Company refer to Annexure -XII of Statement of Restated Accounts on page [*] of this Draft Prospectus.

7) Investors are free to contact the LM for any complaints/ information/ clarification pertaining to this Issue. For contact details of the LM, please refer to the cover page of this Draft Prospectus.

8) All information shall be made available by the LM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the Investors in any manner whatsoever.

9) Investors are advised to refer to the paragraph on "Basis of Issue Price" on page [*] of this Draft Prospectus before making an investment in this Issue.

10) In the event of the Issue being oversubscribed, the allotment will be made on a proportionate basis.

11) The Company has not made any loans and advances to any person(s)/ company in which the Directors are interested, except as disclosed in the sections titled "Related Party Transactions" and "Financial Statements" beginning on pages [*] and [*], respectively.

12) We and the Lead Manager are obliged to keep this Draft Prospectus updated and inform the public of any material change/development. Investors may contact the LM for any complaints, information or clarifications pertaining to the Issue who will be obliged to provide the same to the investors.

SECTION – C: I. SUMMARY

Our Industry:

Our Company is engaged in retail trading of garments, ladies wear and other textile products, we fall under the purview of two industries i.e. Textiles and Retail.

TEXTILE INDUSTRY IN INDIA -

- Indian Textile Industry contributes about 11 percent to industrial production, 14 per cent to the manufacturing sector, 4 percent to the GDP and 12 per cent to the country's total export earnings. It provides direct employment to over 33.17 million people, the second largest provider of employment after agriculture. Besides, another 54.85 million people are engaged in its allied activities.
- The industry has a total market size of US $52 billion ($32 billion as domestic household consumption and $20 billion as exports). Market size potential for the industry is envisaged at USD 110 billion by 2012.
- The textile industry can be broadly classified into two categories, organized mill sector and the Unorganized decentralized sector.

  (**Source:-** http://www.citiindia.com/indian_overview)

Global Apparel Industry - With a wide variety of fabrics and technically-skilled manpower, Indian textile and apparel industry has now become a part of the global supply chain. The fabrics and workers from India are going to Bangladesh, Sri-Lanka, and other countries. A lot of investment in Bangladesh is from India.

MARKET ESTIMATES - According to estimates, the total value of production in the garment sector is around Rs.1,050–1,100 bn of which about 81 per cent comes from the domestic market. **The value of Indian garments (e.g. saree, dhoti, salwar kurta, etc.) is around Rs.200–250 bn.** About 40 per cent of fabric for garment production is imported – a figure that is expected to rise in coming years.

Outlook for Saree in South India - Think of South India and silk sarees invariably come to mind. The South Indian bride still prefers to wear the traditional silk saree on the occasion of her wedding. With changing times, trends in sarees are also changing. Retailers in South India are well known for their innovations in sarees.

Today the market is flooded with all kinds of sarees that range from synthetic varieties to embellished ones. However, India takes pride in its captivating range of traditional sarees.

The popularity of the saree as routine wear is declining in India. However, saree is the dress of choice in marriages and other social occasions. These new innovations in sarees help in increasing the popularity of the sarees and attract the younger generation. Such innovations are ways to add freshness to the traditional saree.
(Source:- http://www.articlesbase.com/business-articles/saree-innovations-in-south-india)

Opportunities in the Textiles & Apparels Market - Indian exporters should not remain focused on traditional markets like the United States and Europe, but rather explore new markets like Japan and non-traditional products like those made from organic cotton which command premium in international market.

Our Business:

We are an upcoming retail house in Hyderabad, Andhra Pradesh and Bangalore, Karnataka in Southern India focusing on Indian traditional women wear i.e. Sarees. As on 31st March, 2009, we operate 9 retail stores out of which 3 are in Hyderabad, 5 are in Bangalore and 1 in Guntur. We have also hired floor space from leading large retailers like Big Bazar for sale of our sarees in their Retail Malls in Hyderabad and Vijaywada. These 9 retail outlets are cumulatively spread over in more than 75,000 square feet and are located in two states in Southern India. We have set up regional distribution centres in Hyderabad and Bangalore.

We started as a retailer of sarees in Hyderabad in August 2005 on a very modest scale with a Retail Outlet of 3500 square feet. In 2005, we hired a retail space in Ameerpet in Hyderabad and displayed the traditional sarees like Silk Sarees, Handloom Sarees, Synthetic Sarees, etc.

We have till today been focusing on the sarees segment of women's wear especially mid range and upper range, with a considerable margin. With evolution of retail industry in India and change in consumer aspirations, we diversified our portfolio of offerings to include other retail goods like Women dress materials, Kids wear and Men's wear. Currently, we sell different varieties of sarees for different occasions and ready-made apparels for women, men and kids in our retail malls.

We follow the concept of value retail in India. In other words, our business approach is to sell quality goods at reasonable prices by procuring it from manufacturers across India. We are well-known in Southern India for the range of sarees displayed at our Retail Malls for their collection, colors, designs, hand work, silk work, from and across India. We endeavour to facilitate one-stop-shop convenience for our customers and to cater to the needs of the entire family. We believe this concept has helped us grow to our current size within a short time frame of four years.

We achieved total sales of Rs. 1272.23 million for fiscal 2009, as against a turnover of Rs. 647.70 million for fiscal 2008 and Rs. 339.48 million for fiscal 2007. During the same period our profit after tax was Rs. 30.81 million, Rs. 15.30 million and Rs. 5.23 million, respectively. As a result, our sales increased between fiscal 2006 and fiscal 2009 at a CAGR of 126.28% and our profit after tax increased between fiscal 2006 and fiscal 2009 at a CAGR of 239%.

II. THE ISSUE

Type of Issue	Type of Instrument	No. of equity shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration
Public Issue	Equity Shares	66,80,000	10/-	[*]	Cash

ISSUE BREAK-UP

Particulars	No. of Equity Shares
Equity Shares offered (Issue Size)	66,80,000 Equity Shares
Equity Shares outstanding prior to the Issue	2,00,00,000 Equity Shares
Equity Shares outstanding after the Issue	2,66,80,000 Equity Shares

USE OF PROCEEDS:

Please see section titled “Object of the Issue” on page [*] of this Draft Prospectus.

ISSUE PROGRAMME:

Issue Opens on	[*]
Issue Closes on	[*]

III. FINANCIAL SUMMARY

The following summary of 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. B.Vithlani & Co., Chartered Accountants, Hyderabad dated June 29, 2009 in the section titled "Financial Information of our Company". You should read this financial data in conjunction with the Company's financial statements for each of fiscal 2006, 2007, 2008 and 2009, including the Notes thereto and the Reports thereon, which appears on page [*] under sub-heading "Auditors' Report" in this Draft Prospectus, and "Management's Discussion and Analysis of Financial Condition and Results of Operations as reflected in the Financial Statements" on page [*] of this Draft Prospectus.

Restated Statement of Profits & Loss Account

(Rs. in Millions)

Year Ended March 31,	**2009**	**2008**	**2007**	**2006**
INCOME				
Sales :				
Of products manufactured by the company	-	-	-	-
Of products traded in by the company	1272.23	647.70	339.48	109.81
Total Sales	**1272.23**	**647.70**	**339.48**	**109.81**
Other Income	8.25	14.92	5.92	1.13
Increase / (Decrease) in Inventories	328.26	71.31	113.28	51.39
Total Income	**1608.74**	**733.94**	**458.68**	**162.33**
EXPENDITURE				
Purchases	1182.00	558.35	392.10	144.04
Staff Costs	43.69	25.35	16.02	5.30
Administration Expenses	109.23	44.57	22.78	7.75
Selling and Distribution Expenses	155.97	60.89	12.65	3.16
Depreciation	9.38	4.71	3.54	0.86
Finance Charges	54.51	21.49	3.94	0.37
Directors / Partners' Remuneration	6.86	1.23	1.50	0.00
Preliminary Exp. Written-off	0.07	0.00	0.00	0.00
Total Expenditure	**1561.72**	**716.58**	**452.52**	**161.49**
Profit before Tax before Restatement of Accounts	**47.02**	**17.36**	**6.15**	**0.84**
Provision for Taxation	16.79	2.40	2.11	0.40
Net Profit before Restatement of Accounts	**30.23**	**14.96**	**4.05**	**0.44**
Adjustments arising on account of Restatement of Audited Accounts	**0.58**	**0.34**	**1.19**	**0.34**
- Depreciation (Income)	0.00	0.65	1.39	0.41
- Provision for Gratuity (Expenditure)	(0.58)	0.31	0.20	0.07
Adjusted Net Profit	**30.81**	**15.30**	**5.23**	**0.79**

Restated Statement of Assets and Liabilities

(Rs. in Millions)

	Year Ended March 31,	2009	2008	2007	2006
A	**Fixed Assets:**				
	Gross Block	178.36	111.75	38.70	11.45
	Less: Depreciation	18.49	9.11	4.40	0.86
	Net Block	159.87	102.64	34.30	10.59
	Less: Revaluation Reserve	-	-	-	-
	Effect on account of Restatement of Accounts	-	0.65	1.39	0.41
	Net Block after adj. for Restatement of Accounts	**159.87**	**103.29**	**35.68**	**11.00**
B	**Investments**	**3.01**	**0.55**	-	-
C	**Current Assets, Loans and Advances:**				
	Inventories	564.25	235.99	164.67	51.39
	Sundry Debtors	45.42	15.62	8.61	1.42
	Cash and Bank Balances	5.98	29.08	0.57	2.12
	Loans and Advances	7.43	6.76	23.25	12.01
	Other Current Assets	45.79	57.52	37.23	19.86
	Total	**668.87**	**344.96**	**234.33**	**86.80**
D	**Liabilities and Provisions:**				
	Secured Loans	458.74	185.85	70.44	1.55
	Unsecured Loans	0.01	0.01	0.01	0.01
	Deferred Tax Provision	3.37			
	Current Liabilities and Provisions	140.74	111.54	120.33	58.57
	Effect on account of Restatement of Accounts	(0.58)	0.31	0.20	0.07
	Total	**602.28**	**297.71**	**190.98**	**60.20**
E	**Net Worth**	**229.46**	**151.10**	**79.04**	**37.60**
F	**Represented by**				
	1. Share Capital	**200.00**	**150.76**	**77.85**	**37.26**
	2. Reserves	30.23	-	-	-
	Less: Misc. Expenditure not w/o	1.35			
	Less: Revaluation Reserve	-	-	-	-
	Reserves (Net of Revaluation Reserves)	**28.89**	-	-	-
	Effect on account of Restatement of Accounts	0.58	0.34	1.19	0.34
	Net Worth	**229.46**	**151.10**	**79.04**	**37.60**

IV. GENERAL INFORMATION

SAI SILKS (KALAMANDIR) LIMITED

(CIN: U52190AP2008PLC059968)

Registered Office: 6-3-790/8, Flat No. 1, Bathina Apartments, Ameerpet, Hyderabad – 500016, India.
Tel: +91-040-6656 6555; Fax +91-040-6610 6699; E-mail: info@kalamandir.com;
Website: www.kalamandir.com

(Our Company was originally incorporated on 3rd July 2008 as Sai Silks (Kalamandir) Private Limited with Registrar of Companies, Andhra Pradesh, at Hyderabad under the Companies Act, 1956 by converting the existing Partnership Firm "Sai Silks Kalamandir" under Part-IX of the Companies Act, 1956. Our Company was subsequently converted into a public limited company under Section 44 of the Companies Act, 1956 and ROC issued a fresh certificate of incorporation consequent upon change of name on 21st May, 2009 and the name of our Company was changed to Sai Silks (Kalamandir) Limited.)

BOARD OF DIRECTORS OF THE COMPANY

Name of the Directors	Designation	Status	Other Directorship
Mr. Chalavadi Naga Kanaka Durga Prasad	Chairman & Managing Director	Promoter Director	➢ Sai Swarnamandir Jewellers (P) Ltd.
Mr. Chalavadi D K Durga Rao	Whole-Time Director	Non - Independent Director	Nil
Mr. Kalyan Srinivas Annam	Whole-Time Director	Non - Independent Director	Nil
Mr. Nitin Siddamsetty	Director	Independent Director	➢ G K Properties Pvt. Ltd. ➢ Siddamsetty Resorts Pvt. Ltd. ➢ Panel Animation Studios Pvt. Ltd.
Ms. Anita Sakuru	Director	Independent Director	➢ Kenexa Technologies Private Limited ➢ Bhrugu Realtors Private Limited ➢ Healthy Agro Enterprises Private Limited ➢ VanaLaxmi Agro Farms Private Limited ➢ Green Mangoes Cinema Private Limited ➢ Ekam Mobile Technologies Pvt. Ltd.
Mr. Laxminivas Jaju	Director	Independent Director	Nil

For further details of our directors, please see "our Management' on Page [*] of this Draft Prospectus.

BRIEF PROFILE OF EXECUTIVE DIRECTORS

Mr. Chalavadi Naga Kanaka Durga Prasad

Mr. Chalavadi Naga Kanak Durga Prasad, aged 41 years, is a Master of Business Administration from Institute of Management Education, Pune and Bachelor of Commerce from Nagarjuna University in Andhra Pradesh and experience of more than 5 years in the retail business. He also possesses a degree in Post Graduate Diploma in Computer Applications. He is the Chairman & Managing Director of our Company.

He has got excellent business acumen and this has led to the successful expansion of our showrooms in last 4 years. Over a period of time, he has gained in-depth knowledge and experience in retail business marketing. He handles overall management, finance, internal controls, security systems as well as marketing related activities of the company. He is entrusted with taking strategic decisions of our Company.

Mr. Chalavadi D K Durga Rao

Mr. Chalavadi D K Durga Rao, age 39 years, is a Bachelor of Commerce from Nagarjuna University, Andhra Pradesh and also holds the degree in Master of Computing from Griffith University (Australia). He is having experience of more than 10 years as a software developer, systems analyst, database administrator in USA. He is Whole-Time Director of our Company.

He is the over all in charge of Bangalore based branches of our Company. He looks after procurement function, Marketing, Research and Sales. He has played a key role in expansion of our retail business in Bangalore.

Mr. Kalyan Srinivas Annam

Mr. Kalyan Srinivas Annam, age 33 years, is a Master of Business Administration from Institute of Marketing and Management, New Delhi and Bachelor of Commerce from Nagarjuna University in Andhra Pradesh and is having experience of more than 5 years in the retail business. He is Whole-Time Director of our Company.

He has gained experience of over 4 years in retail industry. He is entrusted with the administration of Bangalore operations of the Company. The Company has achieved considerable success by expanding operations in Bangalore. He has played key role in expansion of retail business of the Company in Bangalore.

COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. Soumith Kumar Sikinderpurkar
Sai Silks (Kalamandir) Limited
Registered Office: 6-3-790/8, Flat No. 1,
Bathina Apartments, Ameerpet,
Hyderabad - 500016.

Tel: +91-040-6656 6555;
Fax +91-040-6610 6699;
E-mail: secretarial@kalamandir.com;
Website: www.kalamandir.com

Note: Investors are advised to contact the Compliance Officer in case of any pre-issue or post issue related problems such as non-receipt of letter of allotment/ share certificates/ credit of securities in depositories beneficiary account/ refund orders, etc.

LEGAL ADVISOR TO THE ISSUE

M/s. V.S. Raju And Associates
Advocates & Solicitors
106, Dhanunjaya Towers,
Road No.1, Banjara Hills,
Hyderabad-500034
Tel.: 91-040-23397154
Fax: 91-040-23391333
Email: vb@vsraju.com

BANKERS TO THE COMPANY

State Bank of India
Commercial Branch,
Bank Street, Kothi,
Hyderabad - 500095
Telephone No.: 040-24754432
Fax No.: 040-24761422
Contact person: Mr. Sridhar Babu

State Bank of Hyderabad
Mahaboobgunj Branch,
'Land Mark Center',
Siddiamber bazaar,
Hyderabad-500012

Telephone No.: 040-24601340
Fax No.: 040-24650826
Contact person: Mr. Prasad

Axis Bank Ltd.
S.R.Nagar,

Hyderabad.
Telephone / Fax No.: 040-23710238
Contact person: Mr. Ramchandra

ICICI Bank Ltd.
S.R.Nagar,
Hyderabad
Telephone / Fax No.: 040-23757369
Contact person: Mr. Srikant

HSBC Bank Ltd.
Somajiguda,
Hyderabad
Telephone / Fax No.: 040-66162003
Contact person: Mr. Uday

HDFC Bank Ltd.
S.R.Nagar,
Hyderabad
Telephone / Fax No.: 040-23230036
Contact person: Mr. Raghunath

ING Vysya Bank Ltd.
Ameerpet,
Hyderabad
Telephone / Fax No.: 040-23442211
Contact person: Mr. Harikrishna

Issue Management Team

LEAD MANAGER TO THE ISSUE
VIVRO FINANCIAL SERVICES PRIVATE LTD
SEBI Regn. No.: INM000010122
1st Floor, Manu Mansion
16/18, Shahid Bhagatsingh Road
Opp. Old Custom House, Fort,
Mumbai - 400 023
Tel: 022-2265 7364, Fax: 022-2265 8406
Contact Person: Mr. Jayesh Vithlani, Sr. Vice President
E-mail: kalamandir@vivro.net,
Website: www.vivro.net

REGISTRAR TO THE ISSUE
BIGSHARE SERVICES PVT. LTD.
SEBI Regn. No.: INR 000001385
E-2 Ansa Industrial Estate, Sakivihar Road,
Saki Naka, Andheri (East), Mumbai 400 072
Tel: +91 22 2847 0652 / +91 22 4043 0200
Fax: +91-22–2847 5207
Website: www.bigshareonline.com
E- Mail: kalamandir@bigshareonline.com

Contact Person: Mr. Ashok Shetty, Vice President

For IPO Investor Complaints:
Email: ipo.helpdesk@bigshareonline.com

For R&T Investor Complaints:
Email: rnt.helpdesk@bigshareonline.com

BANKERS TO THE ISSUE

[*]

The Bankers to the issue will be appointed before filing of the Prospectus with ROC.

SELF-CERTIFIED SYNDICATE BANK

[*]

STATUTORY AUDITORS

B. Vithlani & Co.
Chartered Accountants
4-1-10/B-12, "Sheetal"
Tilak road,
Hyderabad – 500 001

Tel No: 91-040-24756922
Fax No: 91-040-24757914
E mail: brvithlani@yahoo.co.uk
Contact Person: CA Bhavesh R. Vithlani

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

STATEMENT OF INTER-SE ALLOCATION OF RESPONSIBILITIES BETWEEN LMs

Since Vivro Financial Services Pvt. Ltd. will be acting as Sole Lead Manager to this Issue, distribution of responsibilities and co-ordination for various activities among lead managers is not applicable.

CREDIT RATING

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

IPO GRADING

This Issue has been graded by ICRA Limited as [*] indicating [*], pursuant to Clauses 2.5A, 5.6B and 6.17.3A of the SEBI Guidelines. The rationale furnished by the grading agency for its grading, will be updated at the time of filing of the Prospectus with the ROC/ Designated Stock Exchange.

IPO Grading Agency
ICRA LIMITED
301, Concourse,
3rd Floor, No. 7-1-58.
Ameerpet, Hyderabad-500016
Phone: +91-40- 2373725 / 5061
Fax: +91-40-23735152
Website: www.icra.com
E- Mail: info@icraindia.com
Contact Person: Mr. M.S.K.Aditya, Relationship Manager

TRUSTEES

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

MONITORING AGENCY

We have not appointed any monitoring agency.

APPRAISING AGENCY

We have not appointed appraising agency.

UNDERWRITING

The present issue has not been underwritten.

Withdrawal of the Issue

Our Company, in consultation with the LM, reserves the right not to proceed with the Issue anytime after the Issue Opening Date without assigning any reason therefore. In the event of withdrawal of the Issue anytime after the Issue Opening Date, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Draft Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of withdrawal, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

Issue Programme

ISSUE OPENS ON	[*]
ISSUE CLOSES ON	[*]

V. CAPITAL STRUCTURE OF THE COMPANY

The Share Capital of our Company as on the date of filing of this Draft Prospectus with SEBI is set forth below:

(Rs. In Millions)

No. of Shares	Nominal Value	Aggregate Value at Issue Price
A. Authorized Share Capital 2,80,00,000 Equity shares of Rs. 10/- each	280.00	
B. Issued Subscribed and Paid-up Share Capital 2,00,00,000 Equity shares of Rs. 10/- each	200.00	[*]
C. Issue in terms of this Draft Prospectus **66,80,000 Equity shares of Rs. 10/- each at a premium of Rs. [*] per share**	**66.80***	[*]
D. Net Offer to the Public 66,80,000 Equity shares of Rs. 10/- each at a premium of Rs. [*] per share	66.80*	[*]
E. Equity Share Capital after the Issue **2,66,80,000** Equity shares of Rs 10/- each fully paid-up	**266.80**	[*]
F. Share Premium Account Before the Issue After the Issue	 NIL [*]	

Notes:
* The Fresh Issue has been authorized by the Board of Directors in their meeting held on 1st June, 2009 and by special resolution passed pursuant to Sec. 81, 81(1A) of the Companies Act, at the AGM of the shareholders of our Company held on 3rd July, 2009.

Details of Increase in Authorized Share Capital

Sr. No.	Particulars	Date of Meeting	Nature of Meeting
1	Rs. 100 Million divided into 10 Million equity shares of Rs. 10 each	3rd July 2008	Incorporation
2	Increase in Authorized Share Capital of the Company from existing Rs. 100 Millions to Rs. 200 Millions	26th March 2009	EGM – Ordinary Resolution
3	Increase in Authorized Share Capital of the Company from existing Rs. 200 Millions to Rs. 280 Millions	3rd July 2009	AGM- Special Resolution

NOTES TO CAPITAL STRUCTURE:

1. Share Capital History of the Company:

Date on which Equity shares were allotted and made fully paid up	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Nature of Allotment	Cumulative No. of Shares	Cumulative paid up capital (Rs. in Millions)
3rd July 2008	1,00,00,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act- (Note-1)	Allotment to Subscribers (Erstwhile Partners) to the Memorandum of Association out of Partners' Capital Account	1,00,00,000	100
31st March 2009	1,00,00,000	10	10	Cash	Further allotment to promoter	200,00,000	200

Notes:

(1) Our Company has issued 1,00,00,000 equity shares of Rs. 10/- each to partners of erstwhile partnership firm i.e. Sai Silks Kalamandir on conversion from partnership firm to private limited company under Part-IX of the Companies Act, 1956 on 3rd July 2008 against the capital lying in Partnership firm as on the date of conversion.

PROMOTERS' HOLDING AND LOCK-IN

2. Build-Up of Promoters Shareholding:

(a) The details of the build-up of Promoters' shareholding, including allotments and transfers of Equity Shares are as under:

Name of Promoter	Date on Which Equity Shares were allotted / acquired and made fully paid-up. (I)	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment of Consideration (Bonus, Rights etc.)	Percentage of Pre-Issue Paid Up Share Capital (%)	Percentage of Post Issue Paid Up Share Capital (%)
Mr. Chalavadi Naga Kanaka Durga Prasad	3-7-2008	60,00,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	30%	[*]
	31-3-2009	1,00,00,000	10	10	Allotment	50%	[*]
	Total (A)	**1,60,00,000**				**80%**	**[*]**
Ms. Chalavadi Jhansi Rani	3-7-2008	19,00,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	9.50%	[*]
	Total (B)	**19,00,000**				**9.50%**	**[*]**
GRAND TOTAL (A+B)		**1,79,00,000**				**89.50%**	**[*]**

3. Promoters' Contribution and Lock-In:

A. Three years' lock –in:

In terms of Chapter IV of the SEBI DIP Guidelines, an aggregate of 20% of the post-issue paid up Equity Share Capital of our Company held by the promoters of the Company shall be locked in for a period of three years from the date of allotment in this Issue. The details of the promoters' Equity shares locked in for a period of three years are as under:

Name of Promoter	Date of allotment/ transfer and made fully paid up	No. of Equity Shares	Face Value (Rs.)	Issue Price/ transfer (Rs.)	Conside-ration (Cash, Bonus, Kind etc.)	% of Post Issue Paid-up Share Capital	Lock-in Period (in Years)
Mr. Chalavadi Naga Kanaka Durga Prasad	03-07-2008	50,00,000	10	10	Allotment of Shares to erstwhile partners on	18.74%	3 years

					Part-IX conversion under the Act		
Sub-Total		**50,00,000**				**18.74%**	
Ms. Chalavadi Jhansi Rani	03-07-2008	3,36,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	1.26%	3 years
Sub-Total		**3,36,000**				**1.26%**	
GRAND TOTAL		**53,36,000**				**20.00%**	

B. One Year Lock-in:

(i). In terms of clause 4.14.1 of the SEBI Guidelines, in addition to the lock-in of 20.00% of post Issue shareholding of the Promoter for three years (53,36,000 equity shares as mentioned above), the balance of entire pre-issue share capital being 1,46,64,000 equity shares shall be locked-in for a period of one year. The lock in period shall commence from the date of allotment of Equity Shares in this Issue and the last date for the lock in shall be reckoned as one year from the date of allotment in the public issue.

The details of shareholding held by the promoters & Promoter Group, which shall be locked in for a period of one year is as follows:

Name of Promoter and Promoter Group	Date of allotment/ transfer and made fully paid up	No. of Equity Shares	Face Value (Rs.)	Issue Price / transfer (Rs.)	Conside-ration (Cash, Bonus, Kind etc.)	% of Post Issue Paid-up Share Capital	Lock-in Period (in Years)
Promoters							
Mr. Chalavadi Naga Kanaka Durga Prasad	03-07-2008	10,00,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	3.75%	1 year
	31-03-2009	1,00,00,000	10	10	Cash	37.48%	

Sub-Total		**1,10,00,000**				**41.23%**	
Ms. Chalavadi Jhansi Rani	03-07-2008	15,64,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	5.86%	1 year
Sub-Total		**15,64,000**				**5.86%**	
Promoter Group (Immediate relative of promoters falling within the meaning of Promoter group)							
Mr. Annam Kalyan Srinivas	03-07-2008	14,00,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	5.25%	1 year
Sub-Total		**14,00,000**				**5.25%**	
Mr. Annam Subash Chandra Mohan	03-07-2008	4,00,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	1.50%	1 year
Sub-Total		**4,00,000**				**1.50%**	
Ms. Annam Suchitra	03-07-2008	1,00,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	0.37%	1 year
Sub-Total		**1,00,000**				**0.37%**	
Ms. Annam Sowjanya	03-07-2008	1,00,000	10	10	Allotment of Shares to erstwhile	0.37%	1 year

					partners on Part-IX conversion under the Act		
Sub-Total		**1,00,000**				**0.37%**	
Mr. Annam Venkata Rajesh	03-07-2008	1,00,000	10	10	Allotment of Shares to erstwhile partners on Part-IX conversion under the Act	0.37%	1 year
Sub-Total		**1,00,000**				**0.37%**	
GRAND TOTAL		**1,46,64,000**				**54.96%**	

The Promoters and promoter group vide letters dated 7th July, 2009 have given their consent for lock-in(s) as stated above.

(ii) In terms of clause 4.16.1. (a) of SEBI Guidelines Equity Shares held by persons other than Promoter(s) which are locked in, may be transferred to any other person holding Equity Shares which are locked – in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as applicable.

(iii) In terms of clause 4.16.1. (b) of SEBI Guidelines Equity Shares held by Promoter(s) which are locked in, may be transferred to and amongst Promoter/Promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997, as applicable.

(iv)Equity shares of Promoters, locked in may be pledged only with banks or financial institution as collateral security for loans granted by such banks or FIs provided the pledge of shares is one of the terms of sanction of loan and further that the loan has been granted by such banks or FIs for the purposes of financing one or more of the Objects of the Issue.

4. The Company has not issued any warrant, option, convertible loan, debenture or any other securities convertible at a later date into equity, which would entitle the holders to acquire further equity shares of the Company.

5. The Company/Promoters/Directors and /or LM of the issue have not entered into ‘buyback’ or ‘stand by’ arrangement for purchase of the equity Shares being offered through this Draft Prospectus.

6. An over subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest multiple of Minimum allotment lot while finalizing the basis of allotment.

7. As on date of filing of Draft Prospectus with SEBI, the issued capital of the Company is fully paid up.

8. The equity shares offered through the Issue will be fully paid up, and hence there shall be no partly paid shares in this issue.

9. In case of under subscription to the Net Offer to the Public category, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Draft Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of withdrawal, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money.

10. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of the Draft Prospectus with SEBI until the equity shares offered through this Draft Prospectus have been listed.

11. We presently do not have any intention or proposal to alter the capital structure for a period of six months from the date of opening of the Issue, by way of split / consolidation of the denomination of equity shares or further issue of equity shares (including issue of securities convertible into exchangeable, directly or indirectly for equity shares) whether preferential or otherwise.

12. At any given point of time, there shall be only one denomination for the equity shares of the Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

13. The Equity Shares will be issued and traded on the stock exchange only in dematerialized form. Hence the market lot of the equity shares is 1 (One share).

14. Investors may note that in case of over-subscription, allotment will be on proportionate basis as detailed in para on "Basis of Allotment" beginning on page no. [*] of this Draft Prospectus.

15. The Company has a total of 7 Equity shareholders as on July 7, 2009.

16. The details of ten largest shareholders as on the date of filing of Draft Prospectus are as follows;

Sr. No.	Name of the Shareholders	Number of equity shares of face value of Rs 10/- each	Percentage of Pre Issue Share Capital (%)
1	Mr. Chalavadi Naga Kanaka Durga Prasad	1,60,00,000	80.00%

2	Ms. Chalavadi Jhansi Rani	19,00,000	9.50%
3	Mr. Annam Kalyan Srinivas	14,00,000	7.00%
4	Mr. Annam Subash Chandra Mohan	4,00,000	2.00%
5	Ms. Annam Suchitra	1,00,000	0.50%
6	Ms. Annam Sowjanya	1,00,000	0.50%
7	Mr. Annam Venkata Rajesh	1,00,000	0.50%
	TOTAL SHARES	**2,00,00,000**	**100.00%**

17. The details of ten largest shareholders as on the date two years prior to date of filing of Draft Prospectus are as follows;

    As the Partnership firm was converted into private limited company under Part-IX of the Companies Act, 1956 on 3rd July 2008, hence there are no top ten shareholders as on the date two years prior to date of filing of Draft Prospectus.

18. The details of ten largest shareholders as on the date 10 days prior to filing of Draft Prospectus are as follows;

Sr. No.	Name of the Shareholders	Number of equity shares of face value of Rs 10/- each	Percentage of Pre Issue Share Capital (%)
1	Mr. Chalavadi Naga Kanaka Durga Prasad	1,60,00,000	80.00%
2	Ms. Chalavadi Jhansi Rani	19,00,000	9.50%
3	Mr. Annam Kalyan Srinivas	14,00,000	7.00%
4	Mr. Annam Subash Chandra Mohan	4,00,000	2.00%
5	Ms. Annam Suchitra	1,00,000	0.50%
6	Ms. Annam Sowjanya	1,00,000	0.50%
7	Mr. Annam Venkata Rajesh	1,00,000	0.50%
	TOTAL SHARES	**2,00,00,000**	**100.00%**

19. The shareholding pattern of the Promoters & Promoters Group is as detailed below;

Particulars	**Pre-Issue**		**Post Issue**	
	No of Shares @ Rs 10/- each	**% of holding**	**No of Shares@ Rs 10/- each**	**% of holding**
Promoters				
Mr. Chalavadi Naga Kanaka Durga Prasad	1,60,00,000	80.00%	[*]	[*]
Ms. Chalavadi Jhansi Rani	19,00,000	9.50%	[*]	[*]
Total	**1,79,00,000**	**89.50%**	**[*]**	**[*]**
Promoters Group				
Mr. Annam Kalyan Srinivas	14,00,000	7.00%	[*]	[*]
Mr. Annam Subash Chandra Mohan	4,00,000	2.00%	[*]	[*]

Ms. Annam Suchitra	1,00,000	0.50%	[*]	[*]
Ms. Annam Sowjanya	1,00,000	0.50%	[*]	[*]
Mr. Annam Venkata Rajesh	1,00,000	0.50%	[*]	[*]
Total	**21,00,000**	**10.50%**	**[*]**	**[*]**
Grand Total	**2,00,00,000**	**100.00%**	**[*]**	**[*]**

20. **The pre and post offer shareholding pattern of the Company is given below: -**

Particulars	**Pre-Issue**		**Post-Issue**	
	Number of Shares @ Rs 10 each	**% of holding**	**Number of shares @ Rs 10/- each**	**% of holding**
Promoters and Promoters Group	2,00,00,000	100.00%	2,00,00,000	74.96%
NRIs /OCBs /FIIs	-	-	[*]	[*]
Indian Mutual Funds, Financial Institutions and Other QIBS	-	-	[*]	[*]
Other Pubic Category	-	-	[*]	[*]
Total	**2,00,00,000**	**100.00%**	**2,66,80,000**	**100.00%**

21. Our Company has not issued any Employee Stock Options as on the date of filing of this Draft Prospectus.

22. The Promoters and promoter group have not purchased or sold any Equity Shares during the period of six months preceeding the date on which this Draft Prospectus is filed with SEBI. However, the promoters have been allotted 1,00,00,000 Equity Shares by the Company on 31/03/2009.

23. The Company has not issued any equity shares out of revaluation of reserves or for consideration other than cash. However, Our Company has issued 1,00,00,000 equity shares of Rs. 10 each to partners of erstwhile partnership firm i.e. Sai Silks (Kalamandir) on conversion from partnership firm to private limited company under Part-IX of the Companies Act, 1956 on 3rd July 2008 against the capital lying in Partnership firm as on the date of conversion

24. No payment, direct or indirect in the nature of discount, commission and allowance or otherwise shall be made either by us or our promoters to the persons who receive allotments, if any, in this issue.

25. The Company has not availed any bridge loans against the proceeds of this Issue.

26. In respect of various agreements entered into by our Company with the lenders and the sanction letters issued by our lenders to us, we are bound by certain restrictive covenants regarding the alteration of our Capital structure and other restrictive covenants. Pursuant to the aforesaid covenants, we are in the process of obtaining written approvals from the lenders in relation to this Issue.

VI. OBJECTS OF THE ISSUE

The object of the Issue is to raise capital for long-term working capital purposes and also to achieve the benefits of the listing on the Stock Exchanges. We believe that the listing will enhance our brand name and provide liquidity to our shareholders.

The net proceeds of the issue after deducting all issue related expenses are approximately Rs. [*] million. We intend to use the net proceeds of the issue for:

1. Augmenting Long Term Working Capital
2. Expenses related to Issue of Shares
3. General Corporate Purposes

The above is however based on management's estimate as of the date of this Draft Prospectus and is subject to change. The use of the proceeds of the issue has not been assessed by any independent assessing agency.

The main objects clause and the objects incidental or ancillary to the main objects clause of the memorandum of association enable us to undertake our existing activities and the activities for which funds are being raised by us in the issue.

COST OF THE PROJECT

Particulars	**Amount (Rs. In Millions)**
Augmenting Long Term Working Capital	150.00
Expenses related to Issue	[*]
General Corporate Purposes	[*]
Total	[*]

MEANS OF FINANCE
The details of the means of finance are provided below:

Particulars	**Amount (Rs. Million)**
Proceeds of the Issue	[*]
Internal Accruals	[*]
Total	**[*]**

DETAILS OF USE OF ISSUE PROCEEDS

1. Augmenting Long term Working Capital Requirement
Presently we have been sanctioned fund based limits of Rs. 320.00 Million from State Bank of India and State Bank of Hyderabad. For details of the loans refer to the section titled "Statement of Secured and Unsecured Loans" beginning on page [*] of Draft Prospectus.

As the nature of our business requires us to maintain huge inventory for our sales at different show-rooms, we maintain an average inventory of approximately 5.5 months to 7 months sales.

In addition to this, we also have an average collection period of 2 to 10 days from credit card banks.

Considering typical nature of business, working capital is one of the most important resources for the Company. The detailed break up of working capital requirement is provided below:

(Rs. In Millions)

Particulars	Audited 2008-09	Estimated 2009-10
Inventories	564.25	742.88
Sundry Debtors	45.42	45.94
Cash and Bank Balances	5.98	6.23
Loans and Advances	7.43	8.27
Other Current Assets	45.79	68.91
Sub-Total (A)	**668.87**	**872.23**
Sundry Creditors and Provisions	140.74	180.41
Sub-Total (B)	**140.74**	**180.41**
Total Working Capital Gap (A-B)	528.13	691.82
Working capital facility from State Bank of India and State Bank of Hyderabad	320.00	320.00
Net Working Capital Gap	**208.13**	**371.82**
Requirement of Margin		**163.69**
Internal Accruals for the year 2008-09 accrued and deployed in the Company		13.69
Proceeds from the issue		**150.00**

2. Expenses related to Issue

The Issue related expenses consist of fees payable to LM to the Issue, Legal Counsels, Bankers to the Issue, Escrow Bankers and Registrars to the Issue, Printing and Distribution expenses, Advertising and Marketing expenses, Depository fees, IPO grading fees and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges. We intend to use about Rs. [*] million towards these expenses for the Issue. All expenses with respect to the Issue will be borne out of Issue proceeds.

Particulars	**Amount (Rs. in Millions)**	**% of Issue Size**	**% of Issue Expenses**
Lead Manager fee	[*]	[*]	[*]
Advertising & Marketing Expenses	[*]	[*]	[*]
IPO Grading Fee	[*]	[*]	[*]
Registrar Fee	[*]	[*]	[*]
Printing, Stationary, Dispatch Exps.	[*]	[*]	[*]
Other Expenses (including listing fee, SEBI filing fee, Legal Counsel fee, Depository charges, Auditor’s fee, etc.)	[*]	[*]	[*]
Total	**[*]**	**[*]**	**[*]**

3. General Corporate Purposes

We intend to deploy the balance issue proceeds Rs. [*] million towards the general corporate purposes, including but not restricted to brand building exercises, investment in other segments of the industry or any other purposes as approved by our Board of Directors. However, not more than 25% of the proceeds of fresh issue would be deployed for the General Corporate Purposes.

APPRAISAL

The object of the Issue has been formulated by Board of Directors of our Company and has not been appraised by any appraising agency.

SCHEDULE OF IMPLEMENTATION

The proceeds of the Issue would be utilized for working capital purposes in the Company. As estimated by our management, the entire proceeds received from the fresh issue would be utilized in the financial year 2009-10 and 2010-11.

MONITORING OF FUNDS

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by the Board of Directors will monitor the utilization of the proceeds of the Issue.

We shall, on a quarterly basis disclose to the Audit Committee the uses and application of the proceeds of the Issue. We will disclose the utilization of the proceeds of the Issue under a separate head in our balance sheet till such time the proceeds of the Issue have been utilized, clearly specifying the purpose for which such proceeds have been utilized. We will also, in our balance sheet till such time the proceeds of the Issue have been utilized, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

DEPLOYMENT OF FUNDS

We have deployed internal cash accrual of Rs.13.69 million as envisaged in the Cost of Project as certified by Statutory Auditor of the company.

INTERIM USE OF ISSUE PROCEEDS

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest / dividend bearing short term liquid instruments 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.

We will pay no part of the Issue proceeds as consideration to Promoters, Directors, key management personnel, subsidiaries, group companies, etc.

VII. BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the LM before the opening of the Issue.

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

A. QUALITATIVE FACTORS

1. Our Company is an existing profit making Company. Our restated profits after tax in last 3 years are as under;

(Rs. in Millions)

Financial Year	Restated PAT
2006-2007	5.23*
2007-2008	15.30*
2008- 2009	30.81

*** Profit of erstwhile firm as restated**

2. Our Sales has grown at a CAGR of 126.28 % in last three financial years.

3. Our Profit after Tax (As Restated) has grown by more than 239% during the last 4 years.

4. One of the Prominent Brands - "Kalamandir"

One of the promoters of our Company Mrs. Chalavadi Jhansi Rani owns "**Kalamandir**" brand and has entered into royalty agreement with our Company for use of "**Kalamandir**" brand for promotion of our retail business. Amongst the traditional sarees, "**Kalamandir**" is very well-known and prominent brand for quality of sarees, designs, collection, silk, hand-work, chiffon, etc. The "Kalamandir" brand reaches out widely to women population in Andhra Pradesh and Karnataka and has been very popular especially for wedding purposes. In Southern part of India, wedding is an event associated with lot of fanfare and people make advance arrangements for its celebration.

5. Focusing on Wedding Business

Our business plan involves implementation of the concept of the 'value retailing', targeting the middle and higher middle income groups, which constitute significant part of the population in Andhra Pradesh and Karnataka. We intend to provide quality sarees at competitive prices to our loyal customers. We sell a vast range of sarees in addition to ready made apparels and accessories. Our emphasis has been to maximise the value that the customers derive from spending on products bought in our stores.

We cater to most celebrated use of sarees i.e. wedding. A Hindu wedding ceremony has a number of rituals and customs, each symbolic of vedic tradition. South Indian wedding traditions and ceremonies are no exception. We have special offerings in sarees for wedding ceremonies. Our collection of sarees is largely newly designed and trend oriented as well as custom-suited for the customer.

B. QUANTITATIVE FACTORS

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

1. **Adjusted Basic Earning Per Share (EPS)**

Period	Amt. in Rupees	Weight
Year ended March 31, 2007	0.91*	1
Year ended March 31, 2008	1.33*	2
Year ended March 31, 2009	3.07	3
Weighted Average	**2.13**	

*Calculated based on restated accounts of erstwhile firm average capital outstanding during the year

2. **Price/Earning (P/E) ratio in relation to Issue Price of Rs. [•]**
Based on the adjusted EPS of Rs. 3.07 for the Financial Year ended 31st March, 2009, the Issue Price of Rs. [*], answers to a P/E multiple of [*].

3. **Return on Net worth (RONW)**

Period	%	Weight
Year ended March 31, 2007	6.62 %	1
Year ended March 31, 2008	10.13 %	2
Year ended March 31, 2009	13.43 %	3
Weighted Average	**11.20%**	

4. Minimum Return on Increased Net Worth to maintain pre-issue EPS of Rs. [*] is [*]

5. **Net Asset Value (NAV) per share**
   - NAV as on March 31, 2009 is Rs. 11.47 per equity share.
   - NAV after the Issue Rs. [*] will be [*]

6. **Industry P/E**

(i) Highest	234.80
(ii) Lowest	5.2
(iii) Industry Composite	24.30
Source: Capital Market – June 29-July 12, 2009	

7. **Comparison with the Peer group companies.** **(Rs. in Million)**

Name of the Company	Equity	Sales	PAT	EPS (Rs.)	BV (Rs.)	P/E
Pantaloons Retail	350.40	52959.00	1120.00	7.10	108.40	42.80
Koutons Retail	305.50	7935.00	671.00	22	114.40	16.60
Sai Silks	200.00	1272.23	30.81	3.07	11.47	[*]
Source: Capital Market – June 29- July 12, 2009						

Note: There are no comparable existing companies listed on the Stock Exchange. We have taken comparable entities engaged in retail business, which may not have sarees as its focus business and hence may not be strictly comparable.

8. **The Face Value of the Equity Shares is Rs.10/- per Equity Share and the Issue Price is [•] times of the Face Value.**

The LM believes that the Issue Price of Rs. [•] is justified in view of the above qualitative and quantitative parameters. The investors may want to peruse the risk factors and the financials of the Company including important profitability and return ratios, listed out in the Auditors' Report in Financial Information of the Draft Prospectus to have a more informed view of the investment proposition.

Kalamandir

VIII.STATEMENT OF TAX BENEFITS

The Board of Directors
Sai Silks (Kalamandir) Limited
6-3-790/8, Flat No. 1,
Bathina Apartments,
Ameerpet,
Hyderabad – 500016

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Sai Silks (Kalamandir) Limited, ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

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

- The Company or its shareholders will continue to obtain these benefits in future: or
- The conditions prescribed for availing the benefits, where applicable have been/would be met.

For, B.Vithlani & Co.
Chartered Accountants,

Bhavesh R. Vithlani
Membership No. 213135
Place: Hyderabad
Date: 26th June, 2009

STATEMENT OF POSSIBLE BENEFITS AVAILABLE TO SAI SILKS (KALAMANDIR) LTD. AND ITS SHAREHOLDERS

1. Key benefits available to the Company under the Income-tax Act, 1961 ('the Act')

A) BUSINESS INCOME:

A.i. Depreciation

The Company is entitled to claim depreciation at the prescribed rates on specified tangible and intangible assets owned by it and used for the purposes of its business under section 32 of the Act

Unabsorbed depreciation if any, for an Assessment Year (AY) can be carried forward & set off against any source of income in subsequent AYs as per section 32 subject to the provisions of sub- section (2) of section 72 and sub-section (3) of section 73 of the Act

A.ii Preliminary Expenditure:

As per Section 35D, the Company is eligible for deduction in respect of specified preliminary expenditure incurred by the Company in connection with extension of its industrial undertaking or in connection with setting up a new industrial unit for an amount equal to 1/5th of such expenses over 5 successive AYs subject to conditions and limits specified in that section.

A.iii Expenditure incurred on voluntary retirement scheme:

As per Section 35DDA, the Company is eligible for deduction in respect of payments made to its employees in connection with his voluntary retirement for an amount equal to 1/5th of such expenses over 5 successive AYs subject to conditions specified in that section

A.iv. Carry forward of business loss

Business losses if any, for any AY can be carried forward and set off against business profits for eight subsequent AYs

A.v. MAT Credit:

As per section 115JAA(1A), the company is eligible to claim credit for Minimum Alternate Tax ("MAT") paid for any AY commencing on or after April 1, 2006 against normal income tax payable in subsequent AYs. MAT credit shall be allowed for any A.Y. to the extent of difference between the tax computed as per the normal provisions of the Act for that A.Y. and the MAT which would be payable for that A.Y. Such MAT credit will be available for set-off up to 7 years succeeding the A.Y. in which the MAT credit initially arose.

B) CAPITAL GAINS:

B.i. Long Term Capital Gain (LTCG)

LTCG means capital gain arising from the transfer of a capital asset being Share held in a company or any other security listed in a recognised stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of section 10, held by an assessee for more than 12 months

In respect of any other capital assets, LTCG means capital gain arising from the transfer of an asset, held by an assessee for more than 36 months

Short Term Capital Gain (STCG)

STCG means gain arising out of transfer of capital asset being share held in a company or any other security listed in a recognised stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of section 10, held by an assessee for 12 months or less

In respect of any other capital asset, STCG means capital gain arising from the transfer of capital asset, held by an assessee for 36 months or less

B.ii. LTCG arising on transfer of equity shares or units of an equity oriented fund (as defined) which has been set up under a scheme of a Mutual Fund specified under Section 10 (23D), on a recognized stock exchange on or after October 1, 2004 are exempt from tax under Section 10(38) of the Act provided the transaction is chargeable to securities transaction tax (STT) and subject to conditions specified in that section

B.iii. As per second proviso to section 48, LTCG arising on transfer of capital assets, other than bonds and debentures excluding capital indexed bonds issued by Government, is to be computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration

B.iii.a As per section 112, LTCG is taxed @20% plus applicable surcharge (SC) thereon (if any), 2% education cess (EC) on tax plus Surcharge and 1% "Secondary and Higher Education Cess" (S & HEC) on income-tax and surcharge from financial year 2007-08

B.iii.b However as per proviso to section 112(1), if such tax payable on transfer of listed securities/units/Zero coupon bonds exceeds 10% of the LTCG, without availing benefit of indexation, the excess tax will be ignored

B.iv. As per section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund (as defined) under Section 10(23D), on a recognized stock exchange on or after 1st October, 2004, are subject to tax at the rate of 15 per cent (plus applicable SC + EC+ S & HEC), provided the transaction is chargeable to STT.

B.v. As per section 71 read with section 74, Short-term capital loss arising during a year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, should be carried forward and set-off against short-term as well as long-term capital gains for subsequent 8 years

B.vi. As per section 71 read with section 74, Long-term capital loss arising during a year is allowed to be set-off only against long-term capital gains. Balance loss, if any, should be carried forward and set-off against subsequent year's long-term capital gains for subsequent 8 years.

B.vii.Under section 54EC of the Act, capital gains arising on the transfer of a long-term capital asset will be exempt from capital gains tax if such capital gains are invested within a period of 6 months after the date of such transfer in long-term specified bonds issued by the following and subject to the conditions specified therein –

- National Highways Authority of India constituted under section 3 of National Highways authority of India Act, 1988
- Rural Electrification Corporation Limited, a company formed and registered under the Companies act, 1956

If only part of the capital gains is so reinvested, the exemption shall be proportionately reduced. There is a ceiling of Rs. 50 lacs on the amount of investment that an assessee can make on or after 1st April 2007 in the above-specified long-term assets.

However, if the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted shall be taxable in the year of transfer

C) Income from Other Sources

Dividend income:

Dividend (both interim and final) income, if any, received by the Company on its investment in shares of another Domestic Company shall be exempt from tax under Section 10(34) read with Section 115- O of the Act.

Income received in respect of units of a Mutual Fund specified under Section 10(23D) of the Act shall be exempt from tax under Section 10(35) of the Act, subject to such income not arising from transfer of units in such Mutual Fund

2. Key benefits available to the Members of the Company

2.1 Resident Members

2.1.a Dividend income:

Dividend (both interim and final) income, if any, received by the resident shareholder from a domestic company is exempt under Section 10(34) read with Section 115O of the Act

2.1.b Capital gains:

i. Benefits outlined in Paragraph 1(B) above are also applicable to resident shareholders. In addition to the same, the following benefits are also available to resident shareholders

ii. As per Section 54F of the Act, LTCG arising to individual and HUF from transfer of shares will be exempt from tax if net consideration from such transfer is utilized within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer and subject to conditions and to the extent specified therein.

iii In case of **resident** individuals and Hindu Undivided Families, where taxable income (as reduced by long-term capital gains) is below the basic exemption limit, only the excess of the aggregate income over the maximum amount not chargeable to tax will be subjected to income-tax and surcharge.

2.1.c Clubbing of Income:

Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act

2.1.d Rebate:

In terms of Section 88 E of the Act, STT paid by a shareholder in respect of taxable securities transactions (i.e. transaction which is chargeable to STT) entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions subject to conditions and limits specified in that section

2.1.e In accordance with section 10(23D) of the Income Tax Act, all Mutual Funds registered under the Securities and Exchange Board of India Act or set up by public sector banks or a public financial institution or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax all their income, including income from investment in the shares of the Company.

2.2 Key Benefits available to Non-Resident Member

2.2.a Dividend income:

Dividend (both interim and final) income, if any, received by the non-resident shareholders from a domestic company shall be exempt under section 10(34) read with Section115-O of the Act

2.2.b Capital gains:

Benefits outlined in Paragraph 2.1(b)(i) & (ii) above are also available to a non-resident shareholder except that as per first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation as provided in second proviso to section 48 is not available to non-resident shareholders

2.2.c Rebate:

Benefits outlined in Paragraph 2.1.d above are also applicable to the non-resident shareholder

2.2.d Tax Treaty Benefits:

As per Section 90 of the Act, the shareholder can claim relief in respect of double taxation, if any as per the provisions of the applicable double tax avoidance agreements

2.2.e Special provision in respect of income/ LTCG from specified foreign exchange assets available to Non resident Indians under Chapter XII-A

2.2.e.i. Non-Resident Indian (NRI) means a citizen of India or a person of Indian origin who is not a resident. Person is deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India

2.2.e.ii. Specified foreign exchange assets includes shares of an Indian company acquired/purchased/subscribed by NRI in convertible foreign exchange

2.2.e.iii. As per section 115E, income [other than dividend which is exempt under section 10(34)] from investments and LTCG from assets (other than specified foreign exchange assets) shall be taxable @ 20% (plus applicable SC + EC +S & HEC). No deductions in respect of any expenditure allowance from such income will be allowed and no deductions under chapter VI-A will be allowed from such income

2.2.e.iv. As per section 115E, LTCG arising from transfer of specified foreign exchange assets shall be taxable @ 10% (plus applicable SC + EC+ S & HEC).

2.2.e.v. As per section 115F, LTCG arising from transfer of a foreign exchange asset shall be exempt in the proportion of the net consideration from such transfer being invested in specified assets or savings certificates within six months from date of such transfer, subject to further conditions specified under section 115F

2.2.e.vi. As per section 115G, if the income of a NRI taxable in India consist only of income/ LTCG from such shares and tax has been properly deducted at source in respect of such income in accordance with the Act, it is not necessary for the NRI to file return of income under section 139

2.2.e.vii. As per section 115H of the Act, when a non-resident Indian become assessable as a resident in India, he/she is entitled to furnish a declaration in writing to the Assessing Officer along with the return of income to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or otherwise converted into money

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

2.2.f Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act

2.3 Key Benefits available to Foreign Institutional Investors (FIIs)

2.3.1 Dividend income:

Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under Section 10(34) read with Section 115O of the Act

2.3.2 Capital Gains:

As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rates:

Sr. No.	Nature of Income	Rate of Tax
1	Long Term Capital Gain	Nil
2	Short Term Capital Gain	15%

The above tax rates would apply in cases where Securities Transaction Tax is paid. Short-term capital gains are taxed at 30%, and Long Term capital gains are taxed at 10% if such a transaction is not chargeable to Securities Transaction Tax.

The above tax rates would be increased by the applicable surcharge. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident

2.3.3. Exemption of capital gains from Income tax

2.3.3.i. LTCG arising on transfer of securities where such transaction is chargeable to STT is exempt from tax under Section 10(38) of the Act

2.3.3ii. Benefit of exemption under Section 54EC shall be available as outlined in Paragraph1 (B)(vii) above

2.3.4 Rebate:

Benefit as outlined in Paragraph 2.1.d. above are also available to FIIs

2.3.5 Tax Treaty Benefits:

As per Section 90 of the Act, a shareholder can claim relief in respect of double taxation, if any, as per the provision of the applicable double tax avoidance agreements

2.4 Key Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions

2.5 Key Benefits available to Venture Capital Companies/ Funds

As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, set up to raise funds for investment in a Venture Capital Undertaking would be exempt from income tax, subject to conditions as specified.

Venture Capital Undertaking (VCU) shall include certain specified domestic companies whose shares are not listed in a recognized stock exchange in India

3. Wealth Tax Act, 1957

Shares in a company held by a shareholder are not treated as an asset within the meaning of Section 2(ea) of Wealth tax Act, 1957: hence, wealth tax is not leviable on shares held in a company

Notes:

a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders

b) In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile

c) 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

For B. VITHLANI & Co.
CHARTERED ACCOUNTANTS

Bhavesh R. Vithlani
MEMBERSHIP NO. 213135

D. ABOUT THE ISSUER
I. INDUSTRY OVERVIEW

A. INDIAN TEXTILE INDUSTRY

Textile Industry in India occupies a very significant place amongst industries and enjoys pivotal position and contributes in the following way:-

- Indian Textile Industry contributes about 11 % to industrial production, 14 per cent to the manufacturing sector, **4 percent to the GDP**
- It **accounts for**12% of country's total export earnings.
- It provides direct employment to over 33.17 million people, the second largest provider of employment after agriculture. Besides, another 54.85 million people are engaged in its allied activities.
- The industry has a total market size of US $52 billion ($32 billion as domestic household consumption and $20 billion as exports). Market size potential for the industry is envisaged at USD 110 billion by 2012. This would create 12 million job opportunities - 5 million direct jobs in textile industry and 7 million jobs in allied sectors.

(**Source:-** http://www.citiindia.com/indian_overview)

Strength of Indian Textile Industry when viewed on global scale, can be measured as follows:-

- **Cotton Fiber production –** Second largest cotton and cellulosic fibers producing country in the world.
- **Silk** – India is the second largest producer of silk and contributes about 18% to the total world raw silk production.
- **Wool** –India has 3rd largest sheep population in the world, having 6.15 crores sheep, producing 45 million kg of raw wool, and accounting for 3.1% of total world wool production. India ranks 6th amongst clean wool producer countries and 9th amongst greasy wool producers.
- **Man-Made Fibres-** the fifth largest in synthetic fibres/yarns.
- **Jute** – India is the largest producer and second largest exporter of the jute goods.
- (**Source:-** http://www.citiindia.com/indian_overview)
- India contributes 20% to world spindleage capacity, the second highest spindleage in the world after China.
- It contributes 6% to the world rotorage and 62% to the world loomage.
- 12% of world production of textile fibres and yarns is from India (**Source:-** https://www.dnb.co.in/SMEstextile/overview.asp)

B. RETAIL INDUSTRY IN INDIA –AN OVERVIEW

Globally Retail is the world's largest private industry with annual sales of r**oughly USD** 8 trillion. Retailing is also one of the biggest contributors to the Gross Domestic Product (GDP) of most countries and also one of the largest employers.
(**Source**: CII McKinsey Report titled "Retailing in India, the Emerging Revolution)

With close to 12 million retail outlets, India has one of the highest retail densities in the world. In terms of the structure, the industry is fragmented and predominantly consists of independent, owner-managed shops. The retail businesses include a variety of traditional retail formats, such as "kirana" stores which stock basic household necessities (including food products), street markets-regular markets held at fixed centres retailing food and general merchandise items, street vendors-mobile retailers essentially selling perishable food items-fruits, vegetables etc and small non specialized retailers.

Classification of Retail Market –

Retailing, in a layman's language involves the procurement of varied products in large quantities from various sources/producers and their sales in small lot for direct consumption to the purchaser.

Retailing can broadly be classified into:

- Organised and
- Unorganized retail.

Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses

Unorganized retailing refers to the traditional form of retailing with the retail outlets situated near the residential areas for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. while organised retailing refers to the modern form of retailing with trading activities generally located in commercial establishments/high-street areas.
(Source:- http://texmin.nic.in/tnpl_chap1.pdf, http://indiafdiwatch.org/fileadmin/India_site/)

Globally, the retail industry has grown at a brisk pace with a Compounded Annual Growth Rate (CAGR) of 7.77% during the period 2001-2006. The growing expanse of the top global retailers has ensured globalization of the industry; however the opportunity for growth of organised retail is immense in countries such as India, S. Korea, and Vietnam etc. where organised retailing is still at a nascent stage.

DRIVERS OF GROWTH IN ORGANIZED RETAILING -

1) **Rising Income Levels –** We believe increasing household income has led to a substantial change in the profile of the Indian consumer. A larger number of households are getting added to the consuming class with growth in income levels.

2) **Young Population with High Disposable Income –** India has the lowest median age of 24, for its over 1,000 million strong population, amongst the other highly populous countries. Thus India has the largest 'young' population in terms of sheer size and we believe this young segment is the major driver of consumption as they have ability (disposable income) and willingness (consumer confidence) to spend. Most of such upwardly mobile consumers have little personal time and they seek greater variety and availability of items under a single roof and give highest preference to convenience, which is the basic proposition of modern retailing formats. The brand-conscious young population forms the largest segment of demand for the majority of retailers.

3) **Media Proliferation -** Another factor that accelerated the concept of organised retail is media proliferation. The resultant exposure to advertisements and brand promotions across product categories has led to a growing consumer spending across a wide range of product categories.

4) **Availability of Quality Real Estate -** Availability of quality real estate has been one of the main constraints for development of organized retail in India. In the past, negative yield on leased property, lack of bank funding and the unorganized property market resulted in dearth of quality retail space in the country. The spread between yield on property and the financing cost has turned positive with the fall in interest rates. Attractive yields on investments have resulted in sharp increase in property development.

5) In addition, the various States governments have taken proactive steps to release large tracts of land for commercial development. Growth of property funds and permission for Real Estate Investment Trusts (REITs) to be set up will further help create a secondary market for real estate in the country.

6) **Increased use of Credit Cards & Enhanced Funding Options -** Supply side changes such as consumer finance help in shaping a markets buying power. Consumer credit, especially through credit cards, has been growing healthily year on year. Financial card usage in India has witnessed tremendous growth with volume transactions experiencing greatest growth at 3,009 % since 1998 to reach Rs.851.8 million in 2003. Value transactions grew 1,339 % to reach almost Rs 403.9 billion in 2003.

7) **Inbound Tourists & shopping -** There is a large NRI population. Given that international lifestyle brands are readily available in their country of migration, this population shops for similar quality merchandise at lower prices in India on their visits here. Additionally, inbound tourists visiting India and shopping here seek similar products at lower costs in a similar environment.

8) **Impact of Globalization -** Globalization has removed trade barriers and promoted consumerism. Over the last decade, there has been an increase in branded goods – both domestic and international – in the Indian market across product categories.

C. APPAREL INDUSTRY IN INDIA

Domestic market

The apparel market in India is estimated at Rs 1,17,300 crore*. It is growing at CAGR 13 per cent and is expected to reach Rs 2,17,000 crore by 2012. The Apparel Market is divided into four categories namely:- Men'**s** wear, Women's wear, Unisex wear, and Kids' wear. Men's apparel market is 35.5 percent of the total apparel market in India and is valued at Rs. 41,700 crores. Preference for readymade garments is increasing and this has become inevitable with the rise in urbanization. Women's apparel market is 32.3 percent of the total apparel market in India and is valued at Rs. 37,900 crores. Kids' apparel market is 24.5 percent of the total apparel market and is valued at Rs. 28,800 crores. Being the brand penetration in this segment lowest at 9 percent shows a lot of potential for the branded players to exploit this segment.The Unisex wear market, valued at Rs. 8,900 crores, is 7.5% of the total Apparel Market.

(**Source:-** http://www.cygnusindia.com/IndustryInsight-ApparelRetailinginIndia-)

Export Market -

The apparel industry is one of India's largest foreign exchange earners, accounting for nearly 16% of the country's total exports. It is estimated that India has approximately 30,000 readymade garment manufacturing units and around three million people are working in the industry. More and more foreign buyers are now sourcing apparel from India . Today many leading fashion labels are being associated with Indian products. India is increasingly being looked upon as a major supplier of high quality fashion apparels and Indian apparels have come to be appreciated in major markets internationally. The credit for this goes to our exporter community.Apparel Domestic market estimates are as follows

(**Source:-** http://www.iimahd.ernet.in/~chandra/papers/TheTextileandApparelIndustry.doc)

Estimation of Size of Indian Garment and Saree, Kurta, ready-made material–

Indian Population	1,028,610,328 (est. 2001 census)
Population of Southern State's	
Total Population in Karnataka, Andhra Pradesh, Kerala, Tamil-Nadu	2,23,307,622 (est. 2001 census)
Total Male Population	111,417,468
Total Female Population	111,890,153
Disposable Income in the hands of each female in Southern States	Rs. 1791.25 per annum
Total Industry Size in 4 states of South India	**Appx. Rs. 20,042 crores.**
(**Source:-** http://en.wikipedia.org/wiki/South_India) (**Source:-** http://www.nationmaster.com/encyclopedia/South-India)	

D. TEXTILE AND APPAREL RETAILING INDUSTRY IN SOUTH INDIA

South India is well known for its natural beauty, but along with that also famous for its textile industry. Textile and Apparel Industry has developed in all four southern Indian states Viz. Andhara Pradesh, Tamilnadu , Karnataka and Kerala.

(**Source:-** http://www.bharatonline.com/andhra-pradesh/art- crafts/ handlooms.html)

ANDHARA PRADESH:- Andhra Pradesh has well developed spinning and processing units. It has good number of 100% EoU's along with 10,759 weaving units with a production capacity of 28,381 million meters of fabric. Processing centers are equipped with a capacity to process 15 million meters of cloth per annum.

Apparels, fabrics, made-ups and furnishings have been identified as growth engines by the State. The domestic sales of the state are expected to be around Rs 12,000 crores (US $ 240 million) per annum by 2010. Exports of apparels from the State are expected to grow steadily to the level of US $ 2 billion by 2010. Renowned for its handlooms, Andhra Pradesh is an ancient institution of hand-woven fabrics. It produces the most exclusive sarees and dress-materials, having delicate and distinctive designs. Each saree boasts of an intricate 'pallu' and delicate border adorned with gold thread work. The looms of Pochampalli, Venkatagiri, Gadwal, Narayanpet and Dharmavaram are well-known for their silk and cotton sarees all over India. **Some of the famous handlooms of Andhra Pradesh are as follows.**

- ✓ **Kalamkari Fabrics -** The Kalamkari fabrics are known world-wide for their attractive designs on carpets, bed sheets, wall hangings, sarees, chintz, table clothes and curtain clothes. Polavaram and Pedana are the major centers of manufacturing Kalamkari block prints. During the rule of Qutub Shahis, Kalamkari art was introduced in the region. Commonly used designs include flowers, birds and animals.

- ✓ **Ikat Weaving Handlooms -** Originated in Nalgonda district, Ikat is an expertise of weaving randomly dyed yarn in natural zigzag or geometric patterns. This art of weaving has been recognized throughout the world. In the present day, Ikat weaving is practiced in the villages like Puttapaka, Pochampalli and Chautuppal.

- ✓ **Chirala Textiles -** Eminent for its textiles, Chirala produces some of the best fabrics of Andhra Pradesh. Here, a large amount of oil is used while preparing yarn for weaving. As soon as the fabric is made, it is smeared with wax & clay and finally, it is dyed in selected colors. Chirala is famous for its bedspreads, curtains, tapestry fabrics and sarees.

- ✓ **Gadwal Sarees -** Gadwal has been known worldwide for its beautiful sarees. The main charm about their saree is that its body is of cotton, whilst the border and pallu are in silk. Actually, the cotton and silk fabrics are woven individually and then attached together to make a complete saree. The 'pallu' and the border are adorned with rich traditional designs.

- ✓ **Dharmavaram Sarees -** Dharmavaram is renowned for its fabulous silk sarees throughout the world. These sarees comprise simple and plain borders without much contrast. Usually, the borders are wide, having brocaded gold patterns and 'pallus' with elegant designs.

- ✓ **Venkatagiri Sarees -** Venkatagiri sarees are known for being adorned with gold threads. Available in cotton and silk, these sarees have borders with pure silver or gold 'zari' (threads) and brocade designs. They are dyed in rich colors with golden dots, leaves, parrots or simple geometrical designs.

- ✓ **Eluru Carpets -** Eluru is illustrious for its flourishing woolen carpet industry. During the Mohammedan rule, the Persians, who migrated here, started the carpet industry. Today, it has become a major part of Andhra handlooms and most of the carpets manufactured here are exported.

- ✓ **Mangalgiri Handlooms -** Located at a distance of 12 kms from Vijayawada, Mangalgiri is a famous pilgrimage center in Andhra Pradesh. Mangalgiri is popular not only for its temple, but also for its elegant cotton sarees and dress materials.

- ✓ **Uppada Sarees -** Uppada is a beach town that is located at a distance of 20 kms from Kakinada. This place is famed for its skillfully designed cotton sarees. One can purchase these beautiful sarees at Peddapuram and Bandarulanka.

KARNATAKA:- Bangalore in Karntaka is known as the 'Garment capital' of India. There is a planned development of Textile Park in offing. In July 2008 the Karnataka Government proposed to establish 11 Textile Parks to give a boost to textile industry in the State. The Textile Parks would be come up in Gulbarga, Davanagere, Bellary, Bangalore, Ramanagaram, Mysore, Belgaum. Besides an Integrated Textile Park at Doddaballapur, Apparel Park Phase II and III at Doddaballapur and High Tech Weaving Park at Mysore would be taken up. Karnataka Industrial Area Development Board (KIADB) has initiated to establish the Textile Park in Davanagere at a cost of Rs 350 lakhs in 60 acres of land at Karur and Davanagere. The textile and readymade garment industry is worth nearly Rs5,000 crore excluding exports, and employs 500,000 workers in and around Bangalore. Karnataka has drafted a textile policy that expects to attract investments worth Rs10,000 crore and create half a million jobs in five years by offering sops to the industry.

(**Source:-** http://www.karnataka.com/industry/textiles.html)

TAMILNADU:- Tamilnadu has been in the forefront in the Indian powerloom industry. The state ranks third only after Maharashtra and Gujarat as regards the number of textile manufacturing units in organised and decentralised sector of the textile industry.The powerloom industry in Tamilnadu provides direct and indirect employment to over 7 lakh workers and is reputed for its powerloom weaving. The state produces large volumes of powerloom items that find a market in every nook and corner of the country and also caters to the fabric needs of the export RMG manufacturing units located in Delhi, Mumbai, Chennai, Bangalore and other centre’s. Coimbatore, Tirupur, Salem and Erode all four major cities of Tamilnadu have their contribution in the growth of this industry. These four cities are known as textile belt of south India and the export revenue it generates is more than Rs. 25,000 crore.. In it the share of only Tirupur is Rs. 11,000 crore and the expected rise is 20-25 percent. The expected flow of investment is Rs. 90,000 crore in this region in various textile activities during next five years. Rs. 50,000 crore will be used only for the textile industry of the Coimbatore region. The future plan is till 2012 with the hope of increase in export and production of textile is Rs. 2,70,000 crore and Rs. 4,95,000 crore. This belt has 2,000 textile mills, large and small both.

Coimbatore is known as the Manchester of South India. It has above 600 cotton mills which manufacture blended yarns and cotton. The production of fabric is done by 10-15 mills Above 100 mills have closed in Coimbatore and in its suburbs in the last ten years. The reason for this closure is wrong estimates and frequent changes in policies of exports. With the quota system they have a hope for bright future prospects.

(**Source:-** http://texmin.nic.in/tnpl_chap1.pdf)

KERALA:- Distinct traditional garb of Keralite women consists of mundu and neriyathu. A mundu is a piece of cloth woven around the waist and the neriyathu graces the upper part of the body, bearing similarity to the ubiquitous dupatta. It is teamed up with a blouse. **Then there**e is the enduring favorite, the traditional white saree with the golden border that is a must buy on trip of Kerala. The natural color of the fabric adds to its charm. Malayali women prefer to wear hand woven saree’s. Textile industry generates huge revenues for Kerala. There are large number of weaving stations across the state and each district has its distinctive insignia. The kalarakudi sarees can be distinguished from mundu veshti. While the Kalarakudi sarees are white cotton muslins with intricate zari embellishing the borders, the mundu veshti sarees weavers used simple colored threads to adorn the pallus. Balaramapuram in Thiruvanathapuram district, the capital of Kerala is the most historically important place for Handloom fabrics, especially the traditional wear. It follows a tradition about 150 years old.

(**Source:-** http://www.mapsofindia.com/maps/kerala/people-culture-and-festivals/textiles)

E. SIGNIFICANCE OF SAREE AS APPAREL IN INDIA –

Saree is one of the most beautiful traditional Indian outfits. A woman looks gorgeous and stunning draping this six yard wonder. It epitomizes the beauty of a woman and exudes feminity in all its grace. Saree in India has a huge market and a very special place in the heart of women. South Indian saree's has its essence spread throughout the country due to the mesmerizing and feminine look that it gives to women. The market of saree's is incredibly vast and customized. The saree is seen as an indispensable part of the Indian Wardrobe, Be it the dazzling Kanjeevarams or the feather-light chiffons, the saree is undoubtedly an elegant attire, donned by countless Indian women, ranging from the homemaker to the diva, from the queen to the working women, from the lively college-goers to the politician simply love to experiment with the saree. Saree is considered is to be an outfit that can wonderfully conceal the body's flaws. When draped properly, a woman can look slim, tall and ethereally beautiful.

It was once believed that the saree in India would not be able to survive in a world of fashion that is dominated by comfortable eastern and western wear like salwar kameez, denims, shirts, suits and trousers. All were proved wrong when a survey data revealed said from 1998 to 2008, sale Sarees an impressive registered a growth of 8.8%. Thus in terms of profit, the saree is making more money in the Indian Market compared to any other western apparel.

SAREE INNOVATIONS IN SOUTH INDIA –

Think of South India and silk sarees invariably come to mind. With changing times, trends in sarees are also changing. Retailers in South India are well known for their innovations in sarees. The occasion of marriage for a South Indian bride is incomplete without a Kanchipuram saree in her trousseau. Among the wide range of silk sarees available in India, from the Benares silk saree to the Patola from Patan, the Kanchipuram saree holds a special position. The strength and magnificence of the Kanchipuram saree makes it one of the favorites among ladies all over the world. Today the market is flooded with all kinds of sarees that range from synthetic varieties to embellished ones. However, India takes pride in its captivating range of traditional sarees. Here are some of the innovations in making of Saree which would make it a formidable challenger to all other alternative outfit for Indian Wome,

Saree – Shirt Combo - A saree-shirt combination, which is known as 'Jodi Pattu'. They have designed sarees with a matching shirt piece, which is meant for the lady's husband. Both the saree and the shirt are made of pure handloom silk. The saree has a beautiful embroidered pallu and matching embroidery is done on the shirt piece too.

Color Changing Saree – A color changing saree is one which changes color. Saree changes colour when lady wearing it moves out of her home. The retailer claims that this is the first ever color-changing saree to be developed in the world.

Good Luck Saree - This saree depicts a famous picture of Lord Krishna in the pallu, in which Swarowski crystals have also been used. This image is believed to bring good luck to the owner.

Zip & Wear Saree - They have designed a saree with four different but matching pallu's. Each of these pallu's has an attached zip. The wearer of the saree can easily detach one pallu and attach another. This saree is popularly known as Zip-n-wear saree.

The Pocket Saree - This is yet another innovative concept. This saree has a pocket, which can hold a cell phone and other small items.

The landscape saree - This new type of saree called the Landscape Saree. This saree is made of pure silk and the design of a rural landscape is woven into the pallu.

The denim saree - The denim saree is a pure silk saree that gives the look of denim, at the same time retaining the soft feel of silk.

The Reversible saree - The reversible saree is another concept. This saree has been designed in such a way that it can be worn in four different ways. There are two different body colors and four different pallu's. This saree comes with two blouse pieces.
The zodiac saree - Zodiac saree contains 12 silk sarees. Each of these sarees has the symbol of a zodiac sign woven into the pallu.

The Jugalbandi saree - The Jugalbandi saree is another unique concept. It combines two totally different concepts. North Indian work like kundan and bead work or Parsi embroidery is done on pure South Indian silk sarees.

The Hamsa Damyanthi - Hamsa Damyanthi is a silk saree, in which the famous painting of Raja Ravi Varma is woven into the pallu. 26 different shades are reflected in the saree, which have been achieved by the use of around 80 different types of threads. This saree won the National Award for master weavers in the year 1999.

Romantica Sarees - Romantica sarees are made of silk, but are stretchable. They are available in various pastel shades. This collection is aimed at the younger generation. These sarees are also available in traditional colors.

The 108 Karnas saree - This is yet another beautiful concept. It is a pure silk saree with the 108 Karnas i.e. the 108 different poses of Bharatnatyam woven into the pallu.

The Aiswariya Pookal Saree – In Aiswariya Pookal saree, 90 different flower designs have been woven into the pallu of this saree. This saree won the National Award for master weavers in the year 1998.

The handbag saree - This is again a saree made of pure silk that comes with a matching handbag.

The Kolangal saree - 'Kolangal' means 'Rangoli' in Tamil. The Kolangal sarees have different traditional forms of Rangoli woven into their pallu. This collection included sarees with Aishwariya Kolam, Mana Kolam, Kubera Kolam, etc.

(Source:-http://www.fibre2fashion.com/industry-article.com)
(Source:- http://www.articlesbase.com/business-articles/saree-innovations-in-south-india)

Although popularity of the saree as routine wear may be declining in India, it is still the dress of choice in marriages and other social occasions. These new innovations in sarees help in increasing the popularity of the sarees and attract the younger generation. Such innovations are ways to add freshness to the traditional saree.

F. FUTURE OUTLOOK

International Market opportunities and challenges

Global Textile and apparel trade is estimated to be €340 billion. Indian industry estimated at €35 billion with exports of €12 billion and employs 35 million people. India is the 2nd largest producer of cotton, largest exporter of yarn (25% of world cotton yarn export). India is a major player in the home textile segment (61% of world loom capacity). The Indian silk industry, which is known for its finery and masterly brocades, are also a great strength to the textile industry. India's key assets include a large and low-cost labour force, good supply of fabric, sufficiency in raw material and spinning capacities. On the basis of these strengths, India is becoming a major outsourcing hub for foreign manufacturers and retailers, with composite mills and large integrated firms being their preferred partners. There is a good scope for increasing India's share in International Apparel market

Globalization has blurred international boarders and world has become a global village. Supply Chain Management and Information Technology take a crucial role in Apparel manufacturing. Global partners in the clothing supply chain are exchanging information electronically, thus the need for Indian Clothing Industry to spruce up. International Business requires generation of real value service for the customers, comprehensive study of multifaceted and multi-layered supply chain, and global integration of supply system in a cost and time effective manner. Inventory planning, sales forecasting, manufacturing strategy, distribution network and transportation management are some of the areas which need improvement. With a wide variety of fabrics and technically-skilled manpower, Indian textile and apparel industry has now become a part of the global supply chain. We should quickly respond to new trends to beat competition from Vietnam, Bangladesh and Sri Lanka.
(**Source:-** https://www.dnb.co.in/SMEstextile/futureoutlook.asp

Domestic market

In domestic market, a strong and one of the world's largest middle class consumers largely consisting of youth with aspiration for better living and ability to support it with good disposable income, shall drive retail apparel industry to new heights in coming years. Particularly in South India and countries with large population of Indian immigrants like Singapore, Malaysia, Shri Lanka,Thailand and western countries likes US, UK, Canads shall provide market for upwardly Saree and other traditional apparels with ceremonial grace.

II.BUSINESS OVERVIEW

Our Business

We are an upcoming retail house in the states of Andhra Pradesh and Karanataka in Southern India focusing primarily on traditional women wear of India i.e. Sarees. As on 31st March, 2009, we operate 9 retail stores out of which 3 are in Hyderabad, 5 are in Bangalore and 1 in Guntur. We have also hired floor space from leading large retailers like Big Bazar for sale of our sarees in their Retail Malls in Hyderabad and Vijaywada. These 9 retail outlets are cumulatively spread over in more than 75,000 square feet and are located in two states in Southern India. We have set up regional distribution centers in Hyderabad and Bangalore.

We started as a retailer of sarees in Hyderabad in August 2005 at a very modest scale with a Retail Outlet of 3500 square feet. In 2005, we hired a retail space in Ameerpet in Hyderabad and displayed the traditional sarees like Silk Sarees, Handloom Sarees, Synthetic Sarees, etc.

We have till today been focusing and concentrating on the sarees segment of women's wear especially mid range and upper range, with a considerable margin. With evolution of retail industry in India and change in consumer aspirations, we diversified our portfolio of offerings to include other retail goods like Women dress materials, Kids wear and Men's wear. Currently, we sell different varieties of sarees for different occasions and ready-made apparels for women, men and kids in our retail malls.

The saree is an incredibly versatile and stylish piece of clothing, as it can be worn in many different ways and can come in different fabrics, colors and designs. Furthermore, Indian Women have always been busy workers, even as homemakers and the saree have fit out changing lifestyle throughout history.

Based on the experience gained during the last 4 years, we believe that Indian Traditional Sarees continue to dominate the women wear trend in India particularly southern part of India.

We follow the concept of value retail in India. In other words, our business approach is to sell quality goods at reasonable prices by procuring it from manufacturers across India. We are well-known in Southern India for the range of sarees displayed at our Retail Malls for their collection, colors, designs, hand work, silk work, from and across India. We endeavour to facilitate one-stop-shopping convenience for our customers and to cater to the needs of the entire family. We believe this concept has helped us grow to our current size within a short time frame of four years.

In order to reduce costs and take advantage of centralized operations for procurement, storage, cost control, inventory control, we have centralized warehousing facility in Hyderabad and Bangalore, which takes care of procurement function of each and every product being sold in our Retail malls across two states in Southern India.

We achieved total sales of Rs. 1272.23 million for fiscal 2009, as opposed to a turnover of Rs. 647.70 million for fiscal 2008 and Rs. 339.48 million for fiscal 2007. During the same period our profit after tax was Rs. 30.81 million, Rs. 15.30 million and Rs. 5.23 million, respectively. As a result, our sales increased between fiscal 2006 and fiscal 2009 at a CAGR of 126.28% and our profit after tax increased between fiscal 2006 and fiscal 2009 at a CAGR of 239%.

Our Competitive Strengths

We believe that the following are our principal competitive strengths, which have contributed to our current position in the retail sector in India:

1. **One of the Prominent Brands - "Kalamandir"**

One of the promoters of our Company Mrs. Chalavadi Jhansi Rani owns "**Kalamandir**" brand and has entered into royalty agreement with our Company for use of brand "**Kalamandir**" for promotion of our retail business. Amongst the traditional sarees, "**Kalamandir**" is very well-known and prominent brand for quality of sarees, designs, collection, silk, hand-work, chiffon, etc. The "Kalamandir" brand reaches out widely to women population in Andhra Pradesh and Karnataka and has been very popular especially for wedding collection. In India, wedding is a big celebration like a festival involving gifting of clothes, so people tend to make arrangements in advance. In India, there is a tradition of dressing rich for any occasion and in marriages, Indians become even more extravagant. The traditional dress for women on marriage is usually Saree or Lahnga. Moreover, not just the bride and groom and other relative too dress rich and they make sure they have the best of the brands. Especially in Southern India, ladies dress even more traditionally and in the search of traditional and contemporary wear they have found the brand "**Kalamandir**" fitting perfectly to their needs. In Southern part of India, wedding is an event associated with lot of fanfare and people make advance arrangements for its celebration.

2. **Catering to Niche and Large segment of Sarees Business in the State of Andhra Pradesh and Karnataka**

The saree is versatile and stylish piece of clothing, as it can be worn in different ways and comes in different fabrics, colors and designs. It represents the traditional attire of household Indian women and at the same time it also befits the corporate culture of present changing era.

Based on the experience gained during the last 4 years, we believe that Indian Traditional Sarees shall continue to dominate the women wear trend in India particularly southern part of India. The history of Indian clothing traces back the sarees to the Indus vally civilization, which flourished in 2800-1800 BC. The origin of saree can also be traced back to ancient times spanning its presence from "Ramayana" and "Mahabharata" Yuga.

We have variety of sarees like Silk Sarees ("Pattu"), Samudrika Pattu, Parampara Pattu, Vastrakala Pattu, Kancheepuram Pattu, Partywear Sarees, Printed Silks, Handloom Silks, Silk Cotton, Crepe Silks, Embroidery Sarees, Kutty Sarees, Casual Wear, Churidhari Materials, Micro Silks, Royal Collections, Executive Collections, Summer Collections, Viscos Geogredde Printed Sarees, etc. We believe that the range of sarees is really very vast and varies from occasion to occasion and festival to festival. In addition to these, the manufacturers of sarees often comes out with new designs and materials every now and then which adds to the flavor of wearing pattern of traditional sarees.

We believe that new trends and customs would continue to evolve and would give further importance to sarees as a traditional wear for Indian women.

Over a period of time, we have understood the taste of Indian women as to their likings and disliking for sarees keeping in mind the tradition, occasion, festivals, comfort, easy to wear, light-weight, prices, colors, designs, materials, seasons, etc.

3. **Concentrating on Wedding Business**

Our business plan involves implementation of the concept of the 'value retailing', targeting the middle and higher middle income groups, which constitute significant part of the population in Andhra Pradesh and Karnataka. We intend to provide quality sarees at competitive prices to our loyal customers. We sell a vast range of sarees in addition to ready made apparels and accessories. Our emphasis has been to maximize the value that the customers derive from spending on products bought in our stores.

We cater to most celebrated use of sarees i.e. wedding. A Hindu wedding ceremony has a number of rituals and customs, each symbolic of vedic tradition. South Indian wedding traditions and ceremonies are no exception. We have special offerings in sarees for wedding ceremonies. Our collection of sarees is largely newly designed and trend oriented as well as custom-suited for the customer.

4. **Presence in Hyderabad, Bangalore and Guntur**

As on 31st March, 2009, we operate 9 retail stores out of which 3 are in Hyderabad, 5 are in Bangalore and 1 in Guntur. Our Hyderabad stores are located in Ameerpet area catering to upper class section and stores located in Dilsukhnagar and Kukatpally areas catering to upper and middle class section of the population.

We have also hired floor space from leading large retailers like Big Bazar for sale of our sarees in their Retail Malls. These 9 retail malls are spread over about 75,000 square feet and are located in two states viz. Andhra Pradesh and Karnataka.

5. **Strategic Store Location**

Our retail store location is in the strategically, key and the most potential areas in the respective cities:-

Hyderabad, Andhra Pradesh, India

a. Ameerpet – This is the shopping hub of Hyderabad, it is a quick drive from the upscale Banjara Hills, Jubilee Hills & Film Nagar Areas.
b. Dilsukhnagar – Densely populated residential area in entire Hyderabad that attracts the upper and middle income group shoppers here.
c. Kukkatpally (KPHB) – KPHB is the country's biggest housing colony and is at close proximity to the Hitech City, Kondapur, and Gachibowli – the second biggest IT hub in India.

Guntur, Andhra Pradesh, India

d. Guntur is the throbbing business district of Coastal Andhra that boasts of a rich populace of Tobacco and chili farmers and exporters.

Bangalore, Karnataka, India

e. M. G. Road – Bangalore's most famous promenade is where the elite shoppers come to revamp their wardrobes.
f. Jayanagar – Asia's biggest housing colony and the address of Bangalore's rich and famous.
g. Malleswaram – Bangalore's one of the oldest and conservative housing area.
h. Marthahalli – In the heart of Bangalore's IT hub.
i. Chickpet – This is South India's second largest wholesale and retail market for Textiles and Gold.

6. Centralized Warehouse and Procurement Section

Our supply chain management involves planning right from merchandize sourcing, standardization of quality in procurement, vendor management, logistics support, quality control, 'pilferage' control and replacement and replenishment. Our supply chain management provides us flexibility to adapt to changing patterns in consumer behaviour and our ability to add value at various steps/levels. In particular, our supply chain management gains strength from our ability to undertake in-house design of saree.

Our distribution and logistics network comprise of central distribution centers located in Hyderabad and Bangalore, which is being closely looked after by our senior management. Besides, we have our own fleet of 3 vans, which helps us to transport and deliver our products in a cost and time efficient manner. We believe that our distribution and logistics set up is well equipped network that allows us to fulfill the store requisition within short time period of receipt of order. This has helped us to optimize in-store availability of merchandise and minimize transportation costs. Our strong distribution and logistics network has enabled us to dispense with the requirement of a dedicated storage space at every store, which is an industry practice, and instead undertake periodical replenishment of depleted stock. Due to adoption of an efficient racking system, we are able to benefit from optimum utilization of the space allocated for display in our stores. This provides us assistance in maintaining a low working capital requirement and less carrying cost.

7. Strong Internal Control Systems

We believe that efficient information technology systems, processes and business applications are essential to handle retail chain of our magnitude. Our office processes are computerized which support procurement, supply chain logistics, distribution centres management and store operations including inventory management and billing. We have our home grown software for Placing of Orders, Inventory Update, Inventory Tracking, Inventory Control, Recording of Sales, etc. All our stores and distribution centre are connected through a company-wide virtual network connection which helps to efficiently manage our network of outlets throughout the country.

We have built a system to monitor the inventory position on a real-time basis at each store, under which a stock requisition or delivery order is generated when pre-determined stock or re-order levels are reached. The re-order levels for stores are determined based on factors such as display levels, lead time for replenishment and average daily sales. We review these re-order levels on continuous basis to factor in variances in demand based on seasons, trends and promotional schemes.

In addition to the information systems installed to check the movement of the inventory and sales, we also have strong security systems at each of the stores and distribution centers, where each and every movement of inventory is being recorded and are reconciled with Information Technology systems at regular intervals to avoid any stock-out situations, missing articles, theft, or pilferage, etc.

8. Experienced and Skilled Management Team

We have an experienced management team which is complemented by a committed workforce. Our management team comprises of talented professionals who are skilled in the retail sector. This has assisted us in management of our stores.

We believe we have created the right balance of performance, bonuses and other incentives for our employees.

We are supported by more than 250 skilled and semi-skilled, mid and front management of incidental and day to day operations.

9. Franchisee Arrangement for Display and Sale of Jewellery in Retail Malls

We believe that we understand the taste and preferences of our target customers better. To provide ease and comfort of shopping and one-stop shopping experience especially for weddings, we have entered into Franchisee Arrangement with well-known jewellers like Tanmai Jewellers Pvt. Ltd. and Shri Balaji in Andhra Pradesh and Sai Swarnamandir Jewellers Pvt. Ltd. and Shri Balaji in Karnataka for display of their jewellery in our stores. This enables us to serve our customers better and satisfy their taste and preferences. Franchisee arrangements boosts our ability to recover the costs incurred on advertisement, rent, electricity and other operational costs.

10. Strong Marketing Team

We believe that to succeed in retail market, we need to have brand recall from our customers. On this belief, we have our own in-house marketing team focusing on developing different strategies to retain the existing customers and attract new customers to increase the footfalls i.e. increase the flow of customers in our stores. We have a full fledged marketing team of 50 persons functioning at our registered office. The marketing team deploys various marketing methodologies to increase footfalls in our stores by advertising our stores and sarees on Television Channels, putting hoardings, Brochures, Newspaper Advertisements, offering discounts on different occasions, tracking the marketing campaigns of our competitors and devising the counter move to restrict our customers to move to any other stores.

In addition to the above, we have a system of collecting feedback from our customers. We offer them, feedback forms, which are usually filled by them there and then, this is a powerful control measure making us instantly aware of where we stand. We take the feedback of our customers spontaneously and have been taking immediate steps to correct any shortfalls. These forms also gives us the details of our customers as names, addresses, contact details, preferences to receive communication by way of phone calls, SMS, advertisements, etc. for any new arrivals, discount offers, season offers, etc. This enables us to be in continuous contact with our customers. We have a database of more than one lakh customers, who are existing and repeat customers for our Sarees, Women wear, Kids wear and Menswear.

Our Strategy

We intend to pursue the following strategies in order to consolidate our position as an operator in the 'value retail' segment in India. Our growth strategy is based on:

Focusing on "Pattu" silk sarees / wedding sarees

We intend to focus on value added sarees segment i.e. "Pattu" silk sarees. We have our own design team focusing on developing new and latest designs for 'Pattu' sarees, which are in demand especially in wedding season. The in-house design team gets to know the latest trend prevailing in the market from the most frequently moving sarees,. They inculcate these designs as it is or in the modified form to the new sarees. We also explore different colour combinations, designs, art work, silk work, quality of materials, etc. Our in-house design team comprises of few members of the management and industry design specialists, who have latest technology for developing new designs. These designs once approved by the management are sent to job-workers for incorporating in the hand woven sarees. We have loyal and best of the job-workers hired for making these sarees. We provide them with the designs, different colour combinations and the quality specifications. Job-workers use their own material and labor and produce sarees according to our specifications. These 'Pattu' sarees are high-range sarees and are generally targeted for rich and upper middle class and upper class section of the population.

The "Pattu" silk sarees have different varieties like Samudrika Pattu, Parampara Pattu, Vastrakala Pattu, Kancheepuram Pattu, Handloom Silks, Silk Cotton, Crepe Silks, Embroidery Sarees, Kutty Sarees, etc. These "Pattu" sarees comes in different range and offers good margin.

Adopting Franchisee model for development of our Sarees business:

We presently have tie-up with Big Bazar, a leading retail store chain headquartered in India for display of our sarees at their stores at places like Ameerpet in Hyderabad and Vijayawada. The display of our sarees at other outlets increases our customer base and enhances our "Kalamandir" brand value. We believe that franchisee model will enhance our sarees business and enhances our brand value.

Developing Key Design Team for Sarees

As our focus and main business is sarees, we plan to enhance the base of our design team and plan to introduce innovative designs, concepts, materials, color combinations, etc., which would build our brand for different varieties of sarees meant for different occasions and festivals. We plan to build key design team, which will have industry experts in sarees and would have understanding of latest trends.

Procurement from low-cost production centres across India

In addition to our strategy to continue procurement of goods from small and medium size vendors and manufacturers which leads to cost efficiencies, we intend to procure sarees from low-cost production centres located across India. Towards this objective, we propose to increase our procurement of sarees and dress materials in bulk from centers like Varanashi (Kashi), Surat, Dharmapuram, Kanchipuram, Ahmedabad, Delhi, Jaipur, Mumbai, Madurai, etc. and thereby realize economies of scale and pass on the benefits so accrued to our customers.

Building business through long-term relationship with customers

We believe that understanding the needs of our customers is of prime importance for the continuous growth of our business. In order to continuously provide customer satisfaction, our customer management team assimilates customer feedback and we endeavour to take necessary steps to address the requirements of our customers. In addition, we plan to introduce co-branded credit card for ease of payments for our customers. We propose to continuously undertake such initiatives to increase the satisfaction of our customers.

Continue to upgrade information technology systems and processes

We believe that any retail business requires efficient information technology systems for control over the functioning of various stores including stock management, pricing and promotion, replenishment, sales, quality control and financial accounting. We are currently in the process of upgrading our information technology set up and have entered into arrangements with leading vendors of information technology services for implementation of more advanced ERP applications such as SAP. We intend to periodically upgrade our information technology systems and processes.

Continue to train employees and seek entrepreneurship from employees

We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We have been successful in building a team of talented professionals and intend to continue placing special emphasis on managing attrition and attracting and retaining our employees. We intend to continue to encourage our employees to be enterprising and expect them to 'learn on the job' and contribute constructively to our business, either through ideas, personal networks or effective knowledge management. We also intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

Increasing customer satisfaction and our base of loyal customers

We believe that understanding the needs of our customers is of prime importance for the continuous growth of our business. In order to continuously provide customer satisfaction, our customer management team assimilates customer feedback and we endeavour to take necessary steps to address the requirements of our customers. In addition, we have introduced, in association with SBI Cards & Payment Services Private Limited, a co-branded credit card. We propose to continuously undertake such initiatives to increase the satisfaction of our customers.

Overview of our Operations

Business Profile and Scale of Operations

As of March 31, 2009, we operate 9 retail stores out of which 3 are in Hyderabad, 5 are in Bangalore and 1 in Guntur. We have also hired floor space from leading large retailers like Big Bazar for sale of our sarees in their Retail Malls. These 9 retail malls are spread over about 75,000 square feet and are located in two major states in Southern India.

In our efforts to strengthen our supply chain, we have set up regional distribution centre one in Hyderabad and one in Bangalore. Set forth below are details of the location of our existing stores in India.

Store	Address	Date of Opening	Sq. Ft (Approx.)
Ameerpet Store	# 6-3-789 Pavani Prestiage Hyderabad-500016	28/9/2005	3500
Kukatpally Store	# 2-22-299/1/7A P.R.R. Estate KPHB Main Road Hyderabad-500072	4/1/2007	21600
Dilsukhnagar Store	# 16-11-515/1 Vijetha Navaratan Trade Center Hyderabad-500060	4/1/2006	11449
Jaya Nagar Store	# 568-60 32nd Cross 14th Main Rd, 4th Block Jayanagar East Bangalore	4/1/2008	5300
Guntur Store	#6-29-26, Opp: Water Tank Koritepadu Main Road Guntur-522007	2/2/2008	8000

Malleshwaram Store	# 340 (old # 522) Jubilee Plaza Sampangi Road Malleshwaram Bengaluru-560003	4/1/2008	3600
Marathahalli Store	Marathahalli Out Ring Road Channapahalli,KR Puram, Opp:Richfield Apartments Marathahalli, Bengaluru	2/10/2008	15200
M.G.Road Store	M.G.Road Boutique # 65 Blue Moon Complex M.G.Road Bengaluru	2/10/2008	2500
Chick Pet Store	D M Arcade Chick Pet Main Road Beside D S Lane Bangalore	26/2/2009	6300
REGISTERED & CORPORATE OFFICE			
Ameerpet Registered Office	# 6-3-790/8, Flat No.1 Bathina Apartments Ameerpet Hyderabad-570016	01/09/2008	3500
CENTRALISED WAREHOUSE AND DISTRIBUTION CENTERS			
A. HYDERABAD, ANDHRA PRADESH			
Kukatpally Warehouse & Distribution Center	H.No.2-23-1/3, Plot No. 3, Survey No. 148, Sathavahana Colony, Kukatpally, Hyderabad – 500072	15/08/2008	25000
B. BANGALORE, KARNATAKA			
Jaya nagar Warehouse & Distribution Center	# 568-60 32nd Cross 14th Main Road, 4th Block Jayanagar East Bangalore	4/1/2008	1400

Region and Year Wise Revenue Break Up **(Rs. In Millions)**

Particulars	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Ameerpet	76.21	163.14	133.21	113.14
Big Bazar – Ameerpet	-	-	17.99	18.53
Big Bazar - Vijayawada	-	-	7.1	6.67
Dilsukh Nagar	33.6	119.77	117.06	140.83
Kukatpally	-	51.56	145.17	178.93
Guntur	-	-	36.44	98.38
Jayanagar	-	-	128.99	296.59
Malleswaram	-	-	61.76	258.32
M G Road	-	-	-	17.43

Chickpet	-	-	-	19.61
Marathahally	-	-	-	72.38
TOTAL	**109.81**	**334.47**	**647.72**	**1220.81**

Our Business Processes

Currently, our business plan involves implementation of the concept of value retail in India. We sell quality products at reasonable prices by directly procuring from manufacturers.

Our business process can be summarized as below:

1.0. Identification of market and product, planning, procurement, storing, pricing and Distribution

1.1. **Segmentation of Target Audience**: The efforts of our retail business are targeted towards families having total income which can be classified under the "middle" and "upper middle" and "upper class" income groups. Accordingly, we plan our strategy to search for areas within cities where such customers are domiciled in large numbers and make efforts to locate ourselves within the reach of such customers.

1.2. **Identification of current market trend** and customer Our marketing team headed by professional from the Industry keeps a close eye on the customer preference and change in the fashion and taste of wide range of customer in apparel industry.

1.3. **Merchandise Planning** Our merchandise planning is based on the concept of category management rather than traditional brand management practices. Further, we adopt various retail methods while formulating our annual merchandising plans, which are based on certain factors discussed below.

Apparels Under category management for, say, apparels, we create and cater to products across length and breadth of a category at different price points, fabrics, designs, shapes, seasons, colors and sizes. We formulate annual merchandising plan for each division of merchandise taking into consideration factors such as past sales data, regional customer tastes and preferences, number of stores (established and proposed), likely fashion and trends, vendor management and price. Each division is further divided into major categories (for instance, men's apparel as a division is further divided into three major categories, namely, upper, lowers and sports and ethnic wear). These major categories are in turn segregated into various sub-categories. For example, men's upper as a major category would be further divided into several sub-categories such as formal shirts, casual shirts, party wear etc. Each subcategory consists of pre-defined SKUs, which are classified on the basis of price point, brand, style, pattern and size. We draw annual sales projections for different SKUs and, accordingly, ascertain our sourcing requirements. Based on such information and lead time estimates for supplies, purchase orders with delivery schedules are issued. The inventory position for each SKU is reviewed fortnightly taking into account the actual sales and variations from the budgeted plans. Regular visits to the stores are made by the category merchandising team to identify the slow-moving-SKUs and explore the options to expeditiously dispose of them.

1.4. **Store Planning**, Layout and Operations We believe that adoption of standard formats for our stores has led to our brand establishment and identification among our customers and will increase our base of loyal customers. In pursuance of this, we have adopted standard parameters for store planning and establishment. For ensuring standardized formats of our stores, we consider various factors, such as internal and external décor and colour schemes, allocation of store space, stock mix and pricing and accounting methods.

1.5. **Procurement of Sarees / Apparels** Upon ascertaining the procurements needs based on each SKU, we explore the various options for sourcing the products. We continuously strive to procure goods from the place of origin to reduce the costs and control the quality. For identifying the vendors, we assess the various possible options on factors such as capacity, credibility in the market, quality awareness and experience. After identifying the vendors for the goods, we place purchase orders based on our SKU-wise plan, estimated lead time of each vendor and quantity to be procured from each vendor. We follow a policy of 'payment on delivery' to negotiate better prices with the vendors and in certain cases we also release payments in advance. To ensure quality of supplies, we check quality by way of random sampling at the time of receipt of the goods. To verify that the quantity of supplies is as ordered, we undertake count-check for every receipt of the goods. We also get sarees manufactured from job-workers as per the specifications of design, quality of materials, colour combinations, size, etc. Job-workers use their own material and labor and supply us the manufactured hand woven sarees to us. We do not closely monitor and supervise the operations of job-worker.

1.6. **Inventory Management, Distribution Network and Logistics** Our distribution network and logistics encompasses all activities to ensure that goods are dispatched in right quantities and at right time to reach stores with sufficient time in hand to promptly cater to customer demands and optimization of inventory position. We have built a system to monitor the inventory position on a real-time basis at each store, under which a stock requisition or delivery order is generated when pre-determined stock or re-order levels are reached. The re-order levels for stores are determined based on factors such as display levels, lead time for replenishment and average daily sales. We review these re-order levels on continuous basis to factor in variances in demand based on seasons, trends and promotional schemes. We have centralized distribution centres spread over approximately 25,000 square feet located at Kukatpally, Hyderabad and approximately 1400 square feet located at Jayanagar, Bangalore. The re-order levels for distribution centre is ascertained on the basis of factors like average daily sales of all the stores services, lead time for replenishment and buffer stock, which caters to both the existing and proposed stores to be fed. As for the stores, we regularly review these re-order levels. Our distribution centre and stores are connected through company-wide virtual network connection through broadband which helps to efficiently manage our network of stores and distribution centres throughout the country. We have a fleet of 3 vans. We primarily utilize our own vehicles to transport the inventory to our stores from the distribution centre. In addition, we use the services of logistic solution providers including low cost transport service providers in order to deliver products on time to our stores and optimize transportation costs. Distribution centre operations have been streamlined through the standardization of racking system, layouts and implementation of automatic replenishment system.

1.7. **Pricing** We follow uniform pricing policy across our stores in respect of products sold by us. This enhances brand loyalty, encourages customer confidence and results in operational convenience. However, the prices may differ in the case of special discounts being offered under different promotional schemes, occasions, etc.

2.0. **Advertisement, sales Promotion and Media Plan**

2.1. **Sales Promotions and Customer Service** Our marketing team is used to plan promotional schemes. We launch promotional schemes based on event. Apart from general sales promotion, the category manager formulates promotional plans for 'slow movers'. In addition, to promote sales, we focus on layout of the stores and positioning, presentation and display of merchandise, in order to appeal to the customer. Under arrangements with some of our merchandise manufacturers, we receive payment on account of display of their products.

2.2. **Advertising and Publicity** We undertake regular promotion of our stores through print media, television and local radio channels and have organized press conferences in the past to promote ourselves. Outdoor advertising such as banners, posters and hoardings are employed to advertise and to increase visibility. Our Company generally carries out its brand building and advertisement campaign through Sumaja Creation for the purpose of advertisement of products, in print publications and non-print media.

3 0. **Internal Control , resource utilization , Cost reduction, Waste minimization**

3 1. **Internal Controls and Cost Reduction Measures** As a value retail chain, we emphasize on reduction of costs at various stages and levels. In addition to reduction of costs of procurement and by way of optimization of inventory, we employ on the following measures to enhance efficiencies and reduce operational and administrative costs:

3 2. **Resource Utilization** We believe in reducing operating and administrative costs by way of optimum utilization of our human and other resources. For instance, we determine the staffing requirement on basis of a matrix containing factors such as store space and footfall intensity. We also train our employees to assume cross-functional responsibilities. As a measure for optimum utilization of our space resources, we have adopted an efficient racking system by deploying relatively higher racks to maximize the space available in a store. The upper slabs of a rack are utilized for storage and the lower ones for display. This helps us in eliminating the need of dedicated storage spaces is most of our stores.

3 3. **Pilferage Control** We have established three-layer security checks to control losses on account of pilferages at our stores. At the first level, our employees screen the goods being carried out of the store by the customers. At the second level, professional security guards oversee the screening process. At the third level, all our stores are covered by closed circuit television monitoring.

3 4. **Wastage Monitoring** We endeavour to reduce wastage of goods at various stages. For instance, for transportation of goods in our trucks, we use iron boxes instead of cardboard cartons to ensure that the damage in transit is minimized. In addition, iron boxes have a longer life and have been more cost efficient.

4 0. Meeting challenges of Franchise model and competition

4 1. **Franchise and Other Arrangements** We have entered into franchise arrangements with Big Bazar to avail their floor space in its stores located at Hyderabad and Vijayawada. Under the franchise agreements, the franchisee operates the stores. The expenditure for establishing the stores is incurred by the franchisees. We share a commission with franchisee out of sales made from store towards the charges for renting of space in the store and display charges. In addition to the above, we also let out certain space in our existing stores to other Companies like Jewelers for display of their Jewellery in our

show rooms. The sales registered in our stores on behalf of franchisee are accounted for in their books and, as a consideration, we receive a fixed commission on sales.

4 2. **Information Technology Systems** We are focused on acquisition and implementation of advanced information technology systems, processes and business applications in order to handle all store operations including inventory management and billing. Our office processes are also computerized which support procurement, supply chain logistics, distribution centers management and inventory control. All the locations are connected through company-wide virtual network connection which helps to efficiently manage our network of outlets throughout the country. We believe that our business requires efficient management and storage of data and information to utilise for business analysis, research and forecast. Based on our existing information technology systems, we are able to generate detailed daily reports covering the various aspects of our business such as division wise sales per store, inventory movement and position at stores and distribution centres and generation of purchase and delivery orders.

4 3. **Competition** We face competition from other retailers of similar products in Hyderabad and Bangalore. These include stand-alone stores in the organized and unorganized sector, as well as other chains of stores. We focus on offering our customers a vast variety of products catering to their diverse requirements and needs. We continuously monitor moves of our competition to be able to meet the challenges posed by them.

6 0. Human Resource management

6 1. **Human Resources** Our human resource policies are aimed towards creating a skilled and motivated work force. We have 272 employees both employed in our stores as well as in our centralized distribution center, on March 31, 2009. The following table provides branch wise details of our employees who are on the pay roll of our Company:

SR. NO.	BRANCH	NO. OF EMPLOYEES
1	HEAD OFFICE	27
2	AMEERPET	25
3	WAREHOUSE	14
4	KUKATPALLY	27
5	DILSUKNAGAR	29
6	BIG BAZAR	13
7	GUNTUR	24
8	ZONAL	7
9	JAYANAGAR	25
10	MALLESWARAM	24
11	MARTHAHALLI	21
12	CHICKPET	21
13	MG ROAD	15
TOTAL		**272**

6 2. **Remuneration and Performance Based Incentives** Our remuneration policy is performance based and we believe it is competitive with industry standards in India. We endeavor to recognize talent and potential in our employees and encourage them to take

additional responsibilities. Based on performance, we calibrate our employees and reward loyalty by preferring in-house promotions. We also offer incentives to our employees based on the type, quantity and amount of products sold.

6 3. **Training** We encourage our employees to be enterprising and expect them to ‘learn on the job’ and contribute constructively to our business, either through ideas, personal networks or effective knowledge management. In essence, we wish to train our employees to become next generation entrepreneurs, who can effectively lead the growth of our business.

6 0. Safe Guarding and legal compliances

6 1. **Insurance** We maintain comprehensive insurance coverage with Tata AIG, Bajaj Allianz, Royal Sundaram and IFFCO-TOKIO for our existing stores, distribution centre, corporate house and trucks. Our insurance policies include comprehensive coverage for electronic equipment, fire and special perils and burglary.

6 2. **Regulations and Policies** For details of the same see the section titled “Regulations and Policies” on page [*]. A senior management functionary is in charge of all major legal compliances.

6 3. **Intellectual Property** For details of the same see the section titled “Government and Other Approvals” on page [*].

7 0. **Shop floor management:** Our Company does not own any immovable property. We conduct our business from stores in respect of which we have entered into lease arrangements with the owners. A complete state of the art management of floor space systems are in place assisted by competent professional to ensure maximum utilization of floor space with ease of movement to visitors and complete monitoring on their movement for security and anti theft measures. We employ best industry practices for upkeep, cleanliness and hygienic ambience giving best of shopping experience to our visitors. Services in some of these areas are outsourced from compete agencies rendering these services and some of them are best managed by in-house staff.

III. KEY INDUSTRY REGULATIONS AND POLICIES

The Company, in its business of retail and establishing retail stores in India, is governed by various legislations as applicable to it, its stores and the goods/products it sells or stores for sale.

Registration Act, 1908

The Registration Act, 1908 ("Registration Act") has been enacted with the object of providing public notice of execution of documents affecting a transfer of interest in property. Section 17 of the Registration Act identifies documents for which registration is compulsory and includes among other things, any non testamentary instrument which purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, in immovable property of the value of one hundred rupees or more, and a lease of immovable property for any term exceeding one year or reserving a yearly rent. Section 18 of the Registration Act provides for optional registration of documents as enumerated in the provision.

The Indian Stamp Act, 1899

The Indian Stamp Act, 1899 ("Stamp Act") provides for the imposition of stamp duty at specified rates on instruments listed in Schedule I of the Act. The applicable rates for stamp duty on these instruments, including those relating to conveyance, are prescribed by state legislation. Instruments chargeable to duty under the Stamp Act which are not duly stamped are inadmissible in a court of law and have no evidentiary value. Public officials have the power to impound such documents and if the executor wants to rectify them, he may have to pay a penalty of up to 10 times the original stamp value.

The Easements Act, 1882

The law relating to easements is governed by the Easements Act, 1882 ("Easements Act"). The right of easement is derived from the ownership of property and has been defined under the Easements Act to mean a right which the owner or occupier of land possesses for the beneficial enjoyment of that land and which permits him to do or to prevent something from being done in respect of certain other land not his own. Under this law an easement may be acquired by the owner of immovable property, i.e. the "dominant owner", or on his behalf by the person in possession of the property. Such a right may also arise out of necessity or by virtue of a local custom.

Shops and Establishments legislations in various states

The Company is governed by the various Shops and Establishments Acts as applicable in the states where it has stores. These acts regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work. The following acts are applicable to our stores.

• The Andhra Pradesh Shops and Commercial Establishments Act, 1988
• The Karnataka Shops and Commercial Establishments Act, 1951

The Trade and Merchandise Marks Act, 1999

Trademarks have been defined by TRIPS as any sign, or any combination of signs capable of distinguishing the goods or services of one undertaking from those of other undertakings. Such distinguishing marks constitute protect-able subject matter under TRIPS. TRIPS provides for initial registration and each renewal for a term of ten years In light of the changes in trade and commercial practices, globalization of trade, the need for simplification and harmonization of trademark registration systems etc., the Indian Parliament undertook a comprehensive review of the Trade and Merchandise Marks Act, 1958 and replaced the same with The Trade and Merchandise Marks Act, 1999. This Act makes the trademarks law in India compatible with TRIPS and also harmonizes it with international systems and practices.

Value Added Tax

The essence of VAT is in providing set-off for the tax paid earlier, and this is given effect through the concept of input tax credit. VAT is based on the value addition to goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. Our Company is also subject to payment of VAT.

Laws relating to Employment:

The Company is governed by the provisions of the Employees' Provident Funds Act, 1952 and the rules made there under and are accordingly required to make periodic contributions to the Employees' Provident Fund Scheme and the Employees' Pension Scheme as applicable

The Company is also required to make contributions under the Employees' State Insurance Act, 1948. For details of the Company's registration under the Employees' Provident Scheme, please refer to the chapter "Government Approvals" on page [*] of this DP. The Company is also governed by the various state legislations applicable in the states where it has stores.

Contract Labour (Regulation and Abolition) Act, 1970.

This legislation applies to every establishment in which twenty or more workmen are employed or were employed in the past twelve months as contract labour and to every contractor employing or having employed in the past twelve months twenty or more workmen.

With the aim of regulating the employment of contract labour in certain establishments and to abolish it in certain circumstances the Government has appointed an authority to ensure adherence to the provisions of this Act. Registration of an establishment has been made mandatory by this Act in the prescribed manner by the employer through an application to the registering authority. The employer and each contractor in relation to each employer are also required to obtain a license from the licensing officers appointed by the Government for the purpose to undertake or execute any work through contract labour. The license may impose conditions as to work, fixation of wages and other essential amenities in respect of contract labour.

The legislation provides for the welfare of the workers by imposing obligations on the employer to provide for canteens, rest rooms, washing facilities etc. Contravention of provisions of this act has been made punishable with imprisonment or with fine.

Employees Provident Funds and [Miscellaneous Provisions] Act, 1952

This Act provides for the institution of compulsory Provident Fund and Deposit-Linked Insurance Fund, for the benefit of the employees in factories and other establishments. It is applicable to any establishment employing twenty or more persons. The contribution to be paid by the employer to the employees provident fund is a specified percentage of the remuneration (as defined) for the time being payable to each of the employees and the employees contribution shall be equal to the contribution payable by the employer in respect of him.

Employees State Insurance Act, 1948

This legislation has been enacted to provide benefits to employees in case of sickness, maternity, employment injury and for certain other matters incidental thereto. Every establishment has to be registered within the specified time and in the specified manner. All the employees in the establishment to which this act applies shall be insured.

The contribution payable in respect of the employee shall constitute of the contribution made by the employer and also of the employee at the rate decided by the Central Government and payable to the Employees State Insurance Corporation. The principal employer has to pay in respect of every employee, whether directly employed by him or by or through an immediate employer, both the employer's contribution and the employee's contribution.

Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979

This Act has been enacted with an aim to regulate the employment of inter-state migrant workmen and to provide for their conditions of service. It is applicable to every establishment employing five or more inter-state migrant workmen or having employed in the past twelve months and to every contractor who employs or who employed five or more inter-state migrant workmen in the past twelve months.

Every Principal Employer of the establishment employing inter-state migrant workmen has to make an application for the registration of the establishment in the prescribed manner and time. Also a contractor employing inter-state migrant workmen has to obtain a license for the same from the licensing officer appointed for the purpose by the Central or the state Government. The license is valid only for a specified period and requires to be renewed at its expiry.

The Act levies some duties on the principal employer and the contractor. The contractor is to provide for adequate wages, medical facilities and other benefits while it is the responsibility of the principal employer to provide for the displacement allowance and journey allowance to the workmen.

Minimum Wages Act, 1948

Any person who employs, whether directly or indirectly or through another person or whether on behalf of himself or any other person, one or more employees in any scheduled employment in respect of which minimum wages have been fixed comes under the purview of this Act. The Government with the objective to prevent exploitation of labour and to provide sustenance and maintenance of the worker and his family fixes these minimum wages Inspectors have been appointed to ensure adherence to the provisions of this Act.

Payment of Bonus Act, 1965

This legislation has been enacted with the objective of distribution of profits earned by the establishment among the workmen. This Act is applicable to every establishment in which twenty or more persons are employed on any day during an accounting year. An employer is bound to pay every employee a minimum bonus of 8.33% of the salary or wage earned by the employee.

Payment of Gratuity Act, 1972

This legislation is applicable to any establishment in which ten or more employees are employed or were employed on any day in the preceding twelve months. An employee to be eligible for payment of gratuity should be in uninterrupted service, as per conditions laid down in the Act. Gratuity shall be payable to an employee on the termination of his employment after the completion of five years of continuous service on superannuating or retirement or resignation and in case of death of an employee it is payable to the nominee of the employee.

Payment of Wages Act, 1936

It applies to persons employed in any establishment either directly or indirectly or through a sub-contractor. Every employee has a right to receive remuneration for the services provided by him. The objective behind this legislation was to ensure that the wages payable to employees are disbursed by the employers within the prescribed time limit and no deductions other than that authorized by law.

Industrial Employment (Standing Orders) Act, 1946

With a view to define conditions of work in any establishment, rules and regulations laid down by this legislation provide for adoption of "standing orders" which regulate, interalia, conditions of service of workmen. This act applies to every industrial establishment where hundred or more workmen are employed on any day in the past twelve months. The employer has to submit to the certifying officer the draft of the standing orders which is then sent to the trade union in case of any or to the workmen for approval. Only on the approval of the draft by the workmen the certifying officer certifies it and a register of the same has to be maintained.

Workmen's Compensation Act, 1923

This legislation was enacted to provide protection from hardship faced by workmen due to accidents, death or occupational diseases and to provide assistance to the family members of the workmen. An employer is made liable to pay compensation for the personal injury caused to a workman by accident, death etc. arising out of and in the course of his employment except in certain cases. A contractor for construction of building is also made liable for the personal injuries of his workmen. The amount of compensation has been stated in the Act depending inter alia on the nature and extent of the injury.

Industrial Dispute Act, 1947

This legislation has been enacted with a view to investigate and settle disputes between the employer and the workmen. It is applicable to any industry wherein systematic activity is being carried on by cooperation between an employer and his workmen whether they are employed directly or through any agency, including a contractor. Works Committee, Boards of Conciliation, Courts of Inquiry, Labour Courts, National Tribunals are the various authorities appointed under this act for the settlement of disputes and the parties can even refer the dispute to arbitration.

Environment (Protection) Act, 1986

The Central Government has been vested with powers to lay down standards for the quality of environment in its various aspects, standards for emission or discharge of environmental pollutants from various sources and to restrict areas in which operations or processes cannot be carried out or shall be carried out subject to certain safeguards. The Central Government also has the power to appoint an authority to inspect the premises of an establishment to ensure implementation of environment protection measures.

Regulations regarding Foreign Direct Investment ("FDI"):

An industrial policy was formulated in 1991 ("Industrial Policy, 1991") in order to implement the economic reforms initiated by the Government of India. The Government of India ("GoI") has since amended the Industrial Policy, 1991, from time to time in order to enable FDI in various sectors of the Indian industry in a phased manner, gradually allowing higher levels of FDI in Indian companies. Under the extant FDI Policy, April 2006, FDI in Indian companies carrying on business in Indian retail and trading sector is prohibited, except "Single Brand Product" retailing. Press Note No. 3 (2006 Series) which provides guidelines for FDI in retail trade of "Single Brand Products", prescribes a 51% cap on the same, with prior Government approval. Further, Press Note No. 4 (2006 Series), which aims at rationalization of the FDI Policy, states that the GoI has decided to allow FDI up to 51 % with prior Government approval for retail trade of "Single Brand Products". In this regard, it is pertinent to note that the corollary changes to the foreign exchange control regulations promulgated by the Reserve Bank of India under the Foreign Investment Management Act, 1999 have not been notified.

IV.HISTORY AND CORPORATE STRUCTURE

HISTORY

Our business was set up as a partnership firm vide Deed of Partnership entered into between Mr. Naga Kanaka Durga Prasad Chalavadi and Ms. Chalavadi Jhansi Rani under the name and style of "Sai Silks" on 10th August, 2005 and the business was done under the trade name and style of "**Kalaniketan**". Thereafter, the brand name of the business was changed to "**Kalamandir**" vide supplement to the partnership deed dated 19th September, 2005. On 1st April, 2006 Mr. A Kalyan Srinivas and Mr. A. Subash Chandra Mohan were admitted as partners. Subsequently, on 12th December, 2007, three new partners, Ms. Annam Suchitra, Ms. Annam Sowjanya and Mr. Annam Venkata Rajesh were admitted to partnership.

Thereafter, our partnership firm was converted in to a private limited Company on 3rd July, 2008 under Part IX of the Companies Act, 1956 under the name and style of Sai Silks (Kalamandir) Private Limited with the Registrar of Companies, Andhra Pradesh, at Hyderabad by conversion of Sai Silks Kalamandir, Partnership firm having its principal place of business at 6-3-790/8, Flat No. 1, Bathina Apartments, Ameerpet, Hyderabad – 500 016.

Our private limited company was subsequently converted into a public limited company by a resolution passed by the members at their Extra Ordinary General Meeting held on 14th May, 2009 under the provisions of section 44 of the companies act, 1956. The fresh certificate of incorporation consequent upon change of name on conversion to public limited company was issued on 21st may, 2009 by the Registrar Of Companies, Andhra Pradesh at Hyderabad and the name of our company was changed to its present name, Sai Silks (Kalamandir) Limited.

Our registered office is situated at 6-3-790/8, Flat No. 1, Bathina Apartments, Ameerpet, Hyderabad – 500 016, Andhra Pradesh. Our Company has not shifted its registered office since its inception.

Our Company is an upcoming retail house in the states of Andhra Pradesh and Karnataka in Southern India focusing primarily on traditional women wear of India i.e. Sarees. As on 31st March, 2009, we operate 9 retail stores out of which 3 are in Hyderabad, 5 are in Bangalore and 1 in Guntur. Besides, we have also hired floor space from leading retailer malls like Big Bazar for sale of our sarees in their Retail Malls. These 9 retail malls are spread over more than 75,000 square feet and are located in two states viz. Andhra Pradesh and Karnataka. In our efforts to strengthen our supply chain, we have set up regional distribution centres, one in Hyderabad and another in Bangalore.

We started as a retailer of sarees in Hyderabad in August 2005 on a very modest scale with a Retail Outlet of 2000 square feet. We hired a retail space in Ameerpet in Hyderabad and displayed the traditional sarees like Silk Sarees, Handloom Sarees, Synthetic Sarees, etc.

We have till today been focusing and concentrating on the sarees segment of women's wear especially mid range and upper range, with a considerable margin. With evolution of retail industry in India and change in consumer aspirations, we diversified our portfolio of offerings to include other retail goods like Women dress materials, Kids wear and Men's-wear. Currently, we sell different varieties of sarees for different occasions and ready-made apparels for women, men and kids in our retail malls.

The saree is versatile and stylish piece of clothing, as it can be worn in different ways and comes in different fabrics, colors and designs. It represents the traditional attire of household Indian women and at the same time it also befits the corporate culture of present changing era. Indian women have always been busy homemakers, the saree has fitted to their changing lifestyle. Based on the experience gained during the last 4 years, we believe that Indian Traditional Sarees will continue to dominate women wear trend in India particularly southern part of India.

We follow the concept of value retail in India. In other words, our business approach is to sell quality goods at reasonable prices by procuring it from manufacturers across India. We are well-known in Southern India for the range of sarees displayed at our Retail Malls for their collection, colors, designs, hand work, silk work, from and across India. We endeavour to facilitate one-stop-shopping convenience for our customers and to cater to the needs of the entire family. We believe this concept has helped us grow to our current size within a short time frame of four years.

In order to reduce costs and take advantage of centralized operations for procurement, storage, cost control, inventory control, we have centralized warehousing facility in Hyderabad, which takes care of procurement function of each and every product being sold in our Retail malls across the States.

We achieved total sales of Rs. 1272.23 million for fiscal 2009, as opposed to a turnover of Rs. 647.70 million for fiscal 2008 and Rs. 339.48 million for fiscal 2007. During the same period our profit after tax was Rs. 30.81 million, Rs. 15.30 million and Rs. 5.23 million, respectively. As a result, our sales increased between fiscal 2006 and fiscal 2009 at a CAGR of 126.28% and our profit after tax increased between fiscal 2006 and fiscal 2009 at a CAGR of 239%.

MILESTONES ACHIEVED BY THE GROUP	
Year	**Milestones**
2005	• Started the First Show Room in Ameerpet, Hyderabad
2006	• Started the Second Show Room in Dilsukhnagar, Hyderabad
2007	• Started the Third Show Room in Kukatpally, Hyderabad
2008	• Started the Fourth Show Room in Jaya Nagar, Bangalore
	• Started the Fifth Show Room in Malleshwaram, Bangalore
	• Started the Sixth Show Room in Guntur
	• Started the Seventh Show Room in Marathahalli, Bangalore
	• Started the Eighth Show Room in M.G. Road, Bangalore
	• Started the Ninth Show Room in Marathahalli, Bangalore
	• Converted the existing Partnership Firm into a Private Limited Company as Sai Silks (Kalamandir) Pvt. Ltd.
2009	• Conversion of our Company from Private Limited to Public Limited
	• Increase in Authorised and Paid up Capital of our Company from Rs. 100 Million to Rs. 200 Million
	• Increase in Authorised and Paid up Capital of our Company from Rs. 200 Million to Rs. 280 Million

Main Objects of our Company:

The main objects of the Company as given in Memorandum of Association of the Company are reproduced below:

1. To convert M/s. Sai Silks (Kalamandir), a partnership firm into M/s. Sai Silks (Kalamandir) Private Limited, which will continue the existing business and takeover as going concern with all assets and liabilities of M/s. Sai Silks (Kalamandir).

2. To carry on the business of importers and exporters, traders, wholesale and retail dealers of and in men's, women's and children's clothing and wearing apparel and readymade, hosiery goods, garments of every kind, nature and description.

3. To carry on all or any of the business of dealers, traders, and manufacturers of all kinds of carpets, durries, mats, rugs, namdas, blankets, shawls, tweeds, linens, flannels and all other articles of woolen and worsted materials and of all articles similar to the foregoing or any of them or connected therewith.

4. To set up and carry on the business of manufacturing, refining, preparing, cleaving, sawing, acquiring, trading, importing, exporting, supplying, distributing and dealing in cut and uncut gems, precious, semi-precious stones, of gold, silver, platinum and all types of precious metals, boart, diamonds including industrial diamonds and pearls including cultured pearls and articles of all kinds of precious and semi precious stones and metals.

5. To commence, establish, set up, carry on, conduct, manage and administer the business of exporting, importing, act as commission agents and/or distributors and / or job work contractors and / or indenters, buying, selling, retailing, through the shops, malls or company's own showrooms or by any methods of sale or display, exporting, acquiring, disposing off, supplying, distribution, ordering, classifying, trading and dealing in all types of textiles, garments, readymade, jewellery whether branded or not.

Our Company has not altered its main objects till date.

Changes in the Memorandum of Association of our Company

Since Incorporation of the Company, the following changes have been incorporated in the Memorandum of Association, after approval of the Members:

Sr. No.	Particulars	Date of Meeting	Nature of Meeting
1	Increase in Authorised Share Capital of the Company from existing Rs. 100 Million to Rs. 200 Millions	26-03-2009	EGM – Ordinary Resolution
2	Conversion of status of Company from Private Limited to Public Limited	14-05-2009	EGM – Special Resolution
3	Increase in Authorised Share Capital of the Company from existing Rs. 200 Millions to Rs. 280 Millions	3-07-2009	AGM – Special Resolution

Subsidiaries of our Company

As per the Audited Balance Sheet as at 31st March 2009, the Company does not have any subsidiary.

Shareholders' Agreement

The Shareholders of the Company have not entered into any kind of shareholders agreement with the Company.

Other Agreements

1. We have entered into a long-term royalty agreement with Mrs. Chalavadi Jhansi Rani, one of the promoters of our Company on 1st October 2005 allowing us to use, advertise and maintain the "**Kalamandir**" brand for business promotions for a period of 10 years at a consideration of Rs. 1,50,000 p.a.
2. We have entered into an Agreement to Sell on 1st September 2008 with M/s. Pantaloon Retail (India) Ltd. for a period of 1 year for display and sale of sarees at the Big Bazar Mall located at Ameerpet in Hyderabad in an area of 1200 square feet in the mall at a consideration of monthly rent of Rs. 3,00,000/- or 10% discount on the value of sarees sold, whichever is higher.
3. We have entered into an Agreement to Sell on 1st September 2008 with M/s. Pantaloon Retail (India) Ltd. for a period of 1 year for display and sale of sarees at the Big Bazar Mall located at Vijaywada in an area of 650 square feet in the mall at a consideration of monthly rent of Rs. 1,31,750/- or 10% discount on the value of sarees sold, whichever is higher.

Except the agreements/contracts entered in the ordinary course of business carried on or intended to be carried on by the Company, the Company has not entered in to any other agreement/contract.

Strategic / Financial Partners

There are no financial / strategic partners of the Company for any projects of our Company.

Kalamandir

V. MANAGEMENT

Our Chairman & Managing Director, Mr. Chalavadi Naga Kanaka Durga Prasad, manages the day-to-day operations of the Company under the overall supervision, direction and control of our Board of Directors.

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

Name, Address, Occupation	**Designation**	**Age**	**Date of Appointment**	**Other Directorships**
Mr. Chalavadi Naga Kanaka Durga Prasad 6-3-345/1/2, 202, Apurupa Classic Apartments, Road No. 1, Banjara Hills, Hyderabad – 500 034 Andhra Pradesh DoB: 07-07-1968 DIN: 01929166 Passport No: F7583321 Occupation: Business	Chairman & Managing Director	41 Years	03-07-2008	➢ Sai Swarnamandir Jewellers (P) Ltd.
Mr. Chalavadi D K Durga Rao H 801 Springfeilds Apartments Opp HDFC Bank Bellandur Gate Sarjapur Road, Bangalore Karnataka-560102 DoB: 03-08-1970 DIN: 02689280 Passport No: 450860209 Occupation: Business	Whole-Time Director	39 Years	01/06/2009	Nil
Mr. Annam Kalyan Srinivas 1-11-220, Flat No.201, Chakkilam Residency, Road NO.4, Gurumurthy Lane, Begumpet, Hyderabad – 500 016 DoB: 16-07-1974 DIN: 02428313 Passport No: F8301629 Occupation: Business	Whole-Time Director	34 Years	01-04-2009	Nil

Mr. Nitin Siddamsetty Plot No.4, P&T Colony, Secunderabad – 500 009 DoB: 04/03/1983 DIN: 01432298 Passport No: G8129046 Occupation: Business	Independent Director	26 Years	01-06-2009	➢ G K Properties Pvt. Ltd. ➢ Siddamsetty Resorts Pvt. Ltd. ➢ Panel Animation Studios Pvt. Ltd.
Ms. Anita Sakuru Plot No. B-35, Road No. 7, and 10, Film Nagar, Jubilee Hills, Hyderabad -500033. DoB: 11-02-1970 DIN: 00475947 Passport No: E1973930 Occupation: Business	Independent Director	39 Years	01-06-2009	➢ Kenexa Technologies Private Limited ➢ Bhrugu Realtors Private Limited ➢ Healthy Agro Enterprises Private Limited ➢ Vanalaxmi Agro Farms Private Limited ➢ Green Mangoes Cinema Private Limited ➢ Ekam Mobile Technologies Pvt. Ltd.
Mr. Laxminivas Jaju 20-2-12, Old Kabutar Khana, Hussaini Alam, Hyderabad – 500 064 DoB: 02-06-1952 DIN: 02697745 Passport No: H3424987 Occupation: Business	Independent Director	57 Years	01-06-2009	Nil

BRIEF BIOGRAPHY OF OUR DIRECTORS

Mr. Chalavadi Naga Kanaka Durga Prasad

Mr. Chalavadi Naga Kanaka Durga Prasad, aged 41 years, is a Master of Business Administration from Institute of Management Education, Pune and Bachelor of Commerce from Nagarjuna University in Andhra Pradesh and experience of more than 5 years in the retail business. He also possesses a degree in Post Graduate Diploma in Computer Applications. He is the Chairman & Managing Director of our Company.

He has got excellent business acumen and this has led to the successful expansion of our showrooms in last 4 years. Over a period of time, he has gained in-depth knowledge and experience in retail business marketing. He handles overall management, finance, internal controls, security systems as well as marketing related activities of the company. He is entrusted with taking strategic decisions of our Company.

Mr. Chalavadi D K Durga Rao

Mr. Chalavadi D K Durga Rao, age 39 years, is a Bachelor of Commerce from Nagarjuna University, Andhra Pradesh and also holds the degree in Master of Computing from Griffith University (Australia). He is having experience of more than 10 years in as a software developer, systems analyst, database administrator for 10 years in USA. He is Whole-Time Director of our Company.

He is the over all in charge of branches of our company at Bangalore. He looks after procurement, Marketing and Research Division & Sales. He has played key role in expansion of retail business of the Company in Bangalore.

Mr. Kalyan Srinivas Annam

Mr. Kalyan Srinivas Annam, age 33 years, is a Master of Business Administration from Institute of Marketing and Management, New Delhi and Bachelor of Commerce from Nagarjuna University in Andhra Pradesh and is having experience of more than 5 years in the retail business. He is Whole-Time Director of our Company. He is associated with us since the incorporation of our Company.

He has gained experience of over 4 years in retail industry. He is entrusted with the administration of Bangalore operations of the Company. The Company has achieved considerable success by expanding operations in Bangalore. He has played key role in expansion of retail business of the Company in Bangalore.

Mr. Nitin Siddamsetty

Mr. Nitin Siddamsetty, age 26, is a Bachelor of Commerce from Osmania University and qualified as a Chartered Accountant. He also has a degree certificate on Independent Producer and Line Director from Hollywood Film Institute. He is having wide experience in Animation and developing education software.

Currently, he is a member of Nasscomm and TiE (The Indus Entrepreneur). He was also having Advisory membership of Aiesec, Vice President of Interact Club of Hyderabad Public School and Director of Junior Jaycees (Secunderabad Paradise Chapter). He is an Independent Director of our Company. He is Founder of Panel Animation Studios Pvt. Ltd Hyderabad, Founder School of Animation Hyderabad 2007-2009. He is an Independent Director on Board of our Company.

Ms. Anita Sakuru

Ms. Anita Sakuru, aged about 38 years is a post graduate in Mathematics from the Birla Institute of Technology Sciences (BITS), Pilani and also a post graduate in Master of Business Administration from Kellogg School Management, Chicago, USA. She has over 15 years rich experience in Information Technology Sector and 5 years in Infrastructure Sector.

She had also worked for Kenexa Technologies in the USA for over 10 years. She is a great strategist and excellent sales person. She was instrumental in defining Kenexa's strategy change from a Head Hunting company to a technology company. Her business strengths include

Operations, Marketing and Processes. Her personal strengths is in motivating teams. She is an Independent Director on Board of our Company.

Mr. Laxminivas Jaju

Mr. Laxminivas Jaju, aged about 57 years is an Independent Director of our Company. He is a Bachelor of Engineering (Mechanical) from Osmania University in the year 1975. He is a Technical & Financial Consultant, Helical Tubes & Ducts Limited, Hyderabad. He has over 30 years of experience in his field.

Details of Borrowing Powers

Pursuant to a resolution passed by our shareholders in their meeting held on 14th May, 2009 in accordance with the provision of the Companies Act, 1956, our Board is authorized to borrow, from time to time, as they may consider fit, any sum of money, on such terms and conditions as the Board may deem fit notwithstanding that the monies to be borrowed together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose so that the total amount of monies so borrowed at any time shall not exceed the sum of Rs. 1500 Million.

The Board was also authorized to do all such acts, deed and things as may be required for the purpose of giving effect to the above resolution.

TERMS OF REMUNERATION OF MANAGING DIRECTOR/ WHOLE TIME DIRECTORS

Mr. Chalavadi Naga Kanaka Durga Prasad

Mr. Chalavadi Naga kanaka Durga Prasad has been appointed as the Chairman & Managing Director of the Company pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions of Companies Act, 1956 and vide approval of the members of the Company at an Annual General meeting held on 3rd July, 2009 for a period of 3 years with effect from 1st June, 2009 at a monthly remuneration of Rs. 3,00,000/- as approved by the Remuneration Committee.

Mr. Chalavadi D K Durga Rao

Mr. Chalavadi D K Durga Rao has been appointed as the Whole-Time Director of the Company pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions of Companies Act, 1956 and vide approval of the members of the Company at an Annual General meeting held on 3rd July, 2009 for a period of 3 years with effect from 1st June, 2009 at a monthly remuneration of Rs. 1,00,000/- as approved by the Remuneration Committee.

Mr. Kalyan Srinivas Annam

Mr. Kalyan Srinivas Annam has been appointed as the Whole-Time Director of the Company pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions of Companies Act, 1956 and vide approval of the members of the Company at an Annual General meeting held on 3rd July, 2009 for a period of 3 years with effect from 1st June, 2009 at a monthly remuneration of Rs. 1,00,000/- as approved by the Remuneration Committee.

Corporate Governance

The Guidelines issued by SEBI in respect of the Corporate Governance shall be applicable to the Company immediately on listing of its equity shares on the Stock Exchanges. On our part, we stand committed to good corporate governance practices like transparency, disclosures and independent supervision to increase the value of our stakeholders. Accordingly, we have already undertaken steps to comply with the SEBI guidelines on Corporate Governance.

The Corporate Governance framework is based on an effective independent Board, separation of the Board's supervisory role from the executive management and the constitution of the Board Committees. Committees of the Board have been constituted in order to look into the matters in respect of remuneration, shareholding, audit and grievances etc., details of which are as follows:

Committees of the Board as required under Clause 49 of the Listing Agreement

Our Company has the following committees formed out of the members of the Board. These committees were constituted on 1st June, 2009.

1. AUDIT COMMITTEE

The Audit Committee was formed in the meeting of Board of Directors held on 1st June 2009. The Committee comprises of the following members:

Name of the Members	Designation	Nature of Directorship
Mr. Nitin Siddamsetty	Chairman	Independent & Non Executive Director
Mr. Laxmi Nivas Jaju	Member	Independent & Non Executive Director
Mrs. Anita Sakuru	Member	Independent & Non Executive Director
Mr. Ch. N. K. Prasad	Member	Executive and Non-Independent Director

The Company Secretary is the Secretary to the Audit Committee.

Terms of reference of the Committee are as follows:

- Review the un-audited quarterly results, half yearly and annual accounts of the company
- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment and removal of Statutory auditors, fixation of audit fee and also approval for payment of any other services
- Reviewing with the management, the annual financial statements before submission to the Board focusing primarily on:
    - (i) Any changes in accounting policies and practices
    - (ii) Major accounting entries based on exercise of judgement by management
    - (iii) Qualifications in draft audit reports

(iv) Significant adjustments arising out of the audit
(v) The going concern assumption
(vi) Compliance with accounting standards

- Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relative etc.; that may have potential conflict with the interests of the company at large
- Reviewing with management, external and internal auditor's, the adequacy of internal control systems
- Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- Discussion with internal auditors any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected of fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board
- Discussion with external auditors before the audit commences, on the nature and scope of audit as well as have post- audit discussion to ascertain any areas of concern
- Reviewing the company's financial and risk management policies
- To look into and review the reasons for substantial defaults, if any, in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

The Chairman of the Audit Committee shall be present at the Annual General Meeting of the Company to provide any clarification on queries from shareholders.

2. REMUNERATION COMMITTEE

The Remuneration Committee was formed in the meeting of board of directors held on 1st June 2009.The Committee comprises of the following members:

Sr. No.	Name of the Directors	Designation	Nature of Directorship
1.	Mr. Nitin Siddamsetty	Chairman	Independent & Non-Executive Director
2.	Mr. Laxmi Nivas Jaju	Member	Independent & Non-Executive Director
3.	Mrs..Anita Sakuru	Member	Independent & Non-Executive Director

The terms of reference of the Remuneration Committee are as follows:

- The Remuneration Committee recommends to the board the compensation terms of the executive directors / non-executive directors
- Framing and implementing on behalf of the Board and on behalf of the shareholders, a credible and transparent policy on remuneration of executive directors including ESOP, Pension Rights and any compensation payment
- Considering approving and recommending to the Board the changes in designation and increase in salary of the executive directors
- Ensuring the remuneration policy is good enough to attract, retain and motivate directors

Bringing about objectivity in deeming the remuneration package while striking a balance between the interest of our Company and the shareholders

The Company Secretary is the Secretary of the Committee.

3. INVESTOR GRIEVANCE & SHARE TRANSFER COMMITTEE

The **Investor Grievance & Share Transfer Committee** was formed in the meeting of board of directors held on 1st June 2009.The Committee comprises of the following members:

The Committee comprises of the following persons:

Name of the Members	Designation	Nature of Directorship
Mr. Laxmi Nivas Jaju	Chairman	Independent & Non Executive Director
Mr. Anita Sakuru	Member	Independent & Non Executive Director
Mr. Chalavadi Naga Kanaka Durga Prasad	Member	Executive & promoter Director

The terms of reference of the Investor Grievance & Share Transfer Committee are as follows:

To supervise and ensure:

(i) Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares and debentures;

(ii) Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;

(iii) Issue of duplicate / split / consolidated share certificates;

(iv) Allotment and listing of shares;

(v) Review of cases for refusal of transfer / transmission of shares and debentures;

(vi) Reference to statutory and regulatory authorities regarding investor grievances; And

(vii) To otherwise ensure proper and timely attendance and redressal of investor queries and grievances.

The Company Secretary is the Secretary of the Committee

Shareholding of Directors

The Articles of Association of the Company does not require the Directors to hold any equity shares in the Company as qualification shares. The following table sets out the shareholding of the Directors who hold shares either in their personal capacity or as joint holder, as on the date of this Draft Prospectus.

Sr. No.	Name of Directors	Number of equity shares of face value of Rs 10/- each	Percentage of Pre Issue Share Capital (%)
1	Mr. Chalavadi Naga Kanaka Durga Prasad	1,60,00,000	80.00%
2	Mr. Chalavadi D K Durga Rao	Nil	0.00%
3	Mr. Annam Kalyan Srinivas	14,00,000	7.00%
4	Mr. Nitin Siddamsetty	Nil	0.00%
5	Mr. Laxmi Nivas Jaju	Nil	0.00%
6	Ms. Anita Sakuru	Nil	0.00%
	TOTAL SHARES	**1,74,00,000**	**87.00%**

Interest of Directors

Except as stated under the caption "Related Party Transactions" under "Financial Information – Auditors Report" of this Draft Prospectus, and to the extent of shareholding in the Company, the Directors do not have any other interest in business of the Company. Except to the extent of their remuneration as mentioned under the heading "Remuneration of Managing Director/Whole time Director" of this Draft Prospectus, and their shareholding or shareholding of companies they represent, the Directors, do not have any other interest in the Company.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

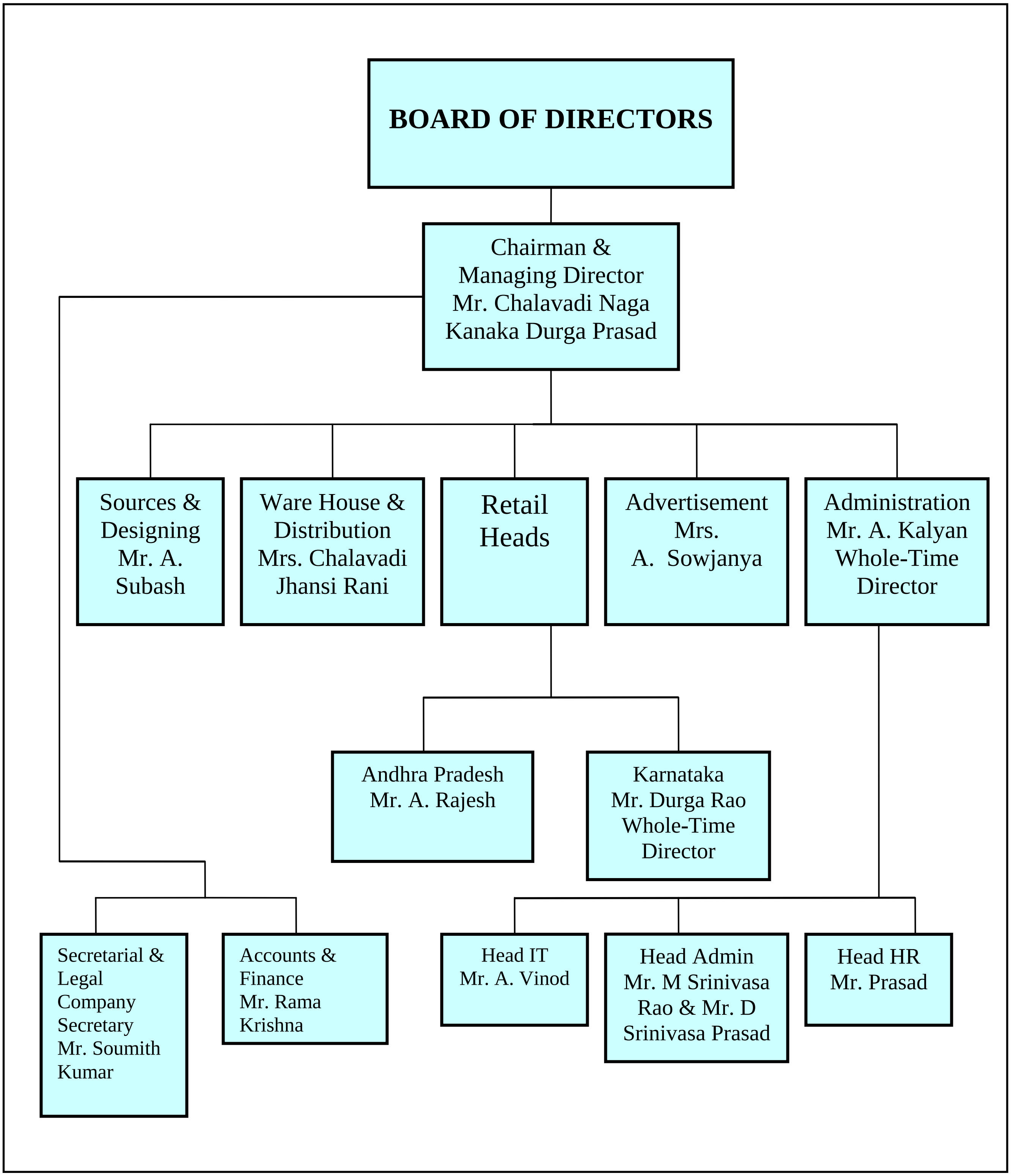
Except as stated otherwise, in this Draft Prospectus, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of this Draft Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in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

Changes in the Board of Directors in the last 3 years

Name	Date of Appointment / Cessation	Reason of Change
Mr. Chalavadi Naga Kanaka Durga Prasad	3rd July 2008	Appointed as First Director on Conversion from Partnership Firm to Pvt. Ltd. Company
Mr. Annam Subash Chandra Mohan	3rd July 2008	Appointed as First Director on Conversion from Partnership Firm to Pvt. Ltd. Company
Mr. Annam Kalyan Srinivas	1st April 2009	Appointed as Director
Mr. Chalavadi Naga Kanaka Durga Prasad	1st June 2009	Appointed as Chairman & Managing Director

Mr. Chalavadi D K Durga Rao	1st June, 2009	Appointed as Additional Director and Whole-Time Director
Mr. Nitin Siddamsetty	1st June 2009	Appointed as Additional Director
Ms. Anita Sakuru	1st June 2009	Appointed as Additional Director
Mr. Laxminivas Jaju	1st June 2009	Appointed as Additional Director
Mr. Annam Subash Chandra Mohan	1st June 2009	Cessation as Director from the Board of our Company
Mr. Annam Kalyan Srinivas	1st June 2009	Appointed as Whole-Time Director
Mr. Chalavadi D K Durga Rao	3rd July 2009	Appointed as Director in AGM
Mr. Nitin Siddamsetty	3rd July 2009	Appointed as Director in AGM
Ms. Anita Sakuru	3rd July 2009	Appointed as Director in AGM
Mr. Laxminivas Jaju	3rd July 2009	Appointed as Director in AGM

MANAGEMENT ORGANISATION CHART



KEY MANAGERIAL PERSONNEL:

BRIEF DETAILS OF OUR KMPs ARE AS FOLLOWS:

Mrs. CHALAVADI JHANSI RANI, 40 years, is the Head of Warehouse and Distribution of our Company. She holds a bachelors degree in Commerce from Nagarjuna University, Andhra Pradesh. She is an entrepreneur and was a partner in Sai Silks (Kalamandir) a Partnership firm from 2005 and was responsible for business operations including marketing and sales, administration human resources. She is also one of the promoters of our Company.

Mr. ANNAM SUBASH CHANDRA MOHAN, 34 years, is the Head of sourcing and Designing of the textiles and Selection of the ready made garments of our Company. He holds a bachelors degree in Commerce from Nagarjuna University, Andhra Pradesh. He is also a Post Graduate Programme in Business Administration from Institute of Management Education (Pune). Prior to joining our company he was employed with organizations like Times Bank Ltd, Prathiba Advertising, Pearl Beverages Limited, Marketing and Research Services. He has vast experience in the field of designing sarees and other clothing material based on the taste and preference of the consumers. He joined our Company on 3rd of July, 2008.

Mrs. ANNAM SOWJANYA, 30 years, is the Head Advertising the Products of our Company. She holds a bachelors degree in Science from Nagarjuna University, Andhra Pradesh. She has done her Post Graduate Diploma in Computer Applications (IGNOU). Prior to joining our Company, she has experience of working as Faculty with Institutions like Techno Computer Point, Sri Majesty Guravaiah Degree College. She joined our Company on 3rd of July, 2008. She has vast experience in the field of Advertising the Products and creating their Brand value.

Mr. ANNAM VENKATA RAJESH, 31 years is the head of all the Showrooms of our Company in Andhra Pradesh. He holds a bachelors degree in Commerce from Nagarjuna University, Andhra Pradesh. He has vast experience in managing the day to day activities of the needs of the Show Rooms in Andhra Pradesh. He joined our Company on 3rd of July, 2008. He is in charge of looking after product development of our Company.

Mr. ORUGANTI RAMAKRISHNA, 36 years, is the Manager (Accounts) of our Company. He holds a bachelors degree in arts from Nagarjuna University. He has four years of experience in the field. Prior to joining our Company he was employed with Kalaniketan as Accounts Head. He joined our erstwhile firm on 28th of September, 2005. He is in charge of maintaining the day to day accounts of the Company.

Mr. GANESHAN VINOD KUMAR, 36 years, is the Manager (Information Technology) of our Company. He holds a bachelors degree in commerce from Osmania University and Post Graduate diploma in Business Administration. He has also obtained Microsoft Dynamics Certification. He has over three years of experience in the Information Technology Sector. Prior to joining our Company, he was employed with B2B Software Technologies Limited as a Team Leader. He joined our company on 10th December, 2007.

Mr. PEDAPUDI PRASAD, 24 years, is the Manager (Human Resources) of our Company. He holds a Masters degree in Human Resource Management and Marketing Management from Andhra University. He has over one year experience in Human Resource Management. He joined our company on November 12, 2007.

Mr. M SREENIVASA RAO, 42 years, is the Manager (Administration) of our company. He holds a bachelors degree in commerce from Nagarjuna University. He joined our company on 12th of November, 2007.

Mr. D. SRINIVAS PRASAD, 34 years, is the Senior Manager (Accounts & Administration) of our Company. He holds a bachelors degree in commerce and law. He has been working with us since incorporation of our Company.

Mr. SOUMITH KUMAR SIKINDERPURKAR, 24 years, is the Company Secretary of our Company. He holds a bachelors degree in commerce from Osmania University, Hyderabad and is an associate member of the Institute of Company Secretaries of India. He has over 1 Year of experience and prior to joining our Company he was associated with M/s. Avantel Limited, Hyderabad a BSE Listed Company. He joined our Company on 1st of May, 2009. His responsibilities include ensuring with all Legal and regulatory requirements for the smooth functioning of the business of our Company.

Name	Qualification	Designation / Date of Appointment	Experi-ence in years	Last Employment	Share-holding in the Company
Mrs. Chalavadi Jhansi Rani	B. Com	Head - Warehouse and Distribution 3-07-2008	5 Years	Entrepreneur & erstwhile Partner of Sai Silks (Kalamandir)	19,00,000
Mr. Annam Subash Chandra Mohan	B. Com, PGPBA (Pune)	Head - Sourcing and Designing of the textiles and selection of ready made garment 03-07-2008	4 Years	Times Bank Ltd, Prathiba Advertising, Pearl Beverages Limited	4,00,000
Mrs. Annam Sowjanya	B. Sc., PGDCA	Head – Advertising/ 03-07-2008	3 years	Techno Computer Point - Sri Majety Guravaiah Degree College	1,00,000
Mr. Annam Venkata Rajesh	B. Com	Head – Operations (AP) / 03-07-2008	4Years	3rd Eye Advertising Agency	1,00,000
Mr. Oruganti Ramakrishna	B. A.,	Manager (Accounts) / 28-09-2005	4 Years	Kalaniketan	NIL
Mr. Ganeshan Vinod Kumar	B. com, PGDBA	Manager (IT)/ 10-12-2007	3 Years	B2B Software Technologies	NIL

				Limited	
Mr. Pedapudi Prasad	MBA (HR) & (Mktg.)	Manager (HR) / 12-11-2007	1Year	Nucon Industries Pvt. Ltd.	NIL
Mr. M Sreenivasa Rao	B. Com	Manager (Admin.) / 12-11-2007	22 Years	Indian Air Force	NIL
Mr. D. Srinivas Prasad	B.Com, LLB	Manager (Accounts & Admin.)	4 Years	Kalaniketan	NIL
Mr. Soumith Kumar Sikinderpurkar	B. Com, ACS,	Co. Secretary/ 01-05-2009	1 Year	Avantel Ltd.	NIL

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

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any Director or Key Managerial Personnel was selected.

Shareholding of Key Managerial Personnel

Currently none of the Key Managerial Personnel hold shares in our Company except Mrs. Chalavadi Jhansi Rani who holds 19,00,000 shares, Mr. Annam Subash Chandra Mohan who holds 4,00,000 shares, Mrs. Annam Sowjanya who holds 1,00,000 shares and Mr. Annam Venkata Rajesh who holds 1,00,000 shares.

Bonus or profit sharing plan for the Key Managerial Personnel

There is no fixed or certain bonus or profit sharing plan for the Key Managerial Personnel except the bonus paid including under the payment of Bonus Act, 1972 to the Key Managerial Personnel.

Interest of Key Managerial Personnel

Except the payment of salaries and perquisites in accordance with their terms of employment and reimbursement of expenses incurred in the ordinary course of business and Transactions as described in the "Related Party Transactions" at Annexure – XIV of the Statement of Restated Accounts at page no. [*] of the Draft Prospectus, we have not paid / given any benefit to any of our key managerial personnel within the two preceding years and we do not intend to pay / give any benefit to any key managerial personnel of our Company.

Changes in Key Managerial Personnel during last three years.

Other than the following, there has been no change in the Key Managerial Personnel of the Company during the last three year**:**

Sr. No.	Name	Designation	Appointment / Resignation	Date of Appointment / Resignation
1	Chalavadi Jhansi Rani	Head-Warehouse and Distribution	Appointment	03-07-2008
2	Annam Subash Chandra Mohan	Head – Sourcing, Designing and Selection	Appointment	03-07-2008
3	Annam Sowjanya	Head – Advertising	Appointment	03-07-2008
4	Mr. Annam Venkata Rajesh	Head – Operations (AP)	Appointment	03-07-2008
5	Mr. Oruganti Ramakrishna	Manager (Accounts)	Appointment	28-09-2005
6	Mr. Ganeshan Vinod Kumar	Manager (IT)	Appointment	10-12-2007
7	Mr. Pedapudi Prasad	Manager (HR)	Appointment	12-11-2007
8	Mr. M Sreenivasa Rao	Manager (HR)	Appointment	12-11-2007
9	Mr. Soumith Kumar Sikinderpurkar	Co. Secretary	Appointment	01-05-2009

Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

Till date, Our Company has not introduced any Employees Stock Option Scheme / Employees Stock Purchase Scheme.

Payment or Benefit to Officers of the Company

Except the payment of salaries and perquisites in the normal course of business, the Company makes ex-gratia payments to its officers as and when it deems fit.

VI. PROMOTERS / PRINCIPAL SHAREHOLDERS

	**Mr. CHALAVADI NAGA KANAKA DURGA PRASAD** Mr. Chalavadi Naga Kanak Durga Prasad, aged 41 years, is a Master of Business Administration from Institute of Management Education, Pune and Bachelor of Commerce from Nagarjuna University in Andhra Pradesh and experience of more than 5 years in the retail business. He also possesses a Post Graduate Diploma in Computer Applications. He is the Chairman & Managing Director of our Company. He has got excellent business acumen and this has led to the successful expansion of our showrooms in last 4 years. Over a period of time, he has gained in-depth knowledge and experience in retail business marketing. He handles overall management, finance, internal controls, security systems as well as marketing related activities of the company. He is entrusted with taking strategic decisions of our Company. He is instrumental in expanding horizons of the business. Hence, beyond management, he also maintains his focus on new business arenas and increasing assets of the Company. PAN: AERPC9565R Passport No: F7583321 Driving License: Not Available Voter ID No: Not Available
	**Mrs. CHALAVADI JHANSI RANI,** Mrs. Chalavadi Jhansi Rani, 40 years, is the Head of Warehouse and Distribution of our Company. She holds a bachelors degree in Commerce from Nagarjuna University, Andhra Pradesh. She was erstwhile partner in Sai Silks (Kalamandir) a Partnership firm from 2005 and was responsible for business operations including marketing and sales, administration human resources. She is one of the Promoter of our Company since its Incorporation. PAN: AERPC9559B Passport No: A9366150 Driving License: Not Available Voter ID No: Not Available

PROMOTERS GROUP

1. Natural persons forming part of our Promoter Group (due to relationship with the Promoters)

In terms of 6.8.3.2 Explanation II of the SEBI (DIP) Guidelines, the following persons form part of our Promoters Group

Relationship	Promoters who are individuals	
	Mr. Chalavadi Naga Kanaka Durga Prasad	**Mrs. Chalavadi Jhansi Rani**
Brother	Mr. Chalavadi D K Durga Rao	Mr. Annam Kalyan Srinivas Mr. Annam Subash Chandra Mohan Mr. Annam Venkata Rajesh
Brother's Wife	--	Mrs. Annam Suchitra Kalyan Srinivas Mrs. Annam Sowjanya Subash Chandra

2. In case Promoter is a Company:

Our company has no Promoter, which is a company

3. In case the Promoter is an Individual

Relationship	Mr. Chalavadi Naga Kanaka Durga Prasad	Mrs. Chalavadi Jhansi Rani
Any company in which 10% or more of the share capital is held by the promoter or a firm or HUF in which the promoter or any one or more of his immediate relatives is a member	**Sai Swarnamandir Jewellers Pvt. Ltd.**	--
Any company in which a company (mentioned above) holds 10% or more of the equity share capital	- -	- -
Any HUF or firm in which the aggregate share of the promoter and his immediate relatives is equal to or more than 10% of the total holding	**-M/s. Sai Readymades** **-M/s. Sai Retail India** **-M/s. SSS Marketing** **-M/s. Sumaja Creation**	**-M/s. Sai Readymades** **-M/s. Sai Retail India** **-M/s. SSS Marketing** **-M/s. Sumaja Creation**

Corporate Promoters

There is no Corporate Promoter in the Company.

Common Pursuits

Our Promoters have promoted/ managed entities in the textile, retail, jewellery trading, etc. businesses which include **M/s. SAI READYMADES**, **M/s. SSS MARKETING** , **M/s. SAI RETAIL INDIA** , **M/s. SUMAJA CREATION and SAI SWARNAMANDIR JEWELLERS PVT. LTD.** and they are presently engaged in these activities. We do not have a non-compete agreement or understanding with any of those entities. All the aforesaid entities are authorised to carry on the said business activities by their respective constitutional documents and this may lead to conflict of interest situation in future. However, as of now, none of these entities are directly competing with the company in the business and geography in which it operates.

Interest of Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, their friends, relatives, and benefit arriving from their holding directorship in the Company.

The Promoters are not interested in any property acquired by the Company within two preceding years from the date of the Draft Prospectus.

Other than the remuneration and perquisite to the Promoter appearing on page [*] and as described in the "Related Party Transactions" at Annexure – XIV of the Statement of Restated Accounts at page no. [*] of the Draft Prospectus, there are no payment or benefit to the Promoters of the Company.

The Promoters are not interested in any loan or advance given by the Company, neither are their beneficiaries of any such loans or advances other than as described in the "Related Party Transactions" at Annexure – XIV of the Statement of Restated Accounts at page no. [*] in the Draft Prospectus.

Payment or Benefit to Our Promoter

For details of payments or benefits paid to our promoters, please refer to paragraph "Remuneration to Chairman / Managing Directors / Whole time Directors", "Interest of Promoter" and "Statement of Transactions with Related Parties" beginning on page [*]of this Draft Prospectus.

Dissociation Details
None of the promoters have disassociated themselves from any of the Companies/ firms during preceding three years.

Related Party Transaction

For details on related party transactions refer to "Statement of Transactions with Related Parties" under the section titled "Financial Statements" beginning on page [*] of this Draft Prospectus.

Currency Presentation

In this Draft Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

In the Draft Prospectus all references to "Rupees", "INR, "Rs." and "Indian Rupees" are to the legal Currency of the Republic of India.

Dividend Policy

This, being the first year of operations of the Issuer Company, there is no set dividend payment policy. Dividend is intended to be declared based on the quantum and availability of future profits and will be disbursed based on shareholders' approval upon recommendation of the Board of Directors. Till date, the amount, otherwise available for dividend has been completely deployed for expansion of business. However, the Company will set forth proper dividend policy after the Public Issue procedure is completed and will confirm to act accordingly.

SECTION E – FINANCIAL INFORMATION

I. RESTATED ACCOUNTS AS AT AND FOR THE PERIOD ENDED MARCH 31, 2009

The Board of Directors
Sai Silks (Kalamandir) Limited
(Formerly known as Sai Silks (Kalamandir) Private Limited)
6-3-790/8, Flat No. 1, Bathina Apartments,
Ameerpet, Hyderabad - 500016

A 1. We have examined the annexed financial information of Sai Silks (Kalamandir) Limited ('the Company') (formerly known as Sai Silks (Kalamandir) Private Limited) for the four financial years ended 31st March 2009 being the last date to which the accounts of the Company have been made up and audited.

Sai Silks (Kalamandir) Limited was earlier operated in the name of Sai Silks (Kalamandir) as a Partnership Firm and converted into Sai Silks (Kalamandir) Private Limited on 3rd July 2008 under Part IX of the Companies Act, 1956 taking over the business of Sai Silks (Kalamandir) with effect from 3rd July 2008.

Sai Silks (Kalamandir) Private Limited was converted into a public company, Sai Silks (Kalamandir) Limited on 14th May 2009.

The financial information is based on the accounts audited by M/s. B.Vithlani & Co., Chartered Accountants for the four financial years ended 31st March 2009 and approved by the Board of Directors of the Company for the purpose of disclosure in the Draft Prospectus being issued by the Company in connection with the Public Issue of Equity Shares in the Company (referred to as 'the Issue')

2. In accordance with the requirements of:
(i) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act')
(ii) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 ('SEBI Act, 1992') and related amendments and
(iii) Our terms of reference with the Company dated June 14th June 2009 requesting us to carry out work in connection with the Draft Prospectus as aforesaid,

2.1 We report that the restated financial statements of the Company for the four financial years ended 31st March 2009 are set out below;

These profits/losses have been arrived at after charging all operating and management expenses, including depreciation and after making such adjustments/restatements and regroupings as in our opinion are appropriate and are subject to the Accounting Policies and Notes thereon given below.

2.2 We report that restated assets and liabilities of the Company for the above periods are as set out below after making such adjustments/restatements and regroupings as in our opinion are appropriate and are subject to the Accounting Policies and Notes thereon given below.

B We have examined the following financial information relating to the Company proposed to be included in the Draft Prospectus, as approved by the Board of Directors and annexed to this report.

Sr. No	Statements	Annexure No.
1.	Statement of Profit and Losses as Restated	Annexure - I
2.	Statement of Assets and Liabilities as Restated	Annexure – II
3	Statement of Restated Cash Flow	Annexure – III
4	Statement of Accounting Policies for the Restated Accounts	Annexure-IV
5.	Statement for Investments	Annexure-V
6.	Statement of Dividend Paid	Annexure – VI
7.	Statement of Accounting Ratios	Annexure – VII
8.	Statement of Capitalization	Annexure – VIII
9.	Statement of Tax Shelter	Annexure – IX
10.	Statement of Other Income	Annexure – X
11.	Statement of Sundry Debtors	Annexure - XI
12.	Statement of Loans and Advances	Annexure - XII
13.	Statement of Secured and Unsecured Loans	Annexure - XIII
14.	Statement of Related Party Disclosures	Annexure-XIV

Note: The information for the financial year 2005-06 relates to the operations for 8 months starting from 10th August 2005 to 31st March 2006.

C a) In our opinion the financial information of the Company as stated in Para A and B above read with respective significant accounting policies, after making groupings, adjustments/restatements as were considered appropriate by us and subject to non adjustments of certain matters as stated in Notes to Accounts, has been prepared in accordance with Part II of Schedule VI of the Companies Act, 1956 and the SEBI Guidelines.

b) The statement of Tax Benefits states the tax benefits available to the Company and its shareholders under the provisions of the Income Tax Act, 1961 and other direct tax laws presently in force in India. The contents of this statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the Income Tax Laws of India as of date.

d) This report is intended solely for your information and for inclusion in the Draft Prospectus in connection with the specific Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For B. Vithlani & Co.
Chartered Accountants

Bhavesh R. Vithlani
Proprietor
M.No. 213135

Place: Hyderabad

Date: 29th June 2009

Annexure-I
Restated Statement of Profits & Loss Account

(Rs. in Millions)

Year Ended March 31,	**2009**	**2008**	**2007**	**2006**
INCOME				
Sales :				
Of products manufactured by the company	-	-	-	-
Of products traded in by the company	1272.23	647.70	339.48	109.81
Total Sales	**1272.23**	**647.70**	**339.48**	**109.81**
Other Income	8.25	14.92	5.92	1.13
Increase / (Decrease) in Inventories	328.26	71.31	113.28	51.39
Total Income	**1608.74**	**733.94**	**458.68**	**162.33**
EXPENDITURE				
Purchases	1182.00	558.35	392.10	144.04
Staff Costs	43.69	25.35	16.02	5.30
Administration Expenses	109.23	44.57	22.78	7.75
Selling and Distribution Expenses	155.97	60.89	12.65	3.16
Depreciation	9.38	4.71	3.54	0.86
Finance Charges	54.51	21.49	3.94	0.37
Directors / Partners' Remuneration	6.86	1.23	1.50	0.00
Preliminary Exp. Written-off	0.07	0.00	0.00	0.00
Total Expenditure	**1561.72**	**716.58**	**452.52**	**161.49**
Profit before Tax before Restatement of Accounts	**47.02**	**17.36**	**6.15**	**0.84**
Provision for Taxation	16.79	2.40	2.11	0.40
Net Profit before Restatement of Accounts	**30.23**	**14.96**	**4.05**	**0.44**
Adjustments arising on account of Restatement of Audited Accounts	**0.58**	**0.34**	**1.19**	**0.34**
- Depreciation (Income)	0.00	0.65	1.39	0.41
- Provision for Gratuity (Expenditure)	(0.58)	0.31	0.20	0.07
Adjusted Net Profit	**30.81**	**15.30**	**5.23**	**0.79**

Note: The above statement should be read with the significant accounting policies and notes to the accounts for restated financial statements as appearing in Annexure to the report.

Annexure-II
Restated Statement of Assets and Liabilities

(Rs. in Millions)

	Year Ended March 31,	2009	2008	2007	2006
A	**Fixed Assets:**				
	Gross Block	178.36	111.75	38.70	11.45
	Less: Depreciation	18.49	9.11	4.40	0.86
	Net Block	159.87	102.64	34.30	10.59
	Less: Revaluation Reserve	-	-	-	-
	Effect on account of Restatement of Accounts	-	0.65	1.39	0.41
	Net Block after adj. for Restatement of Accounts	**159.87**	**103.29**	**35.68**	**11.00**
B	**Investments**	**3.01**	**0.55**	**-**	**-**
C	**Current Assets, Loans and Advances:**				
	Inventories	564.25	235.99	164.67	51.39
	Sundry Debtors	45.42	15.62	8.61	1.42
	Cash and Bank Balances	5.98	29.08	0.57	2.12
	Loans and Advances	7.43	6.76	23.25	12.01
	Other Current Assets	45.79	57.52	37.23	19.86
	Total	**668.87**	**344.96**	**234.33**	**86.80**
D	**Liabilities and Provisions:**				
	Secured Loans	458.74	185.85	70.44	1.55
	Unsecured Loans	0.01	0.01	0.01	0.01
	Deferred Tax Provision	3.37			
	Current Liabilities and Provisions	140.74	111.54	120.33	58.57
	Effect on account of Restatement of Accounts	(0.58)	0.31	0.20	0.07
	Total	**602.28**	**297.71**	**190.98**	**60.20**
E	**Net Worth**	**229.46**	**151.10**	**79.04**	**37.60**
F	**Represented by**				
	1. Share Capital	**200.00**	**150.76**	**77.85**	**37.26**
	2. Reserves	30.23	-	-	-
	Less: Misc. Expenditure not w/off	1.35			
	Less: Revaluation Reserve	-	-	-	-
	Reserves (Net of Revaluation Reserves)	**28.89**	-	-	-
	Effect on account of Restatement of Accounts	0.58	0.34	1.19	0.34
	Net Worth	**229.46**	**151.10**	**79.04**	**37.60**

Note: The above statement should be read with the significant accounting policies and notes to the accounts for restated financial statements as appearing in Annexure to the report.

Annexure-III
Restated Cash Flow Statement

(Rs. in Millions)

Year ended March 31	2009	2008	2007	2006
Cash Flows from Operating Activities				
Profit Before Tax	**47.02**	**17.36**	**6.15**	**0.84**
Add:				
Depreciation	9.38	4.71	3.54	0.86
Amortisation		-	-	-
Interest on Loan	54.51	21.49	3.94	0.37
Misc. Exp. Written-off	0.07	-	-	-
Interest Received		-	-	-
Operating Profit before Working Capital Changes	**110.99**	**43.56**	**13.64**	**2.08**
Adjustments for changes in Working Capital				
(Increase)/Decrease in Current Assets	(347.00)	(82.12)	(149.09)	(84.68)
Increase/(Decrease) in Current Liability	29.20	(8.80)	61.76	58.57
Cash Generated from Operation	(206.82)	(47.35)	(73.68)	(24.04)
Direct Taxes Paid	(16.79)	(2.40)	(2.11)	(0.40)
Cash Flow Before Extra Ordinary Items	(223.61)	(49.75)	(75.79)	(24.44)
Extra Ordinary Items (Effect of Restated Accounts)	-	0.34	1.19	0.34
Net Cash Flow from Operating Activities	**(223.61)**	**(49.41)**	**(74.60)**	**(24.09)**
Cash Flow from Investing Activities				
Purchase of Fixed Assets	(66.61)	(73.05)	(27.25)	(11.45)
Purchase of Investments	(2.46)	(0.55)	-	-
Net Cash Flow from Investing Activities	**(69.07)**	**(73.59)**	**(27.25)**	**(11.45)**
Cash Flows from Financing Activities				
Proceeds from Capital	49.24	72.90	35.36	36.47
Increase/(Decrease)in Secured Loan	272.89	115.41	68.89	1.55
Increase/ (Decrease) in Unsecured Loan	-	-	-	0.01
Increase/(Decrease) in Deferred Tax Liability	3.37			
Interest on Loan	(54.51)	(21.49)	(3.94)	(0.37)
Misc. Expenditure incurred during the year	(1.42)			
Net Cash Flow from Financing Activities	**269.58**	**166.82**	**100.31**	**37.66**
Net increase /(Decrease) in Cash and cash equivalent	**(23.10)**	**28.51**	**(1.55)**	**2.12**
Cash and cash equivalent at beginning of the period	**29.08**	**0.57**	**2.12**	**-**
Cash and cash equivalent at ending of the period	**5.98**	**29.08**	**0.57**	**2.12**

Note on Adjustments for Restated Financial Statements:

The following adjustments have been made to the audited financial statement of Sai Silk (Kalamandir) Limited to arrive at the restated figure of profit & loss and accumulated profit & loss.

Particulars	2009	2008	2007	2006
Depreciation				
- Provided in books of accounts	9.38	4.71	3.54	0.86
- SLM basis for restatement	9.38	3.72	1.45	0.24
PBT will increase by	0.00	0.99	2.09	0.62
Tax effect (deferred tax provision)	**0.00**	**0.34**	**0.70**	**0.21**
Tax Rates (effective)	33.99%	33.99%	33.99%	33.99%
PAT will increase by	**0.00**	**0.65**	**1.39**	**0.41**
Gratuity				
- Provision to be made	(0.88)	0.48	0.30	0.10
Tax Rates (effective)	0.34	0.34	0.34	0.34
PAT will decrease by	**(0.58)**	**0.31**	**0.20**	**0.07**

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Annexure-IV

Significant Accounting Policies for the Restated Accounts;

A. Significant Accounting Policies :

1. **Basis of Accounting;**
   The Financial Statements are prepared under the historical cost convention on an accrual basis and in accordance with applicable Accounting Standards notified by the Government of India / issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

2. **Use of Estimates;**
   The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the result of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. **Fixed Assets and Depreciation;**
   Fixed Assets are stated at cost, less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they related to the period till such assets are ready to be put to use.
   Depreciation is provided on Straight Line Method as per the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 with reference to the month of acquisition / installation / launching of new stores. Depreciation on assets sold, scrapped or demolished during the year is being provided at their respective rates up to the month in which such assets are sold, scrapped or demolished as required by Schedule XIV to the Companies Act, 1956.

4. **Borrowing Cost;**
   Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of such asset till such time as the asset is ready for its intended use. All other borrowing costs are recognized as an expense in the period in which they are incurred.

5. **Investments;**
   Long-term Investments are stated at cost. Provision for diminution is being made if necessary to recognize a decline, other than temporary in the value thereof.

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6. **Inventories;**

Inventories are valued as follows;

a) Stores, Spare parts, Packing material and Branding material : At cost

b) Raw material & Stitching material: At cost

c) Finished Goods : At lower of cost or net realizable value

7. **Transactions in Foreign Currency;**

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transaction. Monetary foreign currency assets and liabilities are translated into Indian rupees at the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in Profit and Loss Account.

8. **Revenue Recognition;**

Sale of Goods is accounted on delivery to customers. Sales is net of returns, discounts and Sales Tax / Value Added basis except for work sarees (made-ups), which was not collected for the customers. Export sales are accounted as revenue on the basis of Bill of Lading. Interest income is recognized on accrual basis. Dividend income is accounted for when the right to receive is established. Claims are accounted when there is reasonable certainty of its ultimate collection.

9. **Miscellaneous Expenditure;**

Conversion of Partnership into Private Limited Company under Part IX of Companies Act, 1956 and Fee paid to Registrar of Companies for increase of Authorized Capital from Rs.10 crore to Rs.20 crores, were accounted as Preliminary Expenditure and expensed 5% for each year.

10. **Retirement and other employee benefits;**

Contributions to Provident Fund, ESI and Retirement benefits of employees expensed on accrual basis. The company has provided a provision of Rs.11,94,244/- towards Gratuity as per the Quote received from Aviva Life Insurance Company India (P) Ltd., towards Contribution. Out of the Contribution referred, Rs.8,77,192/- pertains to Initial contribution pertains to earlier years.

11. **Provision for current and deferred tax;**

Provision for current tax and fringe benefits tax is made on the basis of estimated taxable income and fringe benefits respectively for the current accounting period in accordance with the provisions of Income Tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a virtual certainty that the asset will be realized in future.

12. **Provisions, Contingent Liabilities and Contingent Assets;**
    Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

13. **Impairment of Assets;**
    An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to Profit & Loss Account in the year in which the asset is impaired and the impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

14. **Leases;**
    Operating lease payments are recognized as expenses in the profit and loss account as per the terms of the agreements which are representative of the time pattern of the users' benefit.

B. Notes to Restated Accounts :

1. The information relating to Financial year 2005-06 relates to the operations for 8 months starting from 10th August 2005 to 31st March 2006.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is: Rs. NIL (NIL).

3. **Contingent Liabilities not provided for is :**
   The company has received Notice u/s 143(2) of Income Tax Act, 1961 from Income Tax Department for the Assessment Year 2007-08, which was pending till date. (The company has received Notice u/s 143(2) of Income Tax Act, 1961 from Income Tax Department for the Assessment Year 2006-07).

4. **Secured Loans (outstanding);**
   a) Term Loans availed from State Bank of India, Commercial Branch, Koti, Hyderabad. These loans were secured by hypothecation of specific assets i.e., Furniture, Interiors, Plant & Machinery etc. Apart from specific assets, hypothecation of fixed assets at present and future and first charge on current assets. These were further secured by personal properties specifically provided & personal guarantees of Sri Chalavadi Naga Kanaka Durga Prasad, Smt. Chalavadi Jhansi Rani, Sri Annam Kalyan, Sri Annam Subash Chandra Mohan, Smt. Perumalla Dhanalakshmi, Sri Chalavadi Suhas Reddy and Smt. Chalavadi Vijaya.

b) Cash Credit facilities availed from State Bank of India, Commercial Branch, Koti, Hyderabad. These loans were secured by hypothecation of stocks, receivables and other current assets. These were further secured by personal properties specifically provided & personal guarantees of Sri Chalavdi Naga Kanaka Durga Prasad, Smt. Chalavadi Jhansi Rani, Sri Annam Kalyan, Sri Annam Subash Chandra Mohan, Smt. Perumalla Dhanalakshmi, Sri Chalavadi Suhas Reddy and Smt. Chalavadi Vijaya.

c) Cash Credit facilities availed from State Bank of Hyderabad, Mahaboobgunj Branch, Siddiamber Bazar, Hyderabad. These loans were secured by pari-passu charge over entire current assets with State Bank of India. These loans were secured by personal properties specifically provided & personal guarantees of Sri Chalavadi Naga Kanaka Durga Prasad, Smt. Chalavadi Jhansi Rani, Sri Annam Kalyan, Sri Annam Subash Chandra Mohan and Sri Hari Babu (to the extent of value of collateral).

d) Vehicle loans availed for acquisition of various vehicles from Axis Bank, Bajaj Auto Finance Ltd., Cholomandalam Finance Ltd., and ICICI. These were secured by hypothecation of specific assets.

5. In the opinion of the Board, the current assets, loans and advances are approximately of the value stated in realized in the ordinary course of business. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.

6. Some of the balances in Sundry Debtors, Sundry Creditors, Advances and Deposits are subject to confirmation, reconciliations and adjustments if any, which in the opinion of the management will not be significant.

7. The company has entered into operating lease arrangements for its premises at various locations. The future minimum lease rental obligation under non-cancellable operating leases in respect of these assets is Rs.17.85 Crores. The lease rent payable not later than one year is Rs. 5.81 Crores, payable later than one year but not later than five year is Rs.29.17 Crores and payable later than five years is Rs.26.35 Crores.

8. The company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

9. Related Party Disclosure

Disclosures as required by the Accounting Standard 18 “Related Party Disclosure” are given below;

For FY 2008-09; (Rs. In Millions)

Name of the Party / Personnel	Concern	Ref. for Relationship as per AS-18	Details of Relation	Nature of Transaction	Transaction Value	Outstanding	
Sai Readymades	Partnership	3 (E)	Common Partner / Directors interested	Purchases	70.76		
				Sales	25.04	11.21	Dr
Sai Retail India	Partnership	3 (E)	Common Partner / Directors interested	Purchases	87.15		
				Rent (Sub-lease) (Income)	0.27	20.43	Dr
SSS Marketing	Partnership	3 (E)	Common Partner & Relative of Director	Sales (March ending sales)	25.07	15.07	Dr
Sai Swarnamandir Jewelleres (P) Ltd.	Private Limited	3 (E)	Common Director	Shop-in-shop Agreement - Purchase	247.77	28.66	Dr
Sumaja Creations	Proprietary	3 (E)	Common Partner & Relative of Director	Advertisement	60.96	0.23	Cr
CHNKD Prasad	Individual	3 (D)	Partner	Remuneration	0.90		
			Director	Remuneration	2.70	1.27	Cr
CH Jhansi Rani	Individual	3 (D)	Partner	Remuneration	0.15		
			Employee	Salary	0.45	0.23	Cr
A Kalyan	Individual	3 (D)	Partner	Remuneration	0.30		
			Employee	Salary	0.90	0.07	Cr
A Subash	Individual	3 (D)	Partner	Remuneration	0.15		
			Director	Remuneration	0.45	0.11	Cr
A Rajesh	Individual	3 (D)	Partner	Remuneration	0.15		
			Employee	Salary	0.45	0.11	Cr
A Soujanya	Individual	3 (D)	Partner	Remuneration	0.04		
			Employee	Salary	0.23	0.02	Cr

For FY 2007-08; (Rs. In Millions)

Name of the Party / Personnel	Concern	Ref. for Relationship as per AS-18	Details of Relation	Nature of Transaction	Transaction Value	Outstanding	
Sai Readymades	Partnership	3 (E)	Common Partner	Purchases	51.46	0.74	Cr
Sumaja Creations	Proprietary	3 (E)	Common Partner	Advertisement	18.12	0.08	Cr

Sai Swarnamandir Jewellers (P) Ltd.	Private Limited	3 (E)	Common Director	Shop-in-shop Agreement - Purchase	50.93		
				Shop-in-shop Agreement - Sale	2.24	1.04	Cr
CHNKD Prasad	Individual	3 (D)	Partner	Remuneration	0.70	Tr. To capital	
CH Jhansi Rani	Individual	3 (D)	Partner	Remuneration	0.18	Tr. To capitals	
A Kalyan	Individual	3 (D)	Partner	Remuneration	0.18	Tr. To capitals	
A Subash	Individual	3 (D)	Partner	Remuneration	0.18	Tr. To capital	
A Rajesh	Individual	3 (D)	Partner	Salary	0.18	Tr. To capital	
A Soujanya	Individual	3 (D)	Partner	Salary	0.17	Tr. To capital	

For FY 2006-07; **(Rs. In Millions)**

Name of the Party / Personnel	Concern	Ref. for Relationship as per AS-18	Details of Relation	Nature of Transaction	Transaction Value	Outstanding	
Sai Readymades	Partnership	3 (E)	Common Partner	Purchases	60.10	0.01	Dr
Sumaja Creations	Proprietary	3 (E)	Common Partner	Advertisement	6.67	1.47	Cr
CHNKD Prasad	Individual	3 (D)	Partner	Remuneration	0.90	Tr. To capital	
CH Jhansi Rani	Individual	3 (D)	Partner	Remuneration	0.30	Tr. To capitals	
A Kalyan	Individual	3 (D)	Partner	Remuneration	0.23	Tr. To capitals	
A Subash	Individual	3 (D)	Partner	Remuneration	0.08	Tr. To capitals	
A Soujanya	Individual	3 (D)	Relative of Partner	Salary	0.09	0	

For FY 2005-06 **(Rs. In Millions)**

Name of the Party / Personnel	Concern	Ref. for Relationship as per AS-18	Details of Relation	Nature of Transaction	Transaction Value	Outstanding	
Sai Readymades	Partnership	3 (E)	Common Partner	Loans Accepted	7.04		
				Loans Repaid	7.04		
				Loans Given	4.71	4.71	Dr
Sumaja Creations	Proprietary	3 (E)	Common Partner	Advertisement	1.32	0.27	Dr

9. The company regards the business segment retail as a single reportable segment. Accordingly, Segment Information is not being disclosed pursuant to provisions of Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India.

Annexure-V

Statement for Investments (Quoted and Unquoted) fully paid for the Company

(Rs. In Millions)

Sr. No.	Particulars	For the Year ended as on 31st March			
		2009	**2008**	**2007**	**2006**
	Long-term Investments				
A	**Book value of Quoted Investments in Shares**				
	ICICI Prudential Fusion Fund	0.30	-	-	-
	Sahara India Ltd.	1.94	-	-	-
	Shriram Chits (P) Ltd.	0.76	0.55	-	-
B	**Book value of Unquoted Investments in Shares**	-	-	-	-
	Total	**3.01**	**0.55**	-	-

Annexure-VI

Restated Statement of Dividends Paid / Proposed

(Rs. in Millions)

Particulars	2009	2008	2007	2006
Face Value per Equity Share (Rs.)	10	10	10	10
Paid up Equity Share Capital	200.00	150.76	77.85	37.26
Proposed Dividend	-	15.30	5.23	0.79
- Profits transferred to Capital A/cs		15.30	5.23	0.79
Dividend Distribution Tax	-	2.60	0.73	0.11
Rate of Dividend Tax (%)	-	16.995	14.025	14.025

Note: The profit credited to the account of partners during the term of partnership firm from 10th August 2005 to 31st March 2008 has been considered as Dividend.

Annexure-VII:

Restated Accounting Ratios

Particulars	2009	2008	2007	2006
Net Worth (A) (Rs. In Millions)	229.46	151.10	79.04	37.60
Restated profit after tax (B) (Rs. In Millions)	30.81	15.30	5.23	0.79
No. of shares outstanding (C)	20,000,000	15,075,583	7,785,274	3,725,912
Weighted average number of shares outstanding - (For Basic EPS) (D)	10,027,397	*11,489,709	*5,772,817	*1,862,956
Weighted average number of shares outstanding - (For Diluted EPS) (E)	10,027,397	11,489,709	5,772,817	1,862,956
Basic Earning Per Share (B/D) (Rs.)	3.07	1.33	0.91	0.42
Diluted Earning per Share (B/E) (Rs.)	3.07	1.33	0.91	0.42
Return on Net Worth (%)	13.43%	10.13%	6.62%	2.09%
Net Asset Value per Share (Per Share) (Rs.)	11.47	10.02	10.15	10.09

* In case of erstwhile firm in respect of years 2006 to 2008, number of shares outstanding has been considered based on average capital account balance outstanding during the year.

Annexure-VIII
Capitalization Statement

(Rs. in Millions)

Sl. No.	Particulars	2009	2008	2007	2006
1	**Short Term Debts**				
	Secured	369.23	112.10	49.20	0.00
	Unsecured	0.00	0.00	0.00	0.00
	Total	**369.23**	**112.10**	**49.20**	**0.00**
2	**Long Term Debts**				
	Secured	89.51	73.74	21.24	1.55
	Unsecured	0.01	0.01	0.01	0.01
	Total	**89.52**	**73.75**	**21.25**	**1.56**
3	**Shareholders Funds**				
	Share Capital	200.00	150.76	77.85	37.26
	Reserves	28.89	0.00	0.00	0.00
	Total	**228.89**	**150.76**	**77.85**	**37.26**
4	**Long Term Debt / Equity**	**0.39**	**0.49**	**0.27**	**0.04**
	[2 / 3]				

Annexure-IX:
Restated Tax Shelter Statement

(Rs. in Millions)

Particulars	2009	2008	2007	2006
Tax Rate	30%	30%	30%	30%
Surcharge	10%	10%	10%	10%
Educational Cess	3%	3%	2%	2%
Effective Tax Rate	33.99%	33.99%	33.66%	33.66%
Profit Before Tax	47.02	18.35	8.24	1.46
(as per restated accounts)				
Tax at Notional Rate (A)	15.98	6.24	2.77	0.49
Adjustments:				
Permanent Differences				
Expenses Disallowance u/s 36 (i) (va)				
Deductions u/s 80G	0.00	(0.23)	(0.02)	(0.01)
Dividend				
Penalty				
Income of earlier years				
Turnover Tax disallowed				
Total Permanent Differences (B)	0.00	(0.23)	(0.02)	(0.01)
Timing Differences				
Difference Between Tax Depreciation and Book Depreciation	9.92	6.54	2.09	0.62
Disallowance u/s 40a(ia)			0.38	(0.38)
Gratuity				
Expenses Disallowed u/s 40 (a) (i)				
Gain / (Loss) on sale of Fixed Assets				
Short term Capital Gain / (Loss)				
Notional Gain / (Loss) on Investment				
Addition u/s 40 (1)				
Brought Forward Losses Adjusted				
Total Timing Differences (C)	9.92	6.54	2.46	0.24
Net Adjustments (B + C)	9.92	6.31	2.44	0.23
Tax saving thereon (D)	3.37	2.14	0.82	0.08
Total Taxation (A - D)	12.61	4.09	1.95	0.41
Minimum Alternative Tax (MAT)	5.33	2.08	0.92	0.12
Tax Payable	12.61	4.09	1.95	0.41
Taxable Income	37.10	12.04	7.89	1.22
Taxable Income As per MAT	47.02	18.35	8.24	1.46
Tax as per Income Tax Return	12.61	4.09	1.95	0.41

Annexure-X:
Other Income

(Rs. in Millions)

Particulars	2009	2008	2007	2006
Rent / Reimbusement Received from Franchisee	7.35	14.92	5.89	1.13
Interest Received	0.66			
Commission Received				
Consignment Commission				
Income on sale of Investment				
Dividend Income	0.03			
Miscellaneous Income	0.21		0.03	
Total	**8.25**	**14.92**	**5.92**	**1.13**

Annexure-XI:
Statement of Sundry Debtors

(Rs. in Millions)

Particulars	2009	2008	2007	2006
Sundry Debtors				
- Less than 6 months	39.39	10.36	3.07	1.42
- More than 6 months	6.04	5.26	5.54	0.00
Total Debtors	**45.42**	**15.62**	**8.61**	**1.42**

Annexure-XII:
Statement of Loans and Advances

(Rs. in Millions)

Particulars	2009	2008	2007	2006
Advance to Suppliers	-	-	-	4.90
Advance for Capital Goods	0.56		7.75	0.52
Deposits (Govt. /Sem. Govt.)	-	-	-	-
Deposit Others	-	-	-	-
Cenvat & PLA Account	-	-	-	-
Sales Tax Refund	-	-	-	-
Prepaid	-	-	-	-
DEPB License	-	-	-	-
Income Tax / TDS	1.88		1.23	
Others	4.99	6.76	14.26	6.59
Total	**7.43**	**6.76**	**23.25**	**12.01**

Annexure-XIII **SECURED AND UNSECURED LOANS**

SECURED LOANS

(Rs. In Millions)

SL. NO	BANK NAME	NATURE OF LOAN	BAL. AS ON 31.03.2009	SECURITIES OFFERED	
1	SBI	TERM LOAN	10.14	For CC	Hypothecation of stocks, receivables and other current assets
				Term Loans	Hypothecation of Fixed Assets present and future
2	SBI	TERM LOAN	33.21	Corporate Loan	Hypothecation of Fixed Assets at present and future and First charge on the current assets
3	SBI	TERM LOAN	24.19	Collateral :	1. Commercial Building at Vijayawada admeasuring 323 Sq.Yds belonging to late P. Hanumantha Rao, S/o. Late Appa Rao (Represented by his leagal heirs Smt. P. Dhanalakshmi and Chalavadi Jhansi Rani) 2. Residential Building situated in Mogalrajapuram, Vijayawada admeasuring 586.40 Sq.yds, belonging to Smt. P. Dhanalakshmi. 3. Open Site admeasuring 332 Sq.Yds vide plot No. 6, situated at Shaikpet, Hyderabad belonging to Subash Chandra Mohan. 4. Two Plots of Open Land measuring 200 Sq.Yds each belonging to Sri Chalavadi. Prasad, situated at Mogalrajapuram, Vijayawada. 5. Six storey RCC Roof Building situated at Kukatpally, R.R. District, with appurtenant site of 622.83 Sq.Yds, in the name of Sri Chalavadi Suhas 6. Reddy (304 Sq.Yds) and in the name of Smt. Chalavadi Vijaya (318.83 Sq.Yds).
4	SBI	TERM LOAN	4.56	Guarantors :	Chalavadi Prasad, Chalavadi Jhansi Rani, Annam Kalyan, Annam Subash Chandra Mohan & Perumalla Dhanalakshmi, Chalavadi Suhas Reddy and Chalavadi Vijaya
5	SBI	CC	243.08		
6	SBI	TERM LOAN	15.65		
7	SBI	SLC	30.37		
8	SBI	ADHOC	25.07		
9	SBH	CC	70.70	Primary :	Pari passu charge over entire current assets with SBI
				Collateral :	Exclusive Landed Collateral Admeasuring 1192 Sq.Yds with shed admeasuring 184.572 Sq.Mts, belonging to Colorsoft, represented by its proprietor Sri Mr. Hari Babu.
				Guarantors :	Chalavadi Prasad, Chalavadi Jhansi Rani, Annam Kalyan, Annam Subash & M Haribabu (to the extent of value of collateral).

10	Various Banks		1.76	Vehicle Loans	Hypothecation of vehicles by Axis Bank, Bajaj Auto Finance, Cholamandalam Finance, ICICI

UNSECURED LOANS:

(Rs. In Millions)

Details of Un-Secured Loans			
Name of the Person	**Nature of Loan**	**Amount (Rs.)**	**Security**
For 2008-09			
Chalavadi Krishna Murthy	Unsecured Loan	0.01	NIL
For 2007-08			
Chalavadi Krishna Murthy	Unsecured Loan	0.01	NIL
For 2006-07			
Chalavadi Krishna Murthy	Unsecured Loan	0.01	NIL
For 2005-06			
Chalavadi Krishna Murthy	Unsecured Loan	0.01	NIL

Annexure-XIV
Related Party Transaction

(Rs. in Millions)

Sl. No.	Particulars	2009	2008	2007	2006
1	**Finance**				
	a. Loans Accepted				
	Sai Readymades				7.04
	b. Loans repaid				
	Sai Readymades				7.04
	c. Loans given				
	Sai Readymades				4.71
	c. Trade Deposit accepted				
	d. Trade Deposit refunded				
	e. Interest Paid				
	f. Share Application Money received				
	Chalavadi Prasad	122.08			
	g. Share Application Money refund				
	Chalavadi Prasad	22.08			
	h. Share Alloted				
	Chalavadi Prasad	100.00			
2	**Commission Paid / Received**	-	-	-	-
3	**Managerial Remuneration**				
	Chalavadi Prasad	3.60	0.70	0.90	
	Jhansi Rani	0.60	0.18	0.30	
	Kalyan A	1.20	0.18	0.23	
	Subash A	0.60	0.18	0.08	
4	**Rental Payment**	-	-	-	-
5	**Purchase**				
	Sumaja Creations (Advt.)	60.96	18.12	6.67	1.32
	Sai Readymades	70.76	51.46	60.10	
	Sai Swarnamandir Jewellers (P) Ltd.		50.93		
	Sai Retail India	87.15			
6	**Sales**				
	Sai Swarnamandir Jewellers (P) Ltd.		2.24		
	Sai Readymades	25.04			
	SSS Marketing	25.07			
7	**Any other material transaction**				
	Soujanya A (Salary)	0.26	0.17	0.09	
	Rajesh A (Salary)	0.60	0.18		
	Sai Retail India (Sub-lease)	0.27			

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II. FINANCIALS OF GROUP CONCERNS AND JOINT VENTURES:

1. M/s. SAI READYMADES

The Partnership firm M/s. 'Sai Readymades' was formed on 10th of August 2005 under the name and style of "Sai Readymade" by and between Mr. Chalavadi Naga Kanaka Durga Prasad and Mrs. Chalavadi Jhansi Rani and relations interse were governed by a deed of Partnership dated as above, having its principal place of business at Sona Bhanu Commercial Complex, 1-1-92/93/94, Opp: SBI Zonal Office, R.P. Road, Secunderabad - 500003. It was supported by a supplemental deed dated 19th September 2005. Subsequently Mr. Annam Kalyan Srinivas, Mr. Annam Subash Chandra Mohan and Mr. Annam Rajesh were admitted to the Partnership firm vide the deed of Partnership, dated 1st April, 2006. The principal place of business of the partnership firm is 6-3-790/8, Flat No. 1, Bathina Apartments, Ameerpet, Hyderabad – 500016.

Name of Partners and Profit Sharing Ratio:

Sr. No.	Name of Partner	Profit Sharing Ratio
1	Mr. Chalavadi Naga Kanaka Durga Prasad	60%
2	Mrs. Chalavadi Jhansi Rani	20%
3	Mr. Annam Kalyan Srinivas	5%
4	Mr. Annam Subash Chandra Mohan	5%
5	Mr. Annam Rajesh	10%

All the Partners are entitled to interest on capital contributed by them @ 12 % per annum.

The duration of the partnership firm is at will.

BUSINESS:
The main business of Partnership firm is to purchase and sale of Sarees, Silk, Dress Material, Cosmetics, Silverware, Articles of Jewellery, etc.

Financials:

(Rs. In Millions)

Particulars	2006-07	2007-08	2008-09
Total Income	70.94	98.01	96.58
Profit After Tax	1.73	2.48	1.41
Capital of Partners	1.40	4.73	2.88
Gross Block	0.26	0.25	0.23
Net Block	0.25	0.23	0.21

Partnership firm does not have any outstanding litigation by or against it.

The Partnership firm has entered into related party transactions with Sai Silks (Kalamandir) Ltd., the details of which are given in Section – Financial Statements of the Company at Annexure-XIV at page no. [*].

2. M/s. SSS MARKETING

The Partnership firm M/s. 'SSS Marketing" was formed on 14th February 2007 under the name and style "SSS Marketing" and relations inters were governed by a deed of Partnership dated as above. The principal place of business of partnership firm is Shop No. 4, MCH Commercial Complex, Rashtrapati Road, Secunderabad, Hyderabad.

Name of Partners and Profit Sharing Ratio:

Sr. No.	Name of Partner	Profit Sharing Ratio
1	Mrs. Annam Sowjanya	70%
2	Mrs. Perumalla Srikant	30%

All the Partners are entitled to interest on capital contributed by them @ 12 % per annum.

The duration of the partnership firm is at will.

BUSINESS:
The main business of Partnership firm is to deal in cloth, textiles and ready-mades.

Financials: **(Rs. In Millions)**

Particulars	2006-07*	2007-08*	2008-09
Total Income	-	-	27.10
Profit After Tax	-	-	0.29
Capital of Partners	-	-	1.54
Gross Block	-	-	0.00
Net Block	-	-	0.00

* The Partnership Firm did not carry on any business during the financial year 2006-07 and 2007-08 and hence the financials for the respective years are not available.

Partnership firm does not have any outstanding litigation by or against it.

The Partnership Firm has entered into related party transactions with Sai Silks (Kalamandir) Ltd., the details of which are given in Section – Financial Statements of the Company at Annexure-XIV at page no. [*].

3. M/s. SAI RETAIL INDIA

The Partnership firm '**Sai Retail India**" was formed on 1st January 2009 under the name and style "Sai Retail" and relations inters were governed by a deed of Partnership dated as above. The principal place of business of partnership firm is Plot No.3, Survey No.148, House No.2-23-1/3, First Floor, Kukatpally, Hyderabad – 500072.

Name of Partners and Profit Sharing Ratio:

Sr. No.	Name of Partner	Profit Sharing Ratio
1	Mr. Chalavadi Naga Kanaka Durga Prasad	65%
2	Mrs. Chalavadi Jhansi Rani	10%
3	Mr. Annam Kalyan Srinivas	8%
4	Mr. Annam Subash Chandra Mohan	2%
5	Mrs. Annam Suchitra	7%
6	Mrs. Annam Sowjanya	3%
7	Mr. Annam Venkata Rajesh	5%

All the Partners are entitled to interest on capital contributed by them @ 12 % per annum.

The duration of the partnership firm is at will.

BUSINESS:

The main business of Partnership firm is to deal in cloth, textiles, readymades, jewellery and accessories.

Partnership firm does not have any outstanding litigation by or against it.

The Partnership Firm has entered into related party transactions with Sai Silks (Kalamandir) Ltd., the details of which are given in Section – Financial Statements of the Company at Annexure-XIV at page no. [*].

Financials:

(Rs. In Millions)

Particulars	2008-09
Total Income	116.84
Profit After Tax	0.44
Capital of Partners	0.63
Gross Block	0.03
Net Block	0.03

4. M/s. SUMAJA CREATION

Sumaja Creation is a proprietorship concern promoted by Mrs. Annam Suchitra during the year 2005. The principal place of business of proprietorship firm is situated at Hotel Abhinava Compex, Kaleswara Rao Street, Vijaywada-520 002.

BUSINESS:

Sumaja Creation is an Advertising Agency, which undertakes the designs of Advertisements and publishes in News papers, Magazines, Hoardings, etc. and telecasts on Television.

Financials: **(Rs. In Millions)**

Particulars	2006-07	2007-08
Total Income	10.32	24.10
Profit After Tax	0.24	0.60
Capital	0.86	1.54
Gross Block	Nil	Nil
Net Block	Nil	Nil

Proprietorship Concern does not have any outstanding litigation by or against it.

The Proprietorship Concern has entered into related party transactions with Sai Silks (Kalamandir) Ltd., the details of which are given in Section – Financial Statements of the Company at Annexure-XIV at page no. [*].

5. M/s. SAI SWARNAMANDIR JEWELLERS PVT LTD

INCORPORATION:

Sai Swarnamandir Jewellers Pvt Ltd. is a company incorporated on 18th December 2007 with the registrar of companies in Hyderabad. The subscribers to its memorandum were Mr. Chalavadi Naga Kanaka Durga Prasad and Mr. Maddula Jaya Veera Venkata Durga Prakash. The Company is having its registered office at #6-3-790/8, Flat No.1, Bathina Apartments, Ameerpet, Hyderabad, Andhra Pradesh-500016.

BUSINESS:

The company is engaged in trading of diamond jewellery in gold, platinum, silver or any other metal or substance. The main object of the Company is to carry on the business and activities of cleaving, sawing, cutting, polishing, processing, assorting and of buying, selling, importing, exporting, supplying, distributing, disposing for self and for others and is also a whole sellers / retailers, agents contractors, sub-contractors, sub-agents, job-workers, Export House / Trading House in cut / uncut, polished / unpolished diamonds and diamond jewellery in gold, platinum, silver or any other kind / type of metal or substance.

The company has sub-leased commercial space in Showrooms run by Sai Silks (Kalamandir) Ltd. at Jayanagar and Malleshwaram area in Bangalore.

CAPITAL STRUCTURE:

The Authorised Share Capital of the Company is Rs.35,000,000/- (Rupees Thirty Five Million Only) divided into 35,00,000 (Three and Half Million) equity shares of Rs.10/- (Rupees Ten Only) each.

The paid-up, issued and subscribed share capital of the company is Rs.35,000,000/- (Rupees Thirty Five Million Only) divided into 35,00,000 (Three and Half Million) equity shares of Rs.10/- (Rupees Ten Only) each.

Shareholding Pattern:

Name of Shareholder	No. of Shares	% of Shareholding
Mr. Chalavadi Naga Kanaka Durga Prasad	24,50,000	70%
Mr. Annam Subash Chandra Mohan	10,50,000	30%
Total	**35,00,000**	**100%**

PRESENT DIRECTORS:

Sr. No.	Name of Director
1	Mr. Chalavadi Naga Kanaka Durga Prasad
2	Mr. Annam Subash Chandra Mohan

Mr. Maddula Jaya Veera Venkata Durga Prakash has resigned as a director of the company with effect from 1st June 2009.

FINANCIALS:

(Rs. in Millions)

Year Ending on	**March 31, 2008 (4 months)**	**December 31,2008 (For 9 months)**
Total Income	53.55	4,94.98
Profit After Tax	0.95	3.08
Share Capital	35.00	35.00
Reserves & Surplus	0.95	4.03
Gross Block	0.00	0.14
Net Block	0.00	0.14
Book Value Per Share (Rs.)	10.27	11.15
Earning Per Share (Rs.)	0.27	0.88

The Company is not a sick company within the meaning of Sick Industrial Companies Act, 1985.

The Company has not made any public issue in preceding 3 years.

The Company has entered into related party transactions with Sai Silks (Kalamandir) Ltd., the details of which are given in Section – Financial Statements of the Company at Annexure-XIV at page no. [*].

Disassociation from Companies / Firms / Concerns:

Our promoters or promoter group have not disassociated themselves from any of the companies/ firms during the immediately preceding three years.

JOINT VENTURES

Our Company has not entered into any joint venture agreement.

Changes in Accounting Policies in the last three years

There have been no changes in the accounting policies during the last three years.

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

The following discussion and analysis is derived from and should be read together with the restated financial statements of our company for the years ended March 31, 2006, 2007, 2008, 2009 on page [*]. Our financial statements, from which this discussion is derived, were prepared in accordance with Indian GAAP.

Our financial statements as of and for the years ended March 31, 2006, 2007, 2008 and 2009 were audited by M/s. B. Vithlani & Co., Chartered Accountants our statutory auditor in conformance with provisions of the Income Tax Act, 1962 and Companies Act, 1956. The restatement of our financial statements as of and for the years ended March 31, 2006, 2007, 2008 and 2009 has been done by M/s. B. Vithlani & Co., our statutory auditor, for conformance with provisions of the Companies Act, 1956 and the SEBI guidelines, placing reliance on the audit reports delivered by audit firm.

OVERVIEW OF THE BUSINESS OF THE ISSUER COMPANY:

We are an upcoming retail house in the states of Andhra Pradesh and Karanataka in Southern India focusing primarily on traditional women wear i.e. Sarees. As on 31st March, 2009. We operate 9 retail stores out of which 3 are in Hyderabad, 5 are in Bangalore and 1 in Guntur. We have also hired floor space from leading large retailers like Big Bazar for sale of our sarees in their Retail Malls in Hyderabad and Vijaywada. These 9 retail outlets are cumulatively spread over in more than 75,000 square feet and are located in two states in Southern India. We have set up regional distribution centers in Hyderabad and Bangalore.

We started as a retailer of sarees in Hyderabad in August 2005 on a very modest scale with a Retail Outlet of 3500 square feet. In 2005, we hired a retail space in Ameerpet in Hyderabad and displayed the traditional sarees like Silk Sarees, Handloom Sarees, Synthetic Sarees, etc. These sarees are promoted and sold in the brand name "Kalamandir".

We have till today been focusing and concentrating on the sarees segment of women's wear especially mid range and upper range, with a considerable margin. With evolution of retail industry in India and change in consumer aspirations, we diversified our portfolio of offerings to include other retail goods like Women dress materials, Kids wear and Men's wear. Currently, we sell different varieties of sarees for different occasions and ready-made apparels for women, men and kids in our retail malls.

We follow the concept of value retail in India. In other words, our business approach is to sell quality goods at reasonable prices by procuring it from manufacturers across India. We are well-known in Southern India for the range of sarees displayed at our Retail Malls for their collection, colors, designs, hand work, silk work, from and across India. We endeavour to facilitate one-stop-shop convenience for our customers and to cater to the needs of the entire family. We believe this concept has helped us grow to our current size within a short time frame of four years.

In order to reduce costs and take advantage of centralized operations for procurement, storage, cost control, inventory control, we have centralized warehousing facility in Hyderabad and Bangalore, which takes care of procurement function of each and every product being sold in our Retail malls across two states in Southern India.

We achieved total sales of Rs. 1272.23 million for fiscal 2009, as opposed to a turnover of Rs. 647.70 million for fiscal 2008 and Rs. 339.48 million for fiscal 2007. During the same period our profit after tax was Rs. 30.81 million, Rs. 15.30 million and Rs. 5.23 million, respectively. As a result, our sales increased between fiscal 2006 and fiscal 2009 at a CAGR of 126.28% and our profit after tax increased between fiscal 2006 and fiscal 2009 at a CAGR of 239.12%.

SIGNIFICANT DEVELOPMENTS SUBSEQUENT TO THE LAST FINANCIAL YEAR

The Board is of the opinion that there have not arisen any circumstances since the date of the last financial statements as disclosed in the Draft Prospectus which materially and adversely affect or is likely to affect the sales or profitability of the company, or the value of its assets, or its ability to pay liabilities within next twelve months.

FACTORS AFFECTING OUR FINANCIAL RESULTS AND OPERATIONS:

Our business is subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors" beginning on page [*] of this Draft Prospectus. Some important factors we expect will continue to affect our results of operations; financial condition; and cash flows are discussed below:

Among various other factors that affect our financial results and operations for a given fiscal, some key factors are as follows:

1. General economic conditions of the locations, we are operating in.

The retail sector is dependent on consumer spend for its performance. Overall economic conditions can impact the consumer spend, and more so in areas such as lifestyle products. Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy due to external or internal reasons, could have an adverse impact on our business and financial performance.

2. Trends and fashion preference of our target customers

We are into retailing of lifestyle products mainly sarees, where introduction of new product, colour, design, innovation is a regular phenomenon. Also, fashion preference and consumer taste keep on varying across the regions. Hence, any failure on our part to identify changing fashion trends could have a negative impact on our business.

3. Competition from local players

Competition from local players can affect growth and pricing of company's products significantly. We face competition from other retailers of similar products in Hyderabad and Bangalore. These include stand-alone stores in the organized and unorganized sector, as well as other chains of stores.

4. Supply Chain Management

Inefficient supply chain management could adversely affect the results from operations

Kalamandir

5 Title or Ownership rights or development rights of landlords

Any adverse impact on the title or ownership rights or development rights of our landlords from whose premises we operate may impede our effective operations of our stores, offices or distribution centres in the future.

Discussions on Results of Operations:

You should read the following discussion of our financial condition and results of operations together with our financial statements, as restated, for each of the fiscal years ended March 31,2006, 2007, 2008 and 2009 including the notes thereto and the reports, schedules and annexures thereon, which appear in the Auditor's Report on page no[*] of this Draft Prospectus. These financial statements are prepared in accordance with Indian GAAP and the Companies Act and are restated in accordance with SEBI Guidelines.

RESTATED STATEMENT OFPROFIT & LOSS ACCOUNT

(Rs. in Million)

Year Ended March 31,	**2009**	**2008**	**2007**	**2006**
INCOME				
Sales :				
Of products manufactured by the company	-	-	-	-
Of products traded in by the company	1272.23	647.70	339.48	109.81
Total Sales	**1272.23**	**647.70**	**339.48**	**109.81**
Other Income	8.25	14.92	5.92	1.13
Increase / (Decrease) in Inventories	328.26	71.31	113.28	51.39
Total Income	**1608.74**	**733.94**	**458.68**	**162.33**
EXPENDITURE				
Purchases	1182.00	558.35	392.10	144.04
Staff Costs	43.69	25.35	16.02	5.30
Administration Expenses	109.23	44.57	22.78	7.75
Selling and Distribution Expenses	155.97	60.89	12.65	3.16
Depreciation	9.38	4.71	3.54	0.86
Finance Charges	54.51	21.49	3.94	0.37
Directors / Partners' Remuneration	6.86	1.23	1.50	0.00
Preliminary Exp. Written-off	0.07	0.00	0.00	0.00
Total Expenditure	**1561.72**	**716.58**	**452.52**	**161.49**
Profit before Tax before restatement of accounts	**47.02**	**17.36**	**6.15**	**0.84**
Provision for Taxation	16.79	2.40	2.11	0.40
Net Profit before restatement of accounts	**30.23**	**14.96**	**4.05**	**0.44**
Adjustments arising on account of Restatement of Audited Accounts	**0.58**	**0.34**	**1.19**	**0.34**
- Depreciation (Income)	0.00	0.65	1.39	0.41
- Provision for Gratuity (Expenditure)	(0.58)	0.31	0.20	0.07
Adjusted Net Profit	**30.81**	**15.30**	**5.23**	**0.79**

__Comparison of Financial Results of 31/03/2009 & 31/03/2008__

Total Income -
During the year ended 31/03/2009, the company registered total income of Rs. 1608.74 Million as compared to Rs. 733.94 Million as on year ended 31/03/2008. It represents an increase of 119.20% over 2007-08.

Depreciation -
Depreciation increased from Rs. 4.71 million in the year ended 31/03/2008 to Rs. 9.38 million in the year ended 31/03/2009, an increase by 99.15%. This is mainly due to increase in Fixed assets of Rs. 66.61 million in the year ended 31/03/2009 due to opening of new show-rooms at Bangalore.

Total Expenditure -
Expenses during the year ended 31/03/2009 were Rs. 1561.72 Million in comparison to Rs. 716.58 Million during the year ended 31/03/2008. It represents a corresponding increase to the extent of 117.94%.

Profit and Loss Account -
Profit Before Tax for the year ended 31/03/2009 accounted for Rs. 47.02 Million as compared to Rs. 17.36 Million for the year 31/03/2008 representing an increase of 170.85%. Profit After Tax for the year ended 31/03/2009 accounted for Rs. 30.81 Million as compared to Rs. 15.30 Million for the year 3/03/2008 representing an increase of 101.37%.

__Comparison of Financial Results of 31/3/2008 & 31/3/2007__

Total Income -
During the year ended 31/03/2008 the company registered total income of Rs. 733.94 Million as compared to Rs. 458.68 Million as on year ended 31/03/2007. It represents an increase of 60.01%. This increase in total income was due to increase in Sales from the products traded in by the Company.

Depreciation –

The depreciation has increased from Rs. 3.54 Million for the year ended on 31/03/2007 to Rs.4.71 Million for the year ended on 31/3/2008 representing an increase by 33.05% This is mainly due to increase in Fixed Assets such as plant and machinery, office equipments of Rs. 73.05 million in the year ended 31/03/2008.

Total Expenditure -
Expenses during the year ended 31/03/2008 were Rs. 716.58 Million in comparison to Rs. 452.52 Million during the year ended 31/03/2007. It represents a corresponding increase to the extent of 58.35%.

Profit and Loss Account –
Profit Before Tax for the year ended 31/03/2008 accounted for Rs. 17.36 Million as compared to Rs. 6.15 Million for the year 3/03/2007 representing a increase of 182.28%. Profit After Tax for the year ended 31/03/2008 accounted for Rs. 15.30 Million as compared to Rs. 5.23 Million for the year 3/03/2007 representing an increase of 192.54%.

Comparison of Financial Results of 31/3/200 7& 31/3/2006

Total Income-

The total income of the company has increased from Rs. 162.33 Million in the year ended 31/03/2006 to Rs. 458.68 Million in the year ended 31/03/2007 representing an increase of 182.56% due to increase in the sales of the products traded in by the company.

Depreciation –

The depreciation for the year ended 31/03/2007 was Rs. 3.54 Million and that for the previous year ended 31/03/2006 it was Rs. 0.86 Million representing an increase of 311.63%. This increase in depreciation is mainly due to additional purchase of fixed assets, plant and machinery worth Rs. 27.25 Million.

Total Expenditure -

Total Expenditure for the year ended 31/03/2007 had increased to Rs. 452.52 Million as compared to Rs. 161.49 Million in 31/03/2006 representing an increase of 180.22%.

Profit & loss Account –

The company had reported a profit before tax of Rs. 6.15 Million in the year ended 31/03/2007 as compared to Rs. 0.84 Million in the year ended 31/03/2006 representing an increase of 632.14%. Profit after Tax for the year ended 31/03/2007 accounted for Rs. 5.23 Million as compared to Rs. 0.79 Million for the year ended 3/03/2006 representing an increase of 562.03%. This is due to the improved productivity and better product mix offered during the year. The company has also expanded its range of product offerings and has been able to make entry into new markets.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 OF SEBI GUIDELINES

1. **Unusual or infrequent events or transactions -** There have been no unusual or infrequent events or transactions which may affect results of operations of the company.

2. **Significant economic changes –**

   We are exposed to financial market risks from changes in interest rates and inflation

   Interest rate risk

   Our interest rate risk results from changes in interest rates, which may affect our financial expenses. Currently, we are not carrying a high level of debt but the debt may increase with expansion of our operations. Any rise in interest rates in the future could adversely impact interest payment and the results of our operations.

   Effect of Inflation

   We are subject to inflationary forces on our fixed costs.

3. **Known trends and uncertainties -**

Other than as described in this section in this Draft Prospectus, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

4. Future relationship between costs and revenue

With growth in operations, we would realize economies of scale in supply chain, buying and merchandising etc. Costs other than cost of merchandise are largely fixed and increased operations would not result in proportionate increase in other costs.

Other than as described in this section in this Draft Prospectus, to the best of our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

5. **Dependence of revenue on sales volume, new products** - Increase in revenues are largely linked to increase in volume of business activity carried out by the company as well as the customer's preference for the products being sold by the company.

6. **Turnover of industry segment in which the company operates** - The company operates only in two industries i.e. textile industry and Retail segment. Please refer to the discussions in the section entitled "Industry Overview" on page [*] in this Draft Prospectus].

7. **Status of any publicly announced new products or business segment –** The Company has not announced any new products or business segment.

8. **Seasonality of the business –**
Our business is seasonal in nature and our annual results are highly dependent on the success of our second and third quarter sales. Our highest sales and operating income are earned during season months, in view of festive buying. We try and maximize sales in this quarter through promotions, advertising and festival specific activities.

End of Season Period – We need to continuously replace our existing product range with new ones depending upon fashion cycles as well as weather condition In order to achieve the same, we need to conduct end-of-season clearance sale which might affect our profit margins.

9. **Dependence on single or few suppliers / customers -** The Company is not dependent on single or few suppliers or customers.

10. **Competitive conditions -**
We believe that we are well positioned to enhance our position as a most relevant retailer for customers in the region in which we operate. On account of our competitive strengths we feel we are well positioned to serve our customers.

F. LEGAL AND OTHER INFORMATION

I. OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Save as stated herein under, the Company has not defaulted in meeting any of its statutory or institutional dues and no proceedings have been initiated against the Company, for any of the offences specified in paragraph 1 of Part I of Schedule XIII of the Companies Act, 1956. Further, there are no disputes/ litigations towards tax liabilities or criminal prosecutions against the Company and its Directors for any offence, economic or otherwise civil litigations against the Company and its Directors, there are no material disputes/legal actions other than those disclosed below.

There are no pending proceedings initiated for economic offences against the Company. No disciplinary action/ investigation have been taken by the SEBI against the Company, its subsidiaries or associates and sponsored institutions and its respective directors.

Promoters, their relatives (as per Companies Act, 1956) and the Company, Group Companies, associate companies are not detained as willful defaulters by RBI/ Government authorities and there are no violations of securities laws committed by them in the past and are pending against them.

There are no past cases in which penalties were imposed by the regulatory authorities on the Company or its directors.

There are no cases of pending litigations/defaults in respect of firms/Companies with which the Promoters are associated in the past but are no longer associated.

OUTSTANDING LITIGATIONS AGAINST THE COMPANY:

[A] OUTSTANDING LITIGATIONS INVOLVING ISSUER COMPANY

[1] Outstanding Litigations against the Company:

There are no outstanding litigations against the Company.

[2] Outstanding Litigations filed by the Company:

There are no outstanding litigations filed by the Company.

[3] Amounts Owed to Small Scale Undertakings:

The company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

[B]OUTSTANDING LITIGATION INVOLVING SUBSIDIARY COMPANIES

Not applicable as the Company has no Subsidiary.

[C] OUTSTANDING LITIGATIONS INVOLVING GROUP COMPANIES

Our Company has one group company namely Sai Swarnamandir Jewellers Pvt. Ltd. and other group concerns viz. M/s. Sai Readymade, M/s. Sai Retail, M/s. SSS Marketing and M/s. Sumaja Creations. There are no outstanding litigation subsisting as on the date with the group company or group concerns.

[D] OUTSTANDING LITIGATIONS AGAINST / BY DIRECTORS/ PROMOTERS

Litigations against / by the Promoters / Directors

There are no outstanding litigations, disputes, non-payment of statutory dues, over dues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, defaults in creation of full security as per terms of issue, other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of Part I of Schedule XIII of the Companies Act, 1956) against / by the promoters and director of the Company except as stated below.

Litigation filed by the Directors:

1. A criminal case is filed by our Independent Director with the III Additional Chief Magistrate, Nampally, Hyderabad for dishonour of cheque under Negotiable Instruments Act, 1881 against M/s Sai Surya Realtors and Developers, a partnership Firm having its office at No. 5, Sterling Manor, 3rd Cross Street, Sterling Road, Nungambakkam, Chennai-34, vide C C. No. 1574 of 2008. Further a Settlement Deed was entered into between both the parties on 29th January, 2009 for full and final settlement of the said case.

   However, the said case is still pending and the said amount is yet to be received by Mrs. Anita Sakuru.

[E] Litigations Post Filing of the Draft Prospectus

The Company undertakes to incorporate the factual position in respect of any litigation against the Company or by the Company, its Group Companies and Promoters that may take place after filing the Draft Prospectus with SEBI.

STATUTORY DUES

The Company has been largely regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Sales Tax, VAT, Wealth Tax, Custom Duty, Service Tax, Cess, and other Statutory dues applicable to it.

CONTINGENT LIABILITY NOT PROVIDED FOR:

There are no contingent liabilities of the company as on 31st March, 2009 except the following:

- The company has received Notice u/s 143(2) of Income Tax Act, 1961 from Income Tax Department for the Assessment Year 2007-08, which was pending till date. (The company has received Notice u/s 143(2) of Income Tax Act, 1961 from Income Tax Department for the Assessment Year 2006-07).

MATERIAL DEVELOPMENT SINCE THE LAST BALANCE SHEET DATE

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last audited financial statements disclosed in this Draft Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of the Company's assets or its ability to pay its material liabilities within the next twelve months.

ADVERSE EVENTS

There are no adverse events affecting the operations of the company occurring within one year prior to the date of filing of the Draft Prospectus with the Stock Exchange.

The Company certifies that besides this there are no:

- Pending litigations against the Company.
- Outstanding litigations, defaults etc. pertaining to matter likely to affect operations and financing of the Company including prosecution under the Companies Act, 1956.
- Such cases of pending litigations, default etc. in respect of the Company/ Firm/ Ventures with which the promoters were associated in the past, but are no longer associated, and their names continue to be associated with particular litigation.
- Disciplinary action/ investigation has been taken by the SEBI/ Stock Exchanges against the Company, its directors, promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of the section 370 (1B) of the Companies Act, 1956.
- Cases against the Company or its promoters of economic offences in which penalties were imposed on promoters.
- Pending litigations, disputes, defaults, non payment of statutory dues, proceedings initiated for offences (including past cases and irrespective of whether specified in paragraph (i) of part 1 of Schedule XIII of Companies Act, 1956) against the promoters and their business ventures.
- Pending litigations, disputes, defaults, non payment of statutory dues, proceedings initiated for economic offences/ Civil offences, any disciplinary action taken by the Board/ Stock Exchanges against the Company/ Promoters and their business ventures/ directors other than those mentioned in this prospectus and that no litigations have arisen and the Company and its directors take full responsibility of the information mentioned in the Draft Prospectus.

II. GOVERNMENT APPROVALS/ LICENSING ARRANGEMENTS

The approvals, permissions and licenses received by our Company from various Central and State Governments and other government agencies, statutory, regulatory & other authorities/certification bodies, listed below enable us to carry out our present business activities and no major approvals from any such authorities is required. Unless otherwise stated, these approvals are all valid as on the date of this Draft Prospectus.

I. General Corporate Approvals

1. Certificate of Incorporation No. 59968 (CIN No.: U52190AP2008PLC059968) dated 3rd July, 2008 issued by Registrar of Companies, Andhra Pradesh at Hyderabad issued in the erstwhile name of the "Sai Silks (Kalamandir) Private Limited".

2. Fresh Certificate of Incorporation dated 21st May, 2009 consequent upon conversion from a Private Limited Company to a Public Limited Company from "Sai Silks (Kalamandir) Private Limited" to "Sai Silks (Kalamandir) Limited" issued by Registrar of Companies, Andhra Pradesh at Hyderabad.

II. The Company has obtained necessary approvals and registration from various authorities in relation to its business activities, which includes;

1. Permanent Account Number of the Company is AAMCS1175P and TAN is HYDS24132D.
2. VAT Registration Number of the Company (TIN) is 28050243210 issued by Comm. Tax Department, Punjagutta Circle, Punjagutta Division on 29th September, 2005 for Ameerpet Branch. The Company is also registered under the CST Act with the above registration Number.
3. VAT Registration Number of the Company (TIN) is 28531009785 issued by Comm. Tax Department, Punjagutta Circle, Punjagutta Division on 8th July, 2008 for Dilsukhnagar Branch, Kukatpally Branch, Malleswaram Branch, Jayanagar Branch and Guntur Branch. The Company is also registered under the CST Act with the above registration Number.
4. Employees Provident Fund Registration No. AP/HY/ 51631 issued by Office of the Asst. Commissioner of Provident Fund, Hyderabad dated 17th November, 2005.
5. ESI Registration Certificate No. 52 – 24987 – 101 dated 09th November, 2005 issued at Hyderabad.
6. ESI Registration Certificate No. 52 – 24987 – 101 dated 29th April, 2008 issued at Bangalore.

II. Branch Units related Approvals

HYDERABAD

AMEERPET

Sr. No.	Particulars	Number
1.	VAT REGISTRATION	TIN – 28531009785
2.	ESIC	52-24987-101
3.	CST	TIN – 28531009785
4.	CERTIFICATE OF IMPORTER-EXPORTER CODE	IEC-0906002532
5.	LABOUR APPROVAL LICENSE	DCL-I,HYD/13/2005
6.	SHOP & ESTABLISHMENT LICENSE	DCL-I,HYD/13/2005

DILSUKHNAGAR

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 28531009785
2.	ESIC	52-24987-101
3.	EPF	AP/HY/51631/2X/ENF/2005/1635
4.	CST	TIN – 28531009785
5.	LABOUR APPROVAL LICENSE	DCL-II/HYD/48/2009
6.	SHOP & ESTABLISHMENT LICENSE	DCL-II/HYD/48/2009

KUKATPALLY

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 28531009785
2.	ESIC	52-24987-101
3.	EPF	AP/HY/51631/2X/ENF/2005/1635
4.	CST	TIN – 28531009785
5.	LABOUR APPROVAL LICENSE	DCL-I, HYD/231/2008
6.	SHOP & ESTABLISHMENT LICENSE	DCL-I, HYD/231/2008

GUNTUR

ARUNDELPET

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 28531009785
2.	ESIC	52-24987-101 (GTR)
3.	EPF	AP/HY/51631/2X/ENF/2005/1635
4.	CST	TIN – 28531009785
5.	LABOUR APPROVAL LICENSE	12/ACH-II
6.	SHOP & ESTABLISHMENT LICENSE	12/ACH-II

BENGALURU

JAYANAGAR

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 29540808210
2.	ESIC	52-24987-101(BNG)
3.	EPF	AP/HY/51631/2X/ENF/2005/1635

4.	CST	TIN – 29540808210
5.	LABOUR APPROVAL LICENSE	HE/KA/NE/B-13:60:AH:1155:2008
6.	SHOP & ESTABLISHMENT LICENSE	HE/KA/NE/B-13:60:AH:1155:2008

JAYANAGAR (ZONAL)

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 29540808210
2.	ESIC	52-24987-101(BNG)
3.	EPF	AP/HY/51631/2X/ENF/2005/1635
4.	CST	TIN – 29540808210
5.	LABOUR APPROVAL LICENSE	58/Va.SA/1223/2008
6.	SHOP & ESTABLISHMENT LICENSE	58/Va.SA/1223/2008

MALLESHWARAM

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 29540808210
2.	ESIC	52-24987-101(BNG)
3.	EPF	AP/HY/51631/2X/ENF/2005/1635
4.	CST	TIN – 29540808210
5.	LABOUR APPROVAL LICENSE	No. 6/r/1487/2008
6.	SHOP & ESTABLISHMENT LICENSE	No. 6/r/1487/2008

MARATHAHALLI

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 29540808210
2.	ESIC	52-24987-101(BNG)
3.	EPF	AP/HY/51631/2X/ENF/2005/1635
4.	CST	TIN – 29540808210
5.	LABOUR APPROVAL LICENSE	VA:YE:AH/240/2008
6.	SHOP & ESTABLISHMENT LICENSE	VA:YE:AH/240/2008

M.G.ROAD

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 29540808210
2.	ESIC	52-24987-101(BNG)
3.	EPF	AP/HY/51631/2X/ENF/2005/1635
4.	CST	TIN – 29540808210
5.	LABOUR APPROVAL LICENSE	76/V.SA.5095
6.	SHOP & ESTABLISHMENT LICENSE	76/V.SA.5095

CHICKPET

Sr. No.	Particulars	Remarks
1.	VAT REGISTRATION	TIN – 29540808210
2.	ESIC	52-24987-101(BNG)
3.	EPF	AP/HY/51631/2X/ENF/2005/1635
4.	CST	TIN – 29540808210
5.	LABOUR APPROVAL LICENSE	HEKANE B-20:28:A:5576:2009
6.	SHOP & ESTABLISHMENT LICENSE	HEKANE B-20:28:A:5576:2009

G. OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its meeting held on 1st June 2009 and by a Special Resolution adopted by shareholders pursuant to Section 81(1A) of the Companies Act, 1956 at the Annual General Meeting of the Company held on 3rd July 2009.

Prohibition by SEBI

The Company, its Promoters, Directors or any of the Company's associates or group companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital market or restrained from buying, selling or dealing under any order or direction passed by SEBI.

Further, our Directors, our Promoters and Promoter Group entities have confirmed that they have not been declared as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Eligibility for the Issue

Our Company is an "Unlisted Company" in terms of the SEBI Guidelines; and this Issue is an "Initial Public Offer" in terms of SEBI Guidelines.

Our Company is eligible to come out with the issue under Clause 2.2.1 of SEBI (DIP) Guidelines, 2000.

This has been certified by the Auditor of the Company vide his letter dated 29th June 2009.

The following is the reproduction of his certificate.

This is to certify, in relation to SSKL (the "Company"):

"The Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with the eligibility criteria calculated in accordance with Restated Financial Statements as per Indian GAAP;

1. The Company has had net tangible assets of at least Rs. 30 Million in each of the preceding three full years (of twelve months each) of which not more than 50% is held in monetary assets and as such complies with Clause 2.2.1(a) of the SEBI DIP Guidelines;

2. The Company has a track record of distributable profits in accordance with Section 205 of Companies Act, 1956 for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI DIP Guidelines;

3. The Company has a net worth of at least Rs. 10 Million in each of the three preceding full years (of twelve months each) and is compliant with Clause 2.2.1(c) of the SEBI DIP Guidelines;

4. The aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (i.e. offer through the offer document + firm allotment + promoter's contribution through the offer document) does not exceed five times the pre-Issue net worth of the Company as per the audited balance sheet of the last financial year and is compliant with Clause 2.2.1(e) of the SEBI DIP Guidelines.

5. There has been no change in the name of the Company in the last one year.

The net tangible assets, monetary assets, net profits (as restated) and net worth (as restated) as derived from the Restated Financial Statements, as per Indian GAAP as per the Auditors Report dated 29th June 2009 or the last five financial years ended March 31, 2009, 2008, 2007, 2006 and 2005 is set forth below: **(Rs. In Millions)**

Particulars	**31.03.09**	**31.03.08**	**31.03.07**	**31.03.06**	**31.03.05**
Net Tangible Assets (1)	229.46	151.10	79.04	37.60	NA
Monetary Assets (2)	6.74	29.63	0.57	2.12	NA
Monetary Assets as a Percentage of Net Tangible Assets	2.94	19.61	0.72	5.64	NA
Net Profits as restated	30.81	15.30	5.23	0.79	NA
Net worth as restated	229.46	151.10	79.04	37.60	NA
Distributable profits (3)	30.23	14.96	4.05	0.44	NA

1. Net tangible assets is defined as the sum assets of fixed assets (including capital work in progress and excluding revaluation reserves,) trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities),
2. Monetary assets include cash on hand and bank and quoted investments.
3. The Distributable profits of the company as per Section 205 of the Act, and has been calculated from the audited financials statements of the respective year/ period before making adjustments for restatement of financial statements."

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, SSKL undertakes that the number of allottees, i.e., Persons receiving Allotment in the Issue shall be at least 1000, otherwise, the entire application money will be refunded forthwith.

SEBI DISCLAIMER CLAUSE

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF DRAFT PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF

THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT PROSPECTUS. THE LEAD MERCHANT BANKER, VIVRO FINANCIAL SERVICES PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES 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 DRAFT PROSPECTUS, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER VIVRO FINANCIAL SERVICES PRIVATE LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED 8th JULY 2009 WHICH READS AS FOLLOWS;

We, Vivro Financial Services Private Limited, the Lead Merchant Banker to the above mentioned forthcoming issue state as follows:

1. **We have examined various documents including those relating to litigation like commercial disputes, patent disputes, disputes with collaborators etc. and other materials more particularly referred to in the Annexure hereto in connection with the finalization of the draft prospectus pertaining to the said issue;**

2. **On the basis of such examination and the discussions with the company, its directors and other officers, other agencies, independent verification of the statements concerning the objects of the issue, projected profitability, price justification and the contents of the documents mentioned in the Annexure and other papers furnished by the company,**

   WE CONFIRM THAT:

(A) **the Draft Prospectus forwarded to the Board is in conformity with the documents, materials and papers relevant to the issue;**
(B) **all the legal requirements connected with the said issue as also the guidelines, instructions, etc. issued by the Board, the Government and any other competent authority in this behalf have been duly complied with; and**
(C) **The disclosures made in the Draft Prospectus are true, fair and adequate to enable the investors to make a well informed decision as to the investment in the proposed issue and such disclosures are in accordance with the requirements of the Companies Act, 1956, The SEBI (Disclosure and**

Investor Protection) Guidelines, 2000 and other applicable legal requirements.

3. We confirm that besides ourselves, all the intermediaries named in the Draft Prospectus are registered with the Board and that till date such registration is valid.

4. We certify that written consent from shareholders has been obtained for inclusion of their securities as part of promoters' contribution subject to lock-in and the securities proposed to form part of promoters' contribution subject to lock-in, will not be disposed / sold / transferred by the promoters during the period starting from the date of filing the draft prospectus with the Board till the date of commencement of lock-in period as stated in the Draft Prospectus.

5. We certify that clause 4.6 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000, which relates to securities ineligible for computation of promoters contribution, has been duly complied with and appropriate disclosures as to compliance with the clause have been made in the Draft Prospectus.

6. We confirm that provisions of clauses 4.9.1 & 4.9.2, 4.9.3 & 4.9.4 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 are not applicable in respect of the captioned issue.
7. We certify that requirement of promoter's contribution are applicable in respect of the said issue.
8. We certify that the proposed activities of the issuer for which the funds are being raised in the present issue fall within the 'Main Objects' listed in the object clause of the Memorandum of Association or other Charter of the issuer and that the activities which have been carried out until now are valid in terms of the object clause of its Memorandum of association.
9. We confirm that necessary arrangements shall be made to ensure that the moneys received pursuant to the issue are kept in a separate bank account as per the provisions of section 73(3) of the Companies Act, 1956 and that such moneys shall be released by the said bank only after permission is obtained from all the stock exchanges mentioned in the Draft Prospectus. We further confirm that the agreement entered into between the bankers to the issue and the issuer specifically contains this condition.
10. We certify that no payment in the nature of discount, commission, allowance or otherwise shall be made by the issuer or the promoters, directly or indirectly, to any person who receives securities by way of firm allotment in the issue.
11. We certify that a disclosure has been made in the Draft Prospectus that the investors shall be given an option to get the shares in demat or physical mode.

12. **We certify that the following disclosures have been made in the Draft Prospectus :**
    a). **An undertaking from the issuer that at any given time there shall be only one denomination for the shares of the company and**
    b) **An undertaking from the issuer that it shall comply with such Disclosure and accounting norms specified by the board from time to time.**

THE FILING OF DRAFT 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 LEAD MERCHANT BANKER(S) ANY IRREGULARITIES OR LAPSES IN DRAFT PROSPECTUS."

DISCLAIMER FROM OUR COMPANY AND THE LEAD MANAGER

The Company, the Directors, the Compliance Officer and the Lead Manager accept no responsibility for Statements made otherwise in this Draft Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web-site www.kalamandir.com would be doing so at his or her own risk.

All information shall be made available by us and the Lead Manager 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 application centers or elsewhere.

Caution

Investors that apply in this Issue will be required to confirm and will be deemed to have represented to the Company and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. The Company and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

Disclaimer in respect of Jurisdiction

This Offer is being made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, or any other Trust law and who are authorized under their constitution to hold and invest in shares) and to NRIs and FIIs as defined under the Indian laws. This Draft Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to securities issued hereby in any other jurisdiction. Any person into whose possession this Draft Prospectus come is required to inform him about and to observe any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Prospectus has been submitted to the SEBI. Accordingly, the equity shares represented thereby may not be offered or sold, directly or indirectly, and this Draft Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of Offer Document nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of The Bombay Stock Exchange Limited (BSE)

As required, a copy of the Draft Prospectus has been submitted to the BSE .The BSE has given the permission to SSKL vide their letter dated [*] to use BSE name in this Draft Prospectus as the stock exchange on which the equity shares are proposed to be listed. BSE has scrutinized this Draft Prospectus for their limited internal purpose of deciding on the matter of granting the aforesaid permission to SSKL. The exchange does not in any manner:

a) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Prospectus; or
b) warrant that the securities will be listed or will continue to be listed on the Exchange, or
c) take any responsibility for the financial or other soundness of SSKL, its promoters, its management or any scheme or project of SSKL and it should not, for any reason be deemed or construed that this Draft Prospectus has been cleared or approved by the BSE.

Every person who desires to apply for or otherwise acquires any securities of this issuer may do so pursuant to an independent inquiry or any investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of The National Stock Exchange of India Limited (NSE)

As required, a copy of this Draft Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its Letter No dated [*] permission to the Issuer to use the NSE name in this Draft Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e. the Paid up capital shall not be less than Rs 10 Crores and market capitalization shall no be less than 25 Crores at the time of listing) The NSE has scrutinized this Draft Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE that this Draft Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Prospectus nor does it warrant that the Issuer's securities will be listed or will continue to be listed on the Exchange nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of our Company.

Every person who desires to apply for or otherwise acquires any of the securities of the Company may do so pursuant to independent enquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Prospectus has been filed with the Corporate Finance Department of SEBI at Securities and Exchange Board of India, 3rd Floor, D'monte Building, No. 32, D'monte colony, TTK Road, Alwarpet, Chennai-600018, the Bombay Stock Exchange Ltd. (BSE), P.J Towers, Dalal Street, Mumbai and the National Stock Exchange Ltd. (NSE), Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai-400051.

A copy of the Prospectus, along with the documents required to be filed under 60 of the Companies Act would be delivered for registration to the Registrar of Companies, 2nd Floor, CPWD Building, Kendriya Sadan, Sultan Bazaar, Koti, Hyderabad – 500 195.

Listing

Applications have been made to BSE and NSE for permission to deal in and for an official quotation of the Company's Equity Shares. The [*] shall be the Designated Stock Exchange with which the basis of allocation will be finalized for Institutional, Non-institutional portion and Retail portion.

If the permissions to deal in and for an official quotation of the Company's Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Prospectus. If such money is not repaid within eight days after the Company become liable to repay it (i.e. from the date of refusal or within 70 days from the Issue Closing Date, whichever is earlier), then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within 7 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 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue; and (b) Lead Manager, Escrow Collection Bank(s) and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Draft Prospectus with the Registrar of Companies, Andhra Pradesh, Hyderabad as required under section 60 of the companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of this Draft Prospectus for registration with the ROC.

M/s B. Vithlani & Co., Auditors of the Company, have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Prospectus for registration with the ROC.

EXPERT OPINION

No opinion of any expert has been obtained by the Company except that of M/s B.Vithlani & Co., Chartered Accountants, Hyderabad, the Statutory Auditors of the Company and M/s. V. S. Raju And Associates, the Legal Advisors to the Issue.

Expenses of the Issue

The expenses of the Issue include inter alia management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

Sr. No.	Particulars	Amount Rs. In Millions	% of Total Issue Expenses	% Total Issue Size
1	Lead Managers fees	[•]	[•]	[•]
2	Registrar to the Issue	[•]	[•]	[•]
3	Banker to the Issue	[•]	[•]	[•]
4	Offer Stationery	[•]	[•]	[•]
5	Advertising Expenses	[•]	[•]	[•]
6	Legal Fees	[•]	[•]	[•]
7	Other Expenses (incl. Filing Fees, Listing Fees, Depository Charges, etc.)	[•]	[•]	[•]
	Total	[•]	[•]	[•]

The estimated Issue expenses are as follows:

[•] Will be incorporated after finalization of issue price

Fees payable to the LM

The total fees payable to the LM including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between the Company and the LM dated 7th July 2009 a copy of which is available for inspection at the Company's Registered Office.

Fees payable to Registrar to the Public Issue

The total fees payable to the Registrar to the Public Issue will be as per the Memorandum of Understanding signed amongst the company and the Registrar to the Public Issue, a copy of which is available for inspection at the Registered Office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

Fees payable to Bankers to the Public Issue

The total fees payable to the Bankers to the Public Issue will be as per the understanding of the Company with the Bankers to the Issue, a copy of which is available for inspection at the Registered Office.

Underwriting Commission, Brokerage and Selling Commission

The present Public Issue is not being underwritten and hence no underwriting commission is payable.

Brokerage will be paid by the Company at the rate of [*] % on the offer price of Equity Shares offered to the Public on the basis of allocation made against applications bearing the stamp of the members of any recognized Stock Exchanges in India in the brokers column. Brokerage at the same rate will also be payable to the Bankers to the Public Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

Previous Issue Details

The company has not made any issue of equity shares to the public prior to the present Public Issue.

Commission and brokerage on previous issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the equity shares since its inception.

Previous Issue of shares otherwise than for cash

The Company has not issued any Equity Shares for consideration other than cash. However, Our Company has issued 1,00,00,000 equity shares of Rs. 10 each to partners of erstwhile partnership firm i.e. Sai Silks (Kalamandir) on conversion from partnership firm to private limited company under Part-IX of the Companies Act, 1956 on 3rd July 2008 against the capital lying in Partnership firm as on the date of conversion

Particulars in regard to our Company and other listed companies under the same management within the meaning section 370 (1)(B) of the Companies Act, 1956 which made any capital issue during the last three years

There are no listed companies under the same management within the meaning of Section 370(1B) of the companies Act, 1956, has made any capital issues during the last three years.

Promise v/s Performance

The company has not made any issue of equity shares to the public prior to the present Public Issue.

Outstanding Debentures or Bonds and Redeemable Preference Shares and Other Instruments issued by Our Company outstanding as on the Date of Draft Prospectus and Terms of Issue

The Company has no outstanding debentures or bond issue or redeemable preference shares.

Stock market data for the Company's Equity Shares

This being the initial public Issue of the Company, the Equity Shares are not listed on any stock exchange.

MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES

The Memorandum of Understanding between the Registrar to this Issue and Company will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

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

DISPOSAL OF INVESTOR GRIEVANCES BY THE COMPANY

The Company estimates that the average time required by them or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has appointed Mr. Soumith Kumar Sikinderpurkar, Company Secretary as the Compliance Officer and he may be contacted at:

Mr. Soumith Kumar Sikinderpurkar
Company Secretary & Compliance Officer
6-3-790/8, Flat No. 1,
Bathina Apartments, Ameerpet,
Hyderabad – 500016, Andhra Pradesh
Tel: +91-040-6656 6555;

Fax: +91-040-6610 6699;
E-mail: secretarial@kalamandir.com

Investors may contact him in case of any Pre -Issue or Post-Issue problems.

CHANGES IN AUDITORS DURING THE LAST THREE FINANCIAL YEARS AND REASONS THEREOF

There have been no changes in the auditors of the Company during the last three years.

Capitalization of Reserves or Profits

There has been no any Capitalization of Reserves during last five years.

Revaluation of Assets

Our Company has not revalued its asset since the last five years.

Interest of promoters and directors

The promoter of the Company may be deemed to be interested to the extent of the remuneration received, shareholding in the Company and the transactions with promoter group entities / concerns as given in Annexure-XIV of Restated Financial Statements on page no. [*] of this Draft Prospectus. All the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or any committee thereof. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees.

Payment or benefit to officers of the company

Except as stated in this Draft Offer Document, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except for the normal remuneration paid to Directors, officers or employees since the incorporation of the Company. None of the beneficiaries of loans, advances and sundry debtors are related to the Company's Directors.

H. OFFERING INFORMATION

I. TERMS OF THE ISSUE

The Equity shares being issued are subject to terms of this Draft Prospectus, the terms and conditions contained in the application form, the Memorandum and Articles of Association of the Company, provisions of the Act and letters of allotment/ Equity Share Certificates or other documents and the guidelines issued from time to time by the Government of India and Securities & Exchange Board of India. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company adopted at its Meeting held on 1st June 2009 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956, at the Annual Ordinary General Meeting of the Company held on 3rd July 2009.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles of Association and shall rank pari-passu in all respects with the other existing shares of the Company including rights in respect of the rights to receive dividends. The allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of allotment.

Mode of Payment of Dividend

The declaration and payment of dividend will be as per the provisions of the Companies Act, 1956 and recommended by the Board of Directors and the shareholders at their discretion, and will depend on a number of factors, including but not limited to earnings, capital requirements and overall financial condition of our Company.

Face Value and Issue Price

The Equity Shares with a face value of Rs.10/ - each are being offered in terms of this Draft Prospectus at a price of Rs. [*]/- per share. At any point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Compliance with SEBI Guidelines

We shall comply with all the disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive the annual reports and notices to members;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, 1956 and Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of the Articles of Association" on page **[•]** in this Draft Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors. Since trading of the Equity Shares will be in dematerialized mode, the tradable lot is one equity share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiple of one Equity Share subject to a minimum allotment of **[•]** Equity Shares. For details of allocation and allotment, please refer to the "Issue Procedure" on page [*] of the Draft Prospectus.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first Applicant, along with other joint Applicant, may nominate any one person in whom, in the event of the death of sole applicant or in case of joint Applicants, death of all the Applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Company's Registered / Corporate Office or to its Registrar and Transfer Agents.

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 allotment / 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 allot the equity shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the equity shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with respective DP of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective DP.

Minimum Subscription

If the company does not receive the minimum subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having been returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act.

In terms of clause 2.2.2A of SEBI (DIP) Guidelines, 2000, if the number of allottees in the proposed issue is less than 1,000 allottees, the Company shall forthwith refund the entire subscription amount received.

Arrangements for Disposal of Odd Lots

Our Company's Equity Shares will be traded in dematerialized form only and therefore the marketable lot is one share. Therefore there is no possibility of odd lots.

Restrictions, if any, on transfer and transmission of shares and their Consolidation/ Splitting.

There are no restrictions on transfer and transmission of shares and their Consolidation/ Splitting other than those mentioned in Articles of Association of the Company.

II. ISSUE PROCEDURE

OPTION TO SUBSCRIBE

In terms of section 68B of the Companies Act, 1956, the equity shares in this offer shall be allotted only in dematerialized form (i.e. not in the form of physical certificates but the fungible and be represented by the statement issued through electronic mode). Investors shall have an option to hold the shares post allotment in physical or demat form.

HOW TO APPLY

AVAILABILITY OF APPLICATION FORMS AND OFFER DOCUMENT

Application forms with Memorandum containing salient features of the Offer Document and copies of the Offer Document under Section 56(3) of the Act may be obtained from the Registered Office of the Company, the Lead Manager to the Public Issue, Brokers to the Public Issue and the Bankers to the Public Issue named herein or from their branches as stated on the reverse of the application form. The minimum application value shall be Rs. [*].

Application Form

Applications (except ASBA Forms) must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so completed. The prescribed application forms will have the following colors:

Category	**Application Form**
Indian Public or NRIs applying on a non-repatriation basis	White
Non-Residents including NRIs, FIIs, Foreign Venture Capital Funds/ Multilateral and Bilateral Development Institutions applying on repatriation basis	Blue
ASBA Investors	Pink

TERMS OF PAYMENT

The entire amount of Rs. [*] per share is payable on application.

WHO CAN APPLY

- Indian National Resident of India.

- ASBA Investors

- Hindu Undivided Families (HUF) through the Karta of the HUF. (Applications by HUF would be given the same treatment as that to applications by individuals)

- Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the shares.

- Scientific and/or Industrial Research Organizations, which are authorised to invest in the equity shares.
- Indian Mutual Funds registered with SEBI.
- Indian Financial Institutions & Banks.
- Trusts that are registered under the Societies Registration Act, 1860 or any other Trust Law and are authorised under their constitution to hold and invest in shares subject to provisions of Section 3A of the Bank Nationalization Act.
- Commercial Banks and Regional Rural Banks. Co -operative Banks may also apply subject to permission from Reserve Bank of India.
- Venture Capital Funds registered with SEBI.
- Foreign Venture Capital Investors registered with SEBI.
- State Industrial Development Corporation.
- Provident Funds with minimum corpus of Rs. 25 Crores and who are authorised under their constitution to hold and invest in equity shares.
- Pension Funds with minimum corpus of Rs. 25 Crores and who are authorised under their constitution to hold and invest in equity shares.
- Multilateral and bilateral development financial institutions.
- Permanent and Regular employees/Working Directors of the Bank.
- Non Resident Indians (NRIs)/ FII's on repatriation basis.
- Foreign Institutional Investors registered with SEBI

Pursuant to the existing regulations, OCB's are not eligible to participate in the issue.

Maximum and Minimum Application Size:

Applications should be for minimum of [*] Equity Shares and in multiples of [*] Equity Shares thereafter. Under existing SEBI DIP Guidelines, a QIB applicant cannot withdraw its application after the Issue Closing Date.

PROCEDURE FOR APPLICATION

APPLICATION BY INDIAN PUBLIC INCLUDING ELIGIBLE NRIs APPLYING ON NON - REPATRIATION

Application must be made only:

1. On the prescribed Application Form (WHITE in color) completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made.

2. For a minimum of [*] Equity Shares and in multiples of [*] thereafter.

3. In single name or joint names (not more than three);

4. By Indian Nationals resident in India and Eligible NRIs on Non - Repatriation basis, and

5. In the names of individuals, limited companies or statutory Corporations/institutions and NOT in the names of Minors, Foreign Nationals, Non -Residents (except for those applying on non - repartition), trusts, (unless the Trust is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorised under its constitution to hold shares and debentures in a Company), Hindu Undivided Families, partnership firms or their nominees. In case of HUF's application shall be made by the Karta of the HUF.

6. An applicant cannot make an application for that number of securities exceeding the number of securities offered to the public. Payment should be made in cash or by cheque/Bank Draft drawn on any bank (including a Co -operative Bank) which is situated at and is a Member or Sub -member of the Banker's Clearing House located at the place where the application is submitted.

7. A separate cheque or Bank draft should accompany each application form. Applicants should write the Share Application Number on the back of the Cheque /draft. Outstation Cheques will not be accepted and applications accompanied by such cheques drawn on outstation banks are liable for rejection. Money Orders/Postal Orders will not be accepted.

8. All Cheques or Bank Drafts must be payable to any of the Bankers to the Public Issue with whom the application is lodged and marked **"Name of the Bank SSKL – Public Issue"** and crossed **"Account Payee Only".**

9. All application Forms duly completed together with cash/ cheque/bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Public Issue named herein or to any of their branches mentioned on the reverse of Application Form, and NOT to the Company or to the Lead Managers to the Public Issue or to the Registrars to the Public Issue.

10. No receipt will be issued for the application money. However, Bankers to the Public Issue and/or their branches receiving the applications will acknowledge receipt by stamping and returning acknowledgment slip at the bottom of each application form.

11. The applicant should fill in the details of his/her bank account in the space provided in the application form failing which the application is liable to be rejected.

12. Having regard to the provisions of Section 269 (SS) of the Income Tax Act, 1961, subscriptions against applications for securities should not be effected in

cash and must be effected only by 'Account Payee' cheques or 'Account Payee' bank drafts, if the amount payable is Rs. 20,000/ - or more. In case payment is effected in contravention of this provision, the application is liable to be rejected.

13. Applicants residing at places where the designated branches of the Banker to the Issue are not located may submit/mail their applications at their sole risk to the Registrar to the issue along with Demand Draft payable at Hyderabad only payable to " SSKL - Public Issue"

For further instructions please read Application Form carefully.

For ASBA Process, please refer section "ASBA Process" on page no. no. [*] of this Draft Prospectus.

Application by Mutual Funds/ Scheduled Banks/ Indian and Multilateral Development Financial Institutions

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 all its schemes should own more than 10% of any company's paid -up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares. In case of a mutual fund, a separate Application can be made in respect of each scheme of the mutual fund registered with SEBI and such Applications in respect of more than one scheme of the mutual fund will not be treated as multiple Applications provided that the Applications clearly indicate the scheme concerned for which the Application has been made.

Scheduled Banks and Indian and Multilateral Development Financial Institutions can apply in this public issue based upon their own investment limits and approvals.

Application by NRIs

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment on re-patriable basis and such NRI applicants shall use the form meant for NRI/FII (Blue in color). The NRIs who intend to make payment through Non -Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (White in color).

Applications by NRIs for an amount of not more than Rs. 100,000/ - would be considered under the Retail Portion for the purposes of allotment. In case of applications by NRI/FII , a single applicant can make an application for a number of Equity Shares, which should not exceed the number of shares issued to Public.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The allotment of Equity Shares to a single FII should not exceed 10% of the post -issue paid- up capital of the Company.

In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub -account shall not exceed 10% of the total issued capital or 5% of the total issued capital in case such sub - account is a foreign corporate or an individual.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals, in terms of Regulation 15A(1) of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off - shore derivative instruments, such as Participatory Notes, Equity -Linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any Stock Exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities, in the countries of their incorporation or establishment, subject to compliance of "know your client" requirements. An FII or sub account shall also ensure that no further downstream issue or transfer of any instrument referred to herein above is made to any other person other than a regulated entity.

In case of applications by FII's in NRI/FII Portion, number of Equity Shares applied should not exceed issue size.

Application by SEBI Registered Venture Capital Funds And Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investor) 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 registered with SEBI, in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investor s can invest only upto 33.33% of the investable funds by way of subscription to an initial public offer. In case of applications by NRI/FII, a single applicant can make an application for a number of Equity Shares, which should not, exceeds the number of shares issued to Public.

The above information is given for the benefit of the Applicants. The Company and the LM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of the Prospectus. Applicants are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations, and the Company and the LM shall on no grounds whatsoever be liable for or responsible for any breach of applicable regulations by any investor or category of investors.

Applications under Power of Attorney

In case of Applications 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 of Association and Articles of Association and/or bye laws must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore. In case of Applications made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications made by provident funds with minimum corpus of Rs. 2500 Lacs (subject to applicable law) and pension funds with 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 along with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore.

In case of Applications made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Application Form. Failing this, the Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason.

The Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Application Form, subject to such terms and conditions that the Company and the LM may deem fit.

Application by ASBA Investor

For ASBA Process, please refer section "ASBA Process" on page no.[*] of this Draft Prospectus.

Filing of the Prospectus with the RoC

A copy of the Prospectus has been filed with the Registrar of Companies, Andhra Pradesh in terms of Section 56, Section 60 of the Companies Act.

Pre-Issue Advertisement

Our Company will issue a statutory advertisement after filing of the Prospectus with the RoC. This advertisement will contain the information that has to be set out in the statutory advertisement. Material updates, if any, between the date of filing the Prospectus with the RoC and the date of release of this statutory advertisement will be included in the statutory advertisement.

Issuance of Allotment Advice

Upon approval of the basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the investors allotment advice mentioning the number of equity shares allocated/allotted in the Issue and the amount paid by the applicant.

The dispatch of Allotment advise shall be deemed a valid, binding and irrevocable contract for the applicant who has paid the entire Issue Price for all the Equity Shares allotted to such applicant.

For ASBA Process, please refer section "ASBA Process" on page no.[*] of this Draft Prospectus.

Designated Date and Allotment of Equity Shares

Our Company will ensure that the Allotment of Equity Shares is done within 30 days of the Issue Closing Date.

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GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;
b) Read all the instructions carefully and complete the Resident Application Form (White in colour) or Non-Resident 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) Each of the applicants, should mention his/ her Permanent Account Number (PAN) allotted under the IT Act. (see "Issue Procedure – PAN Number" on page no[*] of this Draft Prospectus);
e) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects; and
f) Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form.

Don'ts:
(a) Do not apply for lower than the minimum application size;
(b) Do not pay the application money in cash, by money order or by postal order or by stockinvest;
(c) Do not send Application Forms by post; instead submit the same to the Designated banks.
(d) Do not fill up the Application Form such that the number of Equity Shares applied for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the

applicable regulations; (e)Do not write the GIR number instead of the PAN as the application is liable to be rejected on this ground.
(f)Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

Application forms with Memorandum containing salient features of the Offer Document and copies of the Offer Document may be obtained from the Registered Office of the Company, the Lead Manager to the Public Issue, Brokers to the Public Issue and the Bankers to the Public Issue named herein or from their branches as stated on the reverse of the application form. The minimum application value shall be Rs. [*].

Applicants Depository Account and Bank Account Details

Applicants should note that on the basis of name of the applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, applicants bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the applicants. Hence, applicants are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to applicants at the applicants sole risk and the Registrar to the Issue nor the Collection Banks nor the Company shall have any responsibility and undertake any liability for the same. Hence, Applicants should carefully fill in their Depository Account details in the Application Form.

IT IS MANDATORY FOR ALL THE APPLICANTS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL APPLICANTS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE 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 APPLICATION FORM.

Applications by NRI's/ FII's (on a Repatriation Basis):

1. Allotment/transfer of the Equity Shares to NRI's /FII's 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 permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.

2. In case of application by NRIs on repatriation basis, the payments must be made through Indian rupee drafts purchased abroad or cheques or banks, for the amount payable on application remitted through normal banking channels or out of funds held in the Non- Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non Resident Ordinary (NRO) Accounts of Non-Resident Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by Bank Certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.

3. In case of application by FIIs on repatriation basis, the payments must be made out of funds held in Special Non Resident Rupee account, along with documentary evidence in support of the remittance like FIRC, bank certificate etc. from the authorized dealer. Payment by bank draft should be accompanied by a Bank Certificate confirming that the bank draft has been issued by debiting to Special Non Resident Rupee account.

4. Duly filled Application Forms by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue as mentioned in the application form.

5. Refunds/ dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges/ commission . In case of applicants who remit their application money from funds held in NRE/FCNR accounts, such payments shall be credited to their respective NRE/FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE/FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the Applicant on account of conversion of foreign currency into Indian Rupees and vice versa.

6. Applicants in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment on repatriable basis. The NRI’s who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians and shall not use the blue colored forms meant for applications on repatriable basis.

7. The Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in the Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions . As per the RBI regulations, OCBs are not permitted to participate in the Issue.

PAYMENT INSTRUCTIONS

The entire Issue price of Rs.[*] per share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, our Company shall refund the excess amount paid on application to the applicants.

INVESTORS SHOULD NOTE THAT TRADING IN SECURITIES OF THE COMPANY SHALL BE IN DEMATERIALISED FORM ONLY.

JOINT APPLICATIONS:

An application may be made in single or in joint names (not more than three). In the case of joint application, refund/pay order (if any), dividend/interest warrants etc., will be made out in the name of the first applicant and all communications will be addressed to the applicant whose name appears first and at his/her address stated in the Application.

MULTIPLE APPLIC ATIONS:

An applicant should submit only one application (and not more than one) for the total number of Equity shares required. Two or more applications in single and/or joint names will be deemed to be multiple applications if the sole and/or first applicant is one and the same. The Board of Directors reserves the right to reject in its absolute discretion all or any multiple applications without assigning any reason. However employees may apply in the public offer.

In case of applications by Mutual Fund s, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the applications made by the Asset Management Company/Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

PAN/GIR Number

Pursuant to the circular MRD/ DoP /Circ -05/2007 dated April 27, 2007, SEBI has mandated Permanent Account Number (PAN) to be the sole identification number for all participants transacting in the securities market, irrespective of the amount of the transaction with effect from July 2, 2007. Each of the applicants should mention his/her PAN allotted under the IT Act. Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that Applicants should not submit the GIR number instead of the PAN, as the application is liable to be rejected on this ground.

APPLICATION UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES:

In the case of applications under Power of Attorney or by Limited Companies or Corporate Bodies, the relevant power of attorney or the relevant authority as the case may be, or a duly certified copy thereof must be attached to the application form or must be lodged separately at the office of the Registrars to the Issue, simultaneously with the submission of the application form mentioning the serial number of the application form and the bank branch where the application has been submitted, failing which the application is liable to be rejected. Thumb impression or signature in languages other than the languages specified in the eighth schedule must be attested by Magistrate or Notary Public or a special Executive Magistrate under his official seal.

PARTICULARS RELATING TO SAVING BANK / CURRENT ACCOUNT NUMBER:

The applicant shall have to mention particulars relating to his saving bank / current account number and the name of the bank with whom such account is held in the respective spaces provided in the application form, to enable the registrars to print the said details in the refund orders after the names of the payee to prevent fraudulent encashment of refund order(s). Application forms without this information will be considered incomplete and will be liable to be rejected. The Applicant should note that on the basis of the name of the Applicant, Depository Participant's (DP) name, Depository Participants identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Offer will obtain from the Applicant's DP A/c, the Applicant's book account details. The investors are advised to ensure that bank account details are updated in their respective DP A/cs as these bank account details would be printed on the refund order(s), if any.

GROUNDS FOR TECHNICAL REJECTIONS

1. Applicants are advised to note that Applications are liable to be rejected on among others on the following technical grounds:
2. Amount paid doesn't tally with the amount payable for the Equity Shares applied for;
3. Bank account details (for refund) are not given;
4. Age of First Applicant not given;
5. Application by minors;
6. PAN not stated and GIR number given instead of PAN;
7. Application for lower number of Equity Shares than specified for that category of investors;
8. Application at a price less than the offer price;
9. Application at a price higher than the stated price;
10. Application for number of Equity Shares, which are not in multiples of 150.
11. Category not ticked;
12. Multiple applications
13. In case of application under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Application Form does not have Applicant's depository account details;
15. Application Forms are not delivered by the applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and this Offer Document and as per the instructions in this Offer Document and Application Form; or
16. Applications for amounts greater than the maximum permissible amounts prescribed by the regulations.
17. Applications not duly signed by the sole/joint Applicants;
18. Applications by OCB's; or
19. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the applicant (including the sequence of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary's identity except for Permanent Employees.

DEMATERIALISATION

As per the provisions of the Depositories Act, 1996, the shares of a body corporate may be held in dematerialized form i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode. The Company has entered into a tripartite agreement dated [*] with the National Securities Depository Services Ltd. (NSDL) and Bigshare Services Private Limited (Registrar and Transfer Agent) for dematerialization of the equity shares of the company. The Company has also entered into a tripartite agreement dated [*] with the Central Depository Services Limited (CDSL) and Bigshare Services Private Limited for dematerialization of the equity shares of the Company. The ISIN No. granted to the equity shares of the Company is [*]. Please note that trading in shares of the company upon listing will only be in dematerialized form, although investors have an option to hold shares in the physical form or dematerialized form.

COMMUNICATION

All future communications in connection with Application made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Applicant, Application Form number, number of Equity Shares applied for, date, bank and branch where the application was submitted and cheque/draft number and issuing bank thereof.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEY:

No receipt will be issued for the application money. However, the bankers/collection centre to the issue and/or their branches receiving the applications will acknowledge the receipt of the applications by stamping and returning to the applicant the acknowledgment receipt at the bottom portion of each application form. The Company will inform the applicants in respect of allotments made or applications rejected by dispatch of allotment letter or regret letter and/or pay orders of value over Rs.1500/ -, if any, by Registered Post within 10 weeks of the date of closure of the subscription list. Refunds of value not over Rs.1500/ - will be dispatched under Certificate of Posting. Such Cheques or Demand Drafts will be payable at par at all centers where the applications were received. Bank Charges, if any, for en -cashing refund pay orders/cheques at any other place will be payable by the applicant.
The Board of Directors reserves, at its sole, absolute and unqualified discretion, the right to reject any application in full or in part without assigning any reason. If an application is rejected in full, the whole of the application money will be refunded to the applicant and in case of Joint applications, to the first named applicant. Where an application is rejected in part, the excess application money will be refunded to the applicant in accordance with the provisions of Section 73 of the Act. In case of any delay in sending the refund orders by more than eight days beyond 10 weeks from the date of closing of the subscription list, interest will be paid at the rates prescribed under Section 73 of the Act, to such applicants. However the Company shall as far as possible despatch the Share Certificates & Refund Orders within 30 days.

The Company undertakes to make available to the Registrars to the issue, adequate fund s for allotment letters/share certificates to be sent by registered post.

The sums received in respect of the Public Issue will be kept in separate Bank account(s) and the issuer will not appropriate the funds unless approval of the Designated Stock Exchange i.e. [*] is obtained for allotment and no utilization shall be made till listing and trading approval is obtained from BSE where the shares are proposed to be listed.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:
"Any person who:
(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment

In the event of the present issue of Equity Shares being over-subscribed, the allotment shall be on a proportionate basis and basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with designated Stock Exchanges. The Executive Director/Managing Director of the Stock Exchange along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the following guidelines:

Method of Proportionate Basis of Allotment

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the mini mum application size i.e. [*] Equity Shares.

In the event of Issue being over -subscribed, the allotment will be on a proportionate basis subject to minimum allotment being equal to the minimum application size, i.e. [*] Equity Shares as explained below:

1. A minimum 50% of the Net Issue to the Public will be made available for allotment in favour of Retail Individual Investors, that is those individual applicants (including HUF's) who have applied for Equity Shares of or for a value of not more than Rs.100,000/-. This percentage may be increased in consultation with the Designated Stock Exchange depending on the extent of response to the Issue from investors in this category. In case allotments are made to a lesser extent than 50% because of lower subscription in the above category, the balance Equity Shares would be added to any other category/categories and allotment made on a proportionate basis as per relevant SEBI Guidelines . The Executive Director/ Managing Director of the Designated Stock Exchange along with the Lead Manager and the Registrars to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines.

2. The balance of the Net Issue to the Public shall be made available to investors including Corporate Bodies/ Institutions and individual Applicants who have applied for allotment of Equity Shares for a value of more than Rs.100,000/ -, irrespective of number of Equity Shares applied for.

3. The Unsubscribed portion of the Net Issue to any of the categories specified in (1) or (2) shall be made available for allotment to Applicants in the other category, if so required.

4. Applicants will be categorized according to the number of Equity Shares applied for.

5. The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of shares applied for in that category (number of applicants in the category multiplied by the number of shares applied for) multiplied by the inverse of the over subscription ratio.

6. Number of the Equity Shares to be allotted to the successful allottees shall be arrived at on a proportionate basis i.e. total number of shares applied for by each Applicant in that category multiplied by the inverse of the over subscription ratio.

7. All the Application Forms where the proportionate allotment works out to less than [*] Equity Shares per Applicant, the allotment shall be made as follows:

   i. Each successful Applicant shall be allotted a minimum of [*] Equity Shares; and
   ii. The successful Applicants out of the total Applicants for that category shall determined by draw of lots in such a manner that the total number of Equity Shares allotted in that category is equal to the number of shares worked out as per (5) above.

8. If the proportionate allotment to an Applicant works out to a number that is more than [*] Equity Shares but is a fraction, then the fraction equal to or higher than 0.50 shall be rounded off to the next integer and if that fraction is lower than 0.50, the fraction shall be ignored.

9. All Applicants in such categories shall be allotted shares arrived at after such rounding off.

10. If the Equity Shares allotted on a proportionate basis to any category is more than the Equity Shares allotted to the Applicants in that category, the balance available shares for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Applicants in that category.

11. The balance Equity Shares, if any, remaining after such adjustment shall be added to the category comprising applicants applying for minimum number of Equity Shares.

12. The process of rounding off to the nearest integer subject to a minimum allotment being equal to [*] Equity Shares, which is the minimum application size in the Issue, may result in the actual allotment being higher than the shares offered. However, it shall not exceed 10% of the Net Issue to the Public.

The Company shall give credit to the Beneficiary account with Depository Participants within two (2) working days of finalization of the basis of allotment of the Equity Shares. The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertakes that:

i. Allotment of Equity Shares, only in dematerialized form, shall be made within 30 days from the Issue Closing Date;
ii. Dispatch of refund orders shall be done within 30 days from the Issue Closing Date; and
iii. The Company shall pay interest at 15% per annum (for any delay beyond the 30 days time period as mentioned above) , if refund orders are not dispatched and/or demat credits are not made to investors within the 30 day time period prescribed above.

Mode of making Refunds

Applicants should note that on the basis of name of the Applicant, Depository Participant's name, Depository Participant -Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository the applicants bank account details including nine digit MICR code. Hence, Applicants 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 applicants at the his/her sole risk and neither the Lead Manager to the Issue nor the Bank shall have any responsibility and undertake any liability for the same.

The payment of refund, if any, would be done through various modes in the following order of preference:

I. **ECS -** Payment of refund shall be undertaken through ECS for applicants having an account at any of the following 68 centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna, Thiruvananthapuram (managed by RBI); Baroda, Dehradun, Nashik, Panaji, Surat, Trichy, Trichur, Jodhpur, Gwalior, Jabalpur, Raipur, Calicut, Siliguri (Non-MICR), Pondicherry, Hubli, Shimla (Non-MICR), Tirupur, Burdwan (Non -MICR), Durgapur (Non -MICR), Sholapur, Ranchi, Tirupati (Non-MICR), Dhanbad (Non -MICR), Nellore (Non -MICR) and Kakinada (Non -MICR) (managed by State Bank of India); Agra, Allahabad, Jalandhar, Lucknow, Ludhiana, Varanasi, Kolhapur, Aurangabad, Mysore, Erode, Udaipur, Gorakpur and Jammu (managed by Punjab National Bank); Indore (managed by State Bank of Indore); Pune, Salem and Jamshedpur (managed by Union Bank of India); Visakhapatnam (managed by Andhra Bank); Mangalore (managed by Corporation Bank); Coimbatore and Rajkot (managed by Bank of Baroda); Kochi/Ernakulum (managed by State Bank of Travancore); Bhopal (managed by Central Bank of India); Madurai (managed by Canara Bank); Amritsar (managed by Oriental Bank of Commerce); Haldia (Non-MICR) (managed by United Bank of India); Vijaywada (managed by State Bank of Hyderabad); and Bhilwara (managed by State Bank of Bikaner and Jaipur). This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned 68 centers.

II **Direct Credit –** Applicants having bank accounts with the Refund Banker(s), as mentioned in the Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would b e borne by the Bank.

III **RTGS –** Applicants having a bank account at any of the above mentioned fifteen centers and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

IV **NEFT (National Electronic Fund Transfer) –** Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Whenever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.

V For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched "Under Certificate of Posting" for value upto Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Application Forms are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Applicants.

Interest in case of delay in dispatch of Allotment Letters/Refund Orders

The company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants (or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner) within 30 days from the date of the closure of the issue.

Undertakings by the Company

The Company undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;

- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of Allotment;

- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days or 15 days of the closure of the issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the refund orders or allotment advice to the Non Residents shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Application monies are refunded on account of non - listing, under-subscription etc.
- that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount (ASBA) and to consider them similar to non – ASBA applications while finalizing the basis of allotment.

Utilisation of issue proceeds

The Board of Directors of the Company certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub -section (3) of Section 73 of the Companies Act;

- details of all monies utilized out of Issue referred above shall be disclosed under an appropriate head in the balance sheet indicating the purpose for which such monies have been utilized;

- Details of all unutilized monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Board of Directors of the company further certifies that:

- the utilization of monies received under promoters contribution shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- the details of all unutilized monies out of the funds received under promoters' contribution shall be disclosed under a separate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested. The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

1. **APPLICATIONS SUPPORTED BY BLOCKED AMOUNT ("ASBA") PROCESS**

This section is for the information of Equity Shareholders proposing to subscribe to the Issue through the ASBA Process. The Company and the Lead Manager are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Shareholders who are eligible to apply under the ASBA Process are advised to make their independent investigations and ensure that the number of Equity Shares applied for by such Shareholders do not exceed the applicable limits under laws or regulations. Shareholders applying under the ASBA Process are also advised to ensure that the Application Form is correctly filled up, stating therein the bank account number maintained with the SCSB in which an amount equivalent to the amount payable on application as stated in the Application Form will be blocked by the SCSB.

2. **Self Certified Syndicate Bank (SCSB):** A SCSB is a Banker to an Issue registered under SEBI (Bankers to an Issue) Regulations, 1994 and which offers the service of making Applications Supported by Blocked Amount and recognized as such by the SEBI. As on date of this Draft Prospectus, the following banks have been recognized as SCSBs and appear in the list of SCSBs displayed on SEBI website at www.sebi.gov.in :

(i) Corporation Bank
(ii) Union Bank of India
(iii) HDFC Bank
(iv) State Bank of India
(v) ICICI Bank Limited
(vi) IDBI Bank Limited
(vii) Axis Bank Limited
(viii) State Bank of Bikaner and Jaipur
(ix) Bank of Baroda
(x) Kotak Mahindra Bank

As per the provisions of the circular dated July 30, 2008 issued by the SEBI, a SCSB shall identify its Designated Branches (DBs) at which an ASBA investor shall submit ASBA Form and shall also identify the Controlling Branch (CB) which shall act as a coordinating branch for the Registrar to the Issue, Stock Exchanges and Merchant Bankers.

3. **Investors who are eligible to apply under the ASBA Process**

ASBA is an application for subscribing to an issue, containing an authorization to block the application money in a bank account. An Investor shall be eligible to apply through ASBA process, if he/ she:

(i) is a "Resident Retail Individual Investor";
(ii) is applying through blocking of funds in a bank account with the SCSB;
(iii) is not applying under any of the reserved categories.

4. **ASBA Process**

An ASBA investor shall submit an ASBA physically or electronically through the internet banking facility, to the SCSB with whom the bank accounts to be blocked, is maintained. The SCSB shall then block the application money in the bank account specified in the ASBA, on the basis of an authorization to this effect given by the account holder in the ASBA. The application money shall remain blocked in the bank account till finalization of the basis of allotment in the issue or till withdrawal/ failure of the issue or till withdrawal/ rejection of the application, as the case may be.. Once the basis of allotment is finalized, the Registrar to the Issue shall send an appropriate request to the SCSB for unblocking the relevant bank accounts and for transferring the requisite amount to the issuer's account. In case of withdrawal/ failure of the issue, the amount shall be unblocked by the SCSB on receipt of information from the pre-issue merchant bankers. The detailed process to be followed ASBA process along-with timelines is given as under:

Sr. No.	Particulars of the ASBA Process	Timelines
1	An Investor shall be eligible to apply through ASBA process, if he/ she : (i) is a "Resident Retail Individual Investor"; (ii) is applying through blocking of funds in a bank account with the SCSB; (iii) is not applying under any of the reserved categories.	Issue period
2	The Shareholder applying under the ASBA Process will need to select the ASBA option process in the Application Form and provide required necessary details. However, in cases where this option is not selected, but the Application Form is tendered to the SCSB with the relevant details required under the ASBA process option and SCSB blocks the requisite amount, then that Application would be treated as if the Shareholder has selected to apply through the ASBA process option.	
3	The SCSB shall give an acknowledgement specifying the application number to the ASBA investor, as a proof of having accepted his/ her ASBA in a physical or electronic mode.	Issue period
4	If the bank account specified in the ASBA does not have sufficient credit balance to meet the application money, the ASBA shall be rejected by the SCSB.	Issue period
5	After verifying that sufficient funds are available in the bank account provided in the Application Form , the SCSB shall block an amount equivalent to the amount payable on application mentioned in the Application Form until it receives instructions from the Registrars.	Issue period
6	Upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per Registrar's instruction allocable to the Shareholders applying under the ASBA Process from bank account with the SCSB mentioned by the Shareholder in the Application Form s	Issue period
7	This amount will be transferred in terms of the SEBI Guidelines, into the separate bank account maintained by the Company as per the provisions of section 73(3) of the Companies Act, 1956. The balance amount remaining after the finalisation of the basis of allotment shall be unblocked by the SCSBs on the basis of the	Issue period

	instructions issued in this regard by the Registrar to the Issue and the Lead Managers to the respective SCSB.	
8.	In case an ASBA investor wants to withdraw his/her ASBA after the Issue closing date, he/ she shall submit the withdrawal request to the Registrar to the Issue. The Registrar shall delete the withdrawn application from the application file.	T to T + 11
9.	The Registrar to the Issue shall reject multiple ASBAs determined as such, based on common PAN.	T to T + 11
10	The Shareholders applying under the ASBA Process would be required to block the entire amount payable on their application at the time of the submission of the Application Form. .	T + 12
11	Subsequent to the acceptance of the application by the SCSB, the Company would have a right to reject the application only on technical grounds. .	T + 13
12	The Registrar to the Issue shall credit the shares to the demat account of the successful ASBA investors.	T + 15

5. ASBA Form

ASBA Applicants are required to submit their Application Forms, either in physical or electronic mode. In case of application in physical mode, the ASBA Applicant shall submit the ASBA form at the Designated Branch of the SCSB. In case of application in electronic form, the ASBA Applicant shall submit the ASBA form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism and blocking funds in the ASBA account held with SCSB, and accordingly registering such Application Forms.

6. Who can apply?

In accordance with the SEBI Guidelines, only Resident Retail Individual Investor can submit their application through ASBA process for the Equity Shares of our Company.

7. Maximum Size for ASBA Applicants

The ASBA Applicant should ensure that maximum amount blocked in respect of the ASBA does not exceed Rs. 1,00,000/-.

8. Information for the ASBA Applicants:

The LM shall ensure that adequate arrangements are made to circulate copies of the Prospectus and ASBA form to the SCSB's and the SCSB's will then make available such copies to investors applying under the ASBA process. Additionally, the LM shall ensure that the SCSB's are provided with soft copies of the abridged prospectus and the ASBA form and that the same are made available on the websites of the SCSB's

- ASBA Applicants, under the ASBA process, who would like to obtain the Prospectus and/or the ASBA form can obtain the same from the Designated Branches of the SCSB's, or the

LM. ASBA Applicants can also obtain a copy of the abridged prospectus and/or the ASBA form in electronic form on the websites of the SCSB's.

- The Application Forms should be submitted on the prescribed ASBA form if applied in physical mode. SCSB's may provide the electronic mode either through an internet enabled banking facility or such other secured, electronically enabled mechanism and blocking funds in the accounts of the respective eligible investors.

ASBA forms should bear the stamp of the Syndicate Member and/or Designated Branch of the SCSB.

- ASBA Applicants shall correctly mention the bank account number in the ASBA form and ensure that funds are available in the bank account maintained with the SCSB before submitting the ASBA form to the respective Designated Branch.

- If the ASBA Account holder is different from the ASBA Applicant, the ASBA form should be signed by the account holder as provided in the ASBA form.

- ASBA Applicants shall correctly mention their DP ID and Client ID in the ASBA form. For the purpose of evaluating the validity of Application Forms, the demographic details of ASBA Applicants shall be derived from the DP ID and Client ID mentioned in the ASBA form.

9. Method and Process of Applications:

1. ASBA Applicants are required to submit their Application Forms, either in physical or electronic mode. ASBA Applicants submitting their Application Forms in physical mode should approach the Designated Branches of the SCSB's. ASBA Applicants submitting their Application Forms in electronic form shall submit their Application Forms either using the internet enabled banking facility of the SCSB's or such other electronically enabled mechanism for blocking funds in the accounts of the respective eligible investors, and accordingly registering such Application Forms. Every Designated Branch of the SCSB shall accept Application Forms from all such investors who hold accounts with them and desire to place Application Forms through them. Such SCSB's shall have the right to vet the Application Forms, subject to the terms of the SEBI Guidelines and Prospectus.
2. The Designated Branches of the SCSB's shall give an acknowledgment specifying the application number to the ASBA Applicants as a proof of acceptance of the ASBA form. Such acknowledgment does not in any manner guarantee that the Equity Shares applied for shall be allocated to the ASBA Applicants.
3. Upon receipt of the ASBA form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Amount are available in the ASBA Account, as mentioned in the ASBA form.
4. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Application Forms. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Amount mentioned in the ASBA form. The Designated Branch shall thereafter enter the details from the prescribed ASBA form, if submitted in physical mode, or the information submitted through the electronic mode made available by the SCSBs.. The acknowledgement slip shall be furnished to the ASBA Applicant on request.
5. An ASBA Applicant cannot apply, either in physical or electronic mode, on another ASBA form or a non-ASBA form after applying on one ASBA form, either in physical or electronic

mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Applicant, as the case may be.

6. Submission of a second ASBA form or a Non-ASBA form to either the same or to another Designated Branch of the SCSB will be treated as multiple Application Forms and will be liable to be rejected either before entering the application into the electronic system, or at any point of time prior to the Allocation or Allotment of Equity Shares in this Issue.

Letter of Allotment or Refund Orders or instructions to Self certified Syndicate Banks in Application Supported by Blocked Amount.

In the case of Retail Individual Applicants applying through the ASBA process, the amount shall be unblocked by SCSB on receipt of information from the Lead Manager.

ASBA Applicants are cautioned that Application Forms for Equity Shares made in the Issue through the ASBA form cannot be revised.

10. Mode of Payment

Upon submission of an ASBA form with the SCSB, whether in physical or electronic mode, each ASBA Applicant shall be deemed to have agreed to block the entire Amount and authorized the Designated Branch of the SCSB to block the Amount, in the bank account maintained with the SCSB. Application Amounts paid in cash, by money order or by postal order or by stockinvest, or ASBA form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted. After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the application Amount mentioned in the ASBA form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Applicants from the respective ASBA Account, in terms of the SEBI Guidelines, into the ASBA Public Issue Account. The balance amount, if any in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Application Amount, as per the Application Form submitted by the respective ASBA Applicants, would be required to be blocked in the respective ASBA Accounts, whether in physical or electronic mode, until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Application, as the case may be.

11. Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper and a Hindi national newspaper of wide circulation and a regional language newspaper with wide circulation at the place where the registered office of the issuer is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Draft Prospectus and the date of Prospectus will be included in such statutory advertisement.

12. Allotment Advice

A. Upon approval of the Basis of Allotment by the Designated Stock Exchange, the registrar to the Issue shall send to the Controlling Branches of the SCSB's, a list of the ASBA Applicants who have been allocated Equity Shares in the Issue. Investors should note that our Company shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue; and
B. The ASBA Applicants shall directly receive the allotment advice from the Registrar. The dispatch of a allotment advice shall be deemed a valid, binding and irrevocable contract for the ASBA Applicant

13. Unblocking of ASBA Account

On the basis of instructions from the Registrar to the Issue, the SCSB's shall transfer the requisite amount against each successful ASBA Applicant to the ASBA Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch of the SCSB regarding finalisation of the Basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or rejection of the ASBA Application, as the case may be.

14. Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 30 days of the Issue Closing Date. After the funds are transferred from the bank account of the ASBA Applicants to the ASBA Public Issue Account on the Designated Date, to the extent applicable, our Company would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Applicants' within two working days from the date of Allotment.

(b) As per the SEBI Guidelines, Equity Shares will be issued, transferred and allotted only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

15. GENERAL INSTRUCTIONS

Do's:

- Check if you are a Resident Retail Individual Investor and eligible to apply under ASBA process.
- Ensure that you use the ASBA form specified for the purposes of ASBA process.
- Read all the instructions carefully and completely in the ASBA Form.
- Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be allotted in dematerialised form only.
- Ensure that your Application is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Applicant or a person whose bank account will be utilized by the ASBA Applicant for application has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or LM.

- Ensure that the ASBA form is signed by the account holder in case the applicant is not the account holder
- Ensure that you have mentioned the correct bank account No. in the ASBA form.
- Ensure that you have funds equal to the number of Equity Shares applied for in ASBA account maintained with the SCSB before submitting the ASBA form to the respective Designated Branch of the SCSB.
- Ensure that you have correctly checked the authorisation box in the ASBA form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Amount mentioned in the ASBA form in your ASBA Account maintained with a branch of the concerned SCSB.
- Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your ASBA form.
- Ensure that you have mentioned your Permanent Account Number (PAN) allotted under the I.T. Act.
- Ensure that the name(s) and PAN given in the ASBA form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Application is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA form.
- Ensure that the Demographic Details are updated, true and correct, in all respects.

Don'ts:

- Do not submit an ASBA Form if you are not a Resident Retail Individual Investor.
- Do not submit an ASBA Application if you are applying under any reserved category.
- Do not revise your Application.
- Do not Apply for lower than the minimum Application size.
- Do not apply on another ASBA or Non-ASBA form after you have submitted
- Submit the Form to a Designated Branch of the SCSB.
- Payment of Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSB's, shall not be accepted under the ASBA process.
- Do not send your physical ASBA form by post; instead submit the same to Designated Branch of the SCSB only.
- Do not fill up the ASBA form such that the Application amount against the number of Equity Shares applied for exceeds Rs. 1,00,000/-.
- Do not mention the GIR number instead of the PAN Number.
- Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

16. Application Forms by ASBA Investors must be:

- Made only in the prescribed ASBA form, if submitted in physical mode, or electronic mode.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the ASBA form.
- The Application Forms must be for a minimum of [*] Equity Shares and in multiples of [*] Equity Shares thereafter subject that the Amount does not exceed Rs. 1,00,000/-.

- 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.

17. ASBA Applicants depository account and bank details

ALL ASBA APPLICANTS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA APPLICANTS SHOULD MENTION THEIR DEPOSITORY PARTICIPANTS NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER AND PAN IN THE ASBA FORM. ASBA APPLICANTS MUST ENSURE THAT THE NAME AND PAN GIVEN IN THE ASBA FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE ASBA 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 ASBA FORM. ASBA APPLICANTS SHOULD NOTE THAT ON THE BASIS OF NAME OF THE ASBA APPLICANTS, PAN, DEPOSITORY PARTICIPANT'S NAME AND IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER PROVIDED BY THEM IN THE ASBA FORM, THE REGISTRAR TO THE ISSUE WILL OBTAIN FROM THE DEPOSITORY, DEMOGRAPHIC DETAILS OF THE ASBA APPLICANTS INCLUDING ADDRESS, (.DEMOGRAPHIC DETAILS.). HENCE, ASBA APPLICANTS SHOULD CAREFULLY FILL IN THEIR DEPOSITORY ACCOUNT DETAILS IN THE ASBA FORM.

As these Demographic Details would be used for all correspondence with the ASBA Applicants they are advised to update their Demographic Details as provided to their Depository Participants. By signing the ASBA form, the ASBA Applicant is deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records. Allocation advice and letters intimating unblocking of bank account of the respective ASBA Applicant would be mailed at the address of the ASBA Applicant as per the Demographic Details received from the Depositories. ASBA Applicants may note that delivery of Allocation advice or letters intimating unblocking of bank account may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Applicants and neither of the Designated Branches of the SCSB's, the members of the Syndicate, or the Company shall be liable to compensate the ASBA Applicant for any losses caused to the ASBA Applicant due to any such delay or be liable to pay any interest for such delay. In case no corresponding record is available with the Depositories that match three parameters, namely, names of the ASBA Applicants (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Application Forms are liable to be rejected. ASBA Applicants are required to ensure that the beneficiary account is activated, as Equity Shares will be allotted in dematerialized form only.

18. Payment mechanism under ASBA

The ASBA Applicants shall specify the bank account number in the ASBA form and the SCSB shall block an amount equivalent to the application money in the bank account specified in the Application Form. The SCSB shall keep the Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Application or receipt of instructions from the Registrar to the Issue to unblock the Amount.

In the event of withdrawal or rejection of Application Form or for unsuccessful Application Forms, the Registrar to the Issue shall give instructions to the Controlling Branch of the SCSB to unblock the application money in the relevant bank account. The Application Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Application Amount to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Application, as the case may be.

19. ASBA Application Forms under Power of Attorney

In case of ASBA Application Forms made pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA form. Failing this, our Company, in consultation with and LM, reserves the right to reject such ASBA Application Forms. Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA form, subject to such terms and conditions that we, in consultation with the LM may deem fit.

20. OTHER INSTRUCTIONS:

Withdrawal of ASBA Application Forms

In case an ASBA Applicant wants to withdraw the ASBA form during the Issue Period, the ASBA Applicant shall submit the withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic system of the Stock Exchange(s) and unblocking of funds in the relevant bank account. In case an ASBA Applicant wants to withdraw the ASBA Application Form after the Issue Closing date, the ASBA Applicant shall submit the withdrawal request to the Registrar to the Issue before finalization of the Basis of Allotment. The instruction for and unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrar to the Issue to the SCSB on finalization of the Basis of Allotment.

21. Joint ASBA Application Forms

ASBA Application Forms may be made in single or joint names (not more than three). In case of joint ASBA Application Forms, all communication will be addressed to the first applicant and will be dispatched to his address.

22. Right to reject ASBA Application Forms

The Designated Branches of the SCSB's shall have the right to reject ASBA Application Forms if at the time of blocking the Amount in the Applicant's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Applicant's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Form by the SCSB, our Company would have a right to reject the ASBA Application Forms only on technical grounds. Further, in case any DP ID, Client ID or PAN mentioned in the ASBA form does not match with one available in the depository's database, such ASBA Form shall be rejected by the Registrar to the Issue.

23. GROUNDS FOR TECHNICAL REJECTIONS UNDER THE ASBA PROCESS

In addition to the grounds listed under Grounds for Technical Rejection on page no. [*] of this DP, applications under the ASBA process are liable to be rejected on, inter alia, the following technical grounds:

1. Amount mentioned in the ASBA form does not tally with the amount payable for the value of Equity Shares applied for;
2. Application made by categories of investors other than Resident Retail Individual Investors;
3. Application Forms by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;
4. PAN not stated, or GIR number furnished instead of PAN. See .Issue Procedure - PAN or GIR Number. on page no. [*]
5. Application Forms for number of Equity Shares, which are not in multiples of [*];
6. Authorisation for blocking funds in the ASBA Applicant's bank account not ticked or provided;
7. Multiple Application Forms as defined in this Draft Prospectus;
8. In case of Application under power of attorney, relevant documents are not submitted;
9. Signature of sole and/or joint Applicants missing in case of ASBA forms submitted in physical mode;
10. ASBA form does not have the stamp of the SCSB and/or a member of the Syndicate;
11. ASBA form does not have the Applicant's depository account details;
12. ASBA form is not delivered, either in physical or electronic form, by the applicant within the time prescribed and as per the instructions provided in the ASBA form and the Prospectus;
13. Inadequate funds in the ASBA Account to block the Application Amount specified in the ASBA form at the time of blocking such Amount in the ASBA Account;
14. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Applicants (including the order of names of joint holders), PAN, the DP ID and the beneficiary account number; and
15. If the ASBA Form in the Issue is revised. Applicants are advised that ASBA Application Forms not uploaded in the electronic book of the Stock Exchanges, due to any of the grounds mentioned above, would be rejected.

25. COMMUNICATIONS

All future communication in connection with ASBA Application Forms made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Applicant, ASBA form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA form, name and address of the Designated Branch of the SCSB where the ASBA Form was submitted and bank account number in which the amount equivalent to the amount was blocked. The Registrar to the Issue shall obtain the required information from the SCSB's for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held. The Company, the LM, and the Registrar accept no responsibility for errors, omissions, commission or any acts of SCSB's including any defaults in complying with its obligations under applicable SEBI Guidelines.

ASBA Investors can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA form was submitted, or the Registrar to the Issue in case of any pre- or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Amount, etc.

26. Disposal of Investor Grievances

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Amount blocked on application, bank account number and the Designated Branch or the collection centre of the SCSB where the Application Form was submitted by the ASBA Applicants.

27. Basis of Allotment

Application Forms received from ASBA Applicants will be considered at par with Application Forms received from non-ASBA Applicants. The basis of allocation to such valid ASBA and non-ASBA Applicants will be that applicable to Retail Individual Applicants. For details, see section Issue Procedure- Basis of Allotment on page no. [*] of this DP.

28 . Restrictions on foreign ownership of Indian Securities

Foreign investment in Indian securities is regulated through the industrial policy of Government of India, or the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of Government of India (FIPB) and the RBI. As per current foreign investment policies, foreign direct investment in the sector in which our Company operates (Glass Construction) is allowed up to 100% under the automatic route.

RBI, vide its circular A.P (DIR Series) Circular No. 53 dated December 17, 2003, permitted FIIs to subscribe to shares of an Indian Company in the public issue without prior approval of RBI, so long as the price of equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian Companies are available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to other foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of our Company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-issue paid up capital of our Company. No single NRI may own more than 5% of the post- issue paid up capital of our Company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remains non repatriable.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership restrictions of FIIs

An industrial policy was formulated in 1991 ("Industrial Policy, 1991") in order to implement the economic reforms initiated by the GoI. The GoI has since amended the Industrial Policy, 1991, from time to time in order to enable FDI in various sectors of the Indian industry in a phased manner, gradually allowing higher levels of FDI in Indian companies.

Under the extant FDI Policy, April 2006, FDI in Indian companies carrying on business in Indian retail and trading sector is prohibited, except "Single Brand Product" retailing. Press Note No. 3 (2006 Series) which provides guidelines for FDI in retail trade of "Single Brand Products", prescribes a 51% cap on the same, with prior Government approval. Further, Press Note No. 4 (2006 Series), which aims at rationalization of the FDI Policy, states that the GoI has decided to allow FDI up to 51% with prior Government approval for retail trade of "Single Brand Products". In this regard, it is pertinent to note that the corollary changes to the foreign exchange control regulations promulgated by the Reserve Bank of India under the Foreign Investment Management Act, 1999 have not been notified.

Further, a non-zero ceiling of 24% has been imposed on by FIIs, for investment in a company engaged in retail trading and listed/ proposing to get listed on a recognised stock exchange in India.

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of our Company. 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 a 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 that Company.

Registration of Equity Shares under US Laws

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, 'U.S. persons' (as defined in Regulations of the U.S. Securities Act, 1933), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to 'qualified institutional buyers', as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulations and the applicable laws of the jurisdiction where those offers and sales occur.

The above information is given for the benefit of the Applicants and neither our Company nor is the LM liable for any changes in the regulations after the date of this Draft Prospectus.

I. DESCRIPTION OF EQUITY SHARES AND TERMS OF ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (DIP) Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares and or their consolidation/splitting are required to be stated. The regulations contained in Table A of Schedule I of the Companies Act, 1956, shall apply to our Company in so far as they are not inconsistent with or repugnant to any of the regulations contained in the Article of Association of Our Company. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Share Capital

3. The Authorized share Capital of the Company is as stated in the Clause V of the Memorandum of Association with power to divide the Share Capital (original, increased, reduced or converted) into several classes and to attach thereto respectively such qualified or special rights, privileges or conditions in such manner as may from the time being be provided by the regulations of the Company as originally framed or as altered by Special Resolution.

Increase of capital by the Company how carried into effect

4. The Company may in General Meeting from time to time by Ordinary Resolution increase its capital by creation of new Shares which may be unclassified and may be classified at the time of issue in one or more classes and of such amount or amounts as may be deemed expedient. The new Shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe and in particular, such Shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article the Directors shall comply with the provisions of Section 97 of the Act.

Non Voting Shares

5. The Board shall have the power to issue a part of authorised capital by way of non-voting Shares at price(s) premia, dividends, eligibility, volume, quantum, proportion and other terms and conditions as they deem fit, subject however to provisions of law, rules, regulations, notifications and enforceable guidelines for the time being in force.

Redeemable Preference Shares

6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue preference shares which are or at the option of the Company, liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption.

Provisions to apply on issue of Redeemable Preference Shares

7. On the issue of redeemable preference shares under the provisions of Article 6 hereof, the following provisions-shall take effect.

(a) No such Shares shall be redeemed except out of profits of the Company, which would otherwise be available for dividend or out of proceeds of a fresh issue of shares made for the purpose of the redemption.

(b) No such Shares shall be redeemed unless they are fully paid.

(c) The premium, if any payable on redemption shall have been provided for out of the profits of the Company or out of the Company's share premium account, before the Shares are redeemed.

(d) Where any such Shares are redeemed otherwise then out of the proceeds of a fresh issue, there shall out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called "the Capital Redemption Reserve Account", a sum equal to the nominal amount of the Shares redeemed, and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.

(e) Subject to the provisions of Section 80 of the Act. The redemption of preference shares hereunder may be affected in accordance with the terms and conditions of their issue and in the absence of any specific terms and conditions in that behalf, in such manner as the Directors may think fit.

Reduction of capital

8. The Company may (subject to the provisions of section 78, 80 and 100 to 105, both inclusive, and other applicable provisions, if any, of the Act) from time to time by Special Resolution reduce

(a) the share capital;

(b) any capital redemption reserve account; or

(c) any share premium account in any manner for the time being, authorised by law and in particular capital may be paid off on the footing that it may be called up again or otherwise. This Article is not to derogate from any power the Company would have, if it were omitted.

Purchase of own Shares

8A. The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own fully paid Shares whether or not they are redeemable and may make a payment out of capital in respect of such purchase.

Sub-division consolidation and cancellation of Shares

9. Subject to the provisions of Section 94 and other applicable provisions of the Act, the Company in General Meeting may, from time to time, sub-divide or consolidate its Shares, or any of them and the resolution whereby any Share is sub-divided may determine that, as between the holders of the Shares resulting from such sub-divisions, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise over or as compared with the other(s). Subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

MODIFICATION OF RIGHTS

Modification of rights

10. Whenever the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of Shares, all or any of the rights and privileges attached to each class

may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourth of the issued capital of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of Shares of that class, and all the provisions hereafter contained as to General Meeting shall *mutatis mutandis* apply to every such Meeting. This Article is not to derogate from any power the Company would have if this Article was omitted.

The rights conferred upon the holders of the Shares (including preference shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, dealt with or varied by the creation or issue of further Shares ranking *pari passu* therewith

SHARES, CERTIFICATES AND DEMATERIALISATION

Restriction on allotment and return of allotment

11. The Board of Directors shall observe the restrictions on allotment of Shares to the public contained in Sections 69 and 70 of the Act, and shall cause to be made the returns as to allotment provided for in Section 75 of the Act.

Further issue of shares

12.

(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, it is proposed to increase the subscribed capital of the Company by allotment of further Shares whether out of unissued share capital or out of increased share capital then:

(a) Such further Shares shall be offered to the persons who at the date of the offer are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those Shares at that date

(b) Such offer shall be made by a notice specifying the number of Shares offered and limiting a time not being less than thirty days from the date of the offer and the offer, if not accepted, will be deemed to have been declined.

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to them in favour of any other person, and the notice referred to in sub-clause (b) shall contain a statement of this right, PROVIDED THAT the Directors may decline, without assigning any reason, to allot any Shares to any person in whose favour any Member may renounce the Shares offered to him.

(d) After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given declines to accept the Shares offered, the Board of Directors may dispose them off in such manner and to such person(s) as they may think in their sole discretion fit.

(2) Notwithstanding anything contained in sub-clause (1) hereof, the further Shares aforesaid may be offered to any person(s) (whether or not those persons include the persons referred to in clause (a) sub-clause (1) hereof) in any manner whatsoever.

(a) If a Special Resolution to that effect is passed by the Company in the 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 to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of clause (l) hereof shall be deemed;
(a) To extend the time within which the offer should be accepted; or
(b) To authorise any person to exercise the right of renunciation for a second time, on the ground that the persons in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
(i) To convert such debentures or loans into Shares in the Company; or
(ii) To subscribe for Shares in the Company (whether such option is conferred in these Articles or otherwise)

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:
(a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans, or is in conformity with the rules, if any, made by that government in this behalf, and
(b) In the case of debentures or loans other than debentures issued to, or loans obtained from government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in the General Meeting before the issue of the debentures or the raising of the loans.

Shares under control of Directors

13. Subject to the provisions of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

Power to offer Shares/options to acquire Shares

13A

(i) Without prejudice to the generality of the powers of the Board under Article 13 or in any other Article of these Articles of Association, the Board or any Committee thereof duly constituted may, subject to the applicable provisions of the Act, rules notified there under and any other applicable laws, rules and regulations, at any point of time, offer existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) to its employees, including Directors (whether whole-time or not), whether at par, at discount or at a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force.

(ii) In addition to the powers of the Board under Article 13A(i), the Board may also allot the Shares referred to in Article 13A(i) to any trust, whose principal objects would *inter alia* include further transferring such Shares to the Company's employees [including by way of options, as referred to in Article 13A(i)] in accordance with the directions of the Board or any Committee thereof duly constituted for this purpose. The Board may make such provision of moneys for the purposes of such trust, as it deems fit.

(iii) The Board, or any Committee thereof duly authorised for this purpose, may do all such acts, deeds, things, etc. as may be necessary or expedient for the purposes of achieving the objectives set out in Articles 13A(i) and (ii) above.

Application of premium received on Shares

14.

(1) Where the Company issues Shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on these Shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Act relating to the reduction of the share capital of the Company shall except as provided in this Article, apply as if the share premium account were paid up share capital of the Company.

(2) The share premium account may, notwithstanding anything in clause (I) thereof be applied by the Company:

(a) In paying up unissued Shares of the Company, to be issued to the Members of the Company as fully paid bonus;

(b) In writing off the preliminary expenses of the Company;

(c) In writing off the expenses of or the commission paid or discount allowed or any issue of Shares or debentures of the Company; or

(d) In providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the Company.

Power also to Company in General Meeting to issue Shares

15. In addition to and without derogating from the powers for that purpose conferred on the Board under these Articles, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such 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 or right to call for or buy allotted Shares of any class of the Company either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount, such option being exercisable at such times and for such consideration as may be directed by such General Meeting or the Company in General Meeting may make any other provision whatsoever for the issue, allotment, or disposal of any Shares.

Power of General Meeting to authorize Board to offer Shares/Options to employees

15A

(i) Without prejudice to the generality of the powers of the General Meeting under Article 15 or in any other Article of these Articles of Association, the General Meeting may, subject to the applicable provisions of the Act, rules notified there under and any other applicable laws, rules and regulations, determine, or give the right to the Board or any Committee thereof to determine, that any existing or further Shares (consequent to increase of share capital) of the Company, or options to acquire such Shares at any point of time, whether such options are granted by way of warrants or in any other manner (subject to such consents and permissions as may be required) be allotted/granted to its employees, including Directors (whether whole-time or not), whether at par, at discount or a premium, for cash or for consideration other than cash, or any combination thereof as may be permitted by law for the time being in force. The General Meeting may also approve any Scheme/Plan/ other writing, as may be set out before it, for the aforesaid purpose.

(ii) In addition to the powers contained in Article 15A(i), the General Meeting may authorise the Board or any Committee thereof to exercise all such powers and do all such things as may be necessary or expedient to achieve the objectives of any Scheme/Plan/other writing approved under the aforesaid Article.

Shares at a discount

16. The Company may issue at a discount Shares in the Company of a class already issued, if the following conditions are fulfilled, namely:

(a) The issue of the Shares at discount is authorised by resolution passed by the Company in the General Meeting and sanctioned by the Company Law Board;

(b) The resolution specifies the maximum rate of discount (not exceeding ten percent or such higher percentage as the Company Law Board may permit in any special case) at which the Shares are to be issued; and

(c) The Shares to be issued at a discount are issued within two months after the date in which the issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow.

Installments of Shares to be duly paid

17. If by the conditions of any allotment of any Shares the whole or any part of the amount or issued price thereof shall, be payable by installments, every such installment shall when due, be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the Shares or his legal representatives, and shall for the purposes of these Articles be deemed to be payable on the date fixed for payment and in case of non-payment the provisions of these Articles as to payment of interest and expenses forfeiture and like and all the other relevant provisions of the Articles shall apply as if such installments were a call duly made notified as hereby provided.

The Board may issue Shares as fully paid-up

18. Subject to the provisions of the Act and these Articles, the Board may allot and issue Shares in the Capital of the Company as payment for any property purchased or acquired or for services rendered to the Company in the conduct of its business or in satisfaction of any other lawful consideration. Shares which may be so issued may be issued as fully paid-up or partly paid up Shares.

Acceptance of Shares

19. Any application signed by or on behalf of an applicant for Share(s) in the Company, followed by an allotment of any Share therein, shall be an acceptance of Share(s) within the meaning of these Articles, and every person who thus or otherwise accepts any Shares and whose name is therefore placed on the Register of Members shall for the purpose of this Article, be a Member.

Deposit and call etc., to be debt payable

20. The money, if any which the Board of Directors 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 holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Liability of Members

21. Every Member, or his heirs, executors or administrators to the extent of his assets which come to their hands, shall be liable to pay to the Company the portion of the capital represented by his Share which may, for the time being, remain unpaid thereon in such amounts at such time or times and in such manner as the Board of Directors shall, from time to time, in accordance with the Company's requirements require or fix for the payment thereof.

Dematerialization of securities

21. (A)

Definitions

Beneficial Owner "Beneficial Owner" means a person whose name is recorded as such with a Depository.

SEBI "SEBI" means the Securities and Exchange Board of India.

Bye-Laws "Bye-Laws" mean bye-laws made by a depository under Section 26 of the Depositories Act, 1996;

Depositories Act. "Depositories Act" means the Depositories Act, 1996 including any statutory modifications or re-enactment thereof for the time being in force;

Depository "Depository" means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992;

Record "Record" includes the records maintained in the form of books or stored in a computer or in such other form as may be determined by the regulations made by SEBI;

Regulations "Regulations" mean the regulations made by SEBI;

Security "Security" means such security as may be specified by SEBI.

Dematerialization of securities

21. (B) Either on the Company or on the investor exercising an option to hold his securities with a depository in a dematerialized form, the Company shall enter into an agreement with the depository to enable the investor to dematerialize the Securities, in which event the rights and obligations of the parties concerned shall be governed by the Depositories Act.

Options to receive security certificates or hold securities with depository

21. (C) Every person subscribing to securities offered by the Company shall have the option to receive the Security certificates or hold securities with a depository.

Where a person opts to hold a Security with a depository, the Company shall intimate such depository the details of allotment of the Security, and on receipt of such information the depository shall enter in its record the name of the allotted as the Beneficial Owner of that Security.

Securities in depositories to be in fungible form

21. (D) All Securities held by a Depository shall be dematerialized and shall be in a fungible form; nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.

Rights of depositories and beneficial owners

21. (E)

(1) Notwithstanding anything to the contrary contained in the Articles, a Depository shall be deemed to be a registered owner for the purposes of effecting transfer of ownership of Security on behalf of the Beneficial Owner;

(2) Save as otherwise provided in (1) above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of Securities held by it;

(3) Every person holding equity share capital of the Company and whose name is entered as Beneficial Owner in the Records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner shall be entitled to all the rights and benefits and be subjected to all the liabilities in respect of the Securities held by a Depository.

Depository to Furnish Information

21. (F) Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.

Option to opt out in respect of any security

21. (G) If a Beneficial Owner seeks to opt out of a Depository in respect of any-

Security, the Beneficial Owner shall inform the Depository accordingly. The Depository shall on receipt of information as above make appropriate entries in its Records and shall inform the Company. The Company shall, within thirty (30) days of the receipt of intimation from the depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the Beneficial Owner or the transferee as the case may be.

Sections 83 and 108 of the Act not to apply

21. (H) Notwithstanding anything to the contrary contained in the Articles,

(1) Section 83 of the Act shall not apply to the Shares held with a Depository;

(2) Section 108 of the Act shall not apply to transfer of Security affected by the transferor and the transferee both of whom are entered as Beneficial Owners in the Records of a Depository.

Share certificate

22.

(a) Every Member or allottee of Shares is entitled, without payment, to receive one certificate for all the Shares of the same class registered in his name.

(b) Any two or more joint allottees or holders of Shares shall, for the purpose of this Article, be treated as a single Member and the certificate of any Share which may be the subject of joint ownership may be delivered to any one of such joint owners, on behalf of all of them.

Limitation of time for issue of certificates

22A. Every Member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the directors so approve (upon paying such fee as the Directors so time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within two months of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares as the case may be. Every certificate of Shares shall be under the seal of the company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall e in such form as the directors may prescribe and approve, provided that in respect of a Share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one or several joint holders shall be a sufficient delivery to all such holder.

Renewal of share certificates

23. No certificate of any Share or Shares shall be issued either in exchange for those, which are sub-divided or consolidated or in replacement of those which are defaced, torn or old, decrepit, worn out, or where the pages on the reverse for recording transfer have been duly utilized unless the certificate in lieu of which it is issued is surrendered to the Company.

PROVIDED THAT no fee shall be charged for issue of new certificate in replacement of those which are old, decrepit or worn out or where the pages on the reverse for recording transfer have been fully utilized.

New certificate to be granted on delivery of the old certificates

24. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such rules or regulation or requirements of any Stock Exchange or the rules made under the Act or rules made under Securities Contracts (Regulation) Act 1956 or any other Act, or rules applicable thereof in this behalf.

The provision of this Article shall mutatis mutandis apply to Debentures of the Company

The first name joint holder deemed sole holder

25. If any Share(s) stands in the name of two or more persons, the person first named in the Register of Members shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with 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 severally as well as jointly be liable for the payment of all incidents thereof according to the Company's Articles.

Company not bound to recognize any interest in Shares other than of registered holder

26. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognize, even when having notice thereof any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

Trust recognized

27.

(a) Except as ordered, by a Court of competent jurisdiction or as by law required, the Company shall not be bound to recognize, even when having notice thereof, any equitable, contingent, future or partial interest in any Share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as holder thereof but the Board shall be at liberty at their sole discretion to register any Share in the joint names of any two or more persons (but not exceeding 4 persons) or the survivor or survivors of them.

(b) Shares may be registered in the name of an incorporated Company or other body corporate but not in the name of a minor or of a person of unsound mind (except in case where they are fully paid) or in the name of any firm or partnership.

Declaration by person not holding beneficial interest in any Shares

28.

(1) Notwithstanding anything herein contained a person whose name is at any time entered in Register of Member of the Company as the holder of a Share in the Company, but who does not hold the beneficial interest in such Shares, shall, if so required by the Act within such time and in such forms as may be prescribed, make declaration to the Company specifying the name and other particulars of the person or persons who hold the beneficial interest in such Share in the manner provided in the Act

(2) A person who holds a beneficial interest in a Share or a class of Shares of the Company, shall if so required by the Act, within the time prescribed, after his becoming such beneficial owner, make a declaration to the Company specifying the nature of his interest, particulars of the person in whose name the Shares stand in the Register of Members of the Company and such other particulars as may be prescribed as provided in the Act

(3) Whenever there is a change in the beneficial interest in a Share referred to above, the beneficial owner shall, of so required by the Act, within the time prescribed, from the date

of such change, make a declaration to the Company in such form and containing such particulars as may be prescribed in the Act

(4) Not withstanding anything contained in the Act and Articles 26 and 27 hereof, where any declaration referred to above is made to the Company, the Company shall, if so required by the Act, make a note of such declaration in the Register of Members and file within the time prescribed from the date of receipt of the declaration a return in the prescribed form with the Registrar with regard to such declaration.

Funds of Company not to be applied in purchase of Shares of the Company

29. No funds of the Company shall except as provided by Section 77 of the Act, be employed in the purchase of its own Shares, unless the consequent reduction of capital is effected and sanction in pursuance of Sections 78, 80 and 100 to 105 of the Act and these Articles or in giving either directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Share in the Company in its holding Company.

UNDERWRITING AND BROKERAGE

Commission may be paid

30. Subject to the provisions of Section 76 of the Act, the Company may at anytime pay commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares in or debentures of the Company but so that the commission shall not exceed in the case of the Shares five percent of the price at which the Shares are issued and in the case of debentures two and half percent 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 as the case may be or partly in one way and partly in the other.

Brokerage

31. The Company may on any issue of Shares or Debentures or on deposits pay such brokerage as may be reasonable and lawful.

Commission to be included in the annual return

32. Where the Company has paid any sum by way of commission in respect of any Shares or Debentures or allowed any sums by way of discount in respect to any Shares or Debentures, such statement thereof shall be made in the annual return as required by Part I of Schedule V to the Act.

INTEREST OUT OF CAPITAL

Interest out of capital

33. Where any Shares are issued for the purpose of raising money to defray the expenses of the construction of any work or building, or the provisions of any plant which cannot be made profitable for lengthy period, the Company may pay interest on so much of that share capital as is for the time being paid-up, for the period at the rate and subject to the conditions and restrictions provided by Section 208 of the Act and may

charge the same to capital as part of the cost of construction of the work or building or the provisions of the plant.

DEBENTURES

Debentures with voting rights not to be issued

34.

(a) The Company shall not issue any debentures carrying voting rights at any Meeting of the Company whether generally or in respect of particular classes of business.

(b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.

(c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.

(d) Certain charges (which expression includes mortgage) mentioned in Section 125 of the Act, shall be void against the Liquidator or creditor unless registered as provided in Section 125 of the Act.

(e) A contract with the Company to take up and pay debentures of the Company may be enforced by a decree for specific performance.

(f) Unless the conditions of issue thereof otherwise provide, the Company shall (subject to the provisions of Section 113 of the Act) within three months after the allotment of its debentures or debenture-stock and within one month after the application for the registration of the transfer of any such debentures or debentures-stock have completed and ready for delivery the certificate of all debenture-stock allotted or transferred.

(g) The Company shall comply with the provisions of Section 118 of the Act, as regards supply of copies of debenture Trust Deed and inspection thereof.

(h) The Company shall comply with the provisions of Section 124 to 145 (inclusive) of the Act as regards registration of charges.

CALLS

Directors may make calls

35.

(a) Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time by a resolution passed at a meeting of a Board (and not by a circular resolution)make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares or by way of premium, held by them respectively and not by conditions of allotment thereof made payable at fixed time and each Member shall pay the amount of every call so made on him to person or persons and at the times and places appointed by the Board of Directors. A call may be made payable by installments. A call may be postponed or revoked as the Board may determine. No call shall be made payable within less than one month from the date fixed for the payment of the last preceding call.

(b) The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

Notice of call when to be given

36. Not less than one month notice in writing of any call shall be given by the Company specifying the time and place of payment and the person or persons to whom such call shall be paid.

Call deemed to have been made

37. A call shall be deemed to have been made at the time when the resolution authorizing such call was passed at a meeting of the Board of Directors and may be made payable by the Members of such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Board of Directors.

Directors may extend time

38. The Board of Directors may, from time to time at its discretion, extend the time fixed for the payment of any call and may extended such time to call or any of the Members, the Board of Directors may deem fairly entitled to such extension but no Member shall be entitled to such extension as of right except as a matter of grace and favour.

Amount payable at fixed time or by installments to be treated as calls

39. If by the terms of issue of any Share or otherwise any amount is made payable at any fixed time or by installments at fixed time (whether on account of the amount of the Share or by way of premium) every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall apply to such amount or installment accordingly.

When interest on call or installment payable

40. If the sum payable in respect of any call or installment is not paid on or before the day appointed for the payment thereof, the holder for the time being or allottee of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest on the same at such rate not exceeding eighteen percent per annum as Directors shall fix from the day appointed for the payment thereof upto the time of actual payment but the Directors may waive payment of such interest wholly or in part.

Evidence in action by Company against share holder

41. On the trial of hearing of any action or suit brought by the Company against any Member or his Legal Representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member in respect of whose Shares the money is sought to be recovered is entered on the Register of Members as the holder or as one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the Shares in respect of which the money is sought to be recovered, that the resolution making the call is duly recorded in the minute book and the notice of such call was duly given to the Member or his legal representatives sued in pursuance of these Articles and it shall not be necessary to prove the appointment of Directors who made such call, nor that a quorum of Directors was present at the Board meeting at which any call was made nor that the meeting at which any call was made was duly convened or constituted nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

Payment in anticipation of calls may carry interest

42. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The Members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures of the Company.

LIEN

Partial payment not to preclude forfeiture

43. Neither the receipt by the Company of a portion of any money which shall, from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, or any indulgence granted by the Company in respect of the payment of such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

Company to have lien on Shares/ Debentures

44. The Company shall have first and paramount lien upon all Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member whether solely or jointly with others and upon the proceeds of sale thereof, for all moneys (whether presently payable or not), called or payable at a fixed time in respect of such Shares/ Debentures. That is to say that, the fully paid shares shall be free from all lien and that in the case of partly paid shares the Issuers' lien shall be restricted to moneys called or payable at a fixed time in respect of such shares. No equitable interests in any Share/ Debenture shall be created except upon the footing and condition that this Article is to have full legal effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures;
PROVIDED THAT the Board of Directors may, at any time, declare any Share/ Debenture to be wholly or in part exempt from the provisions of this Article. Unless otherwise agreed the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares.

As to enforcing lien by sale

45. The Company may sell, in such manner as the Board thinks fit, any Shares on which the Company has lien for the purpose of enforcing the same PROVIDED THAT no sale shall be made:-

(a) Unless a sum in respect of which the lien exists is presently payable; or
(b) Until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is /presently payable has been given to the registered holder for the time being of the Share or the person entitled thereto by reason of his death or insolvency.

For the purpose of such sale the Board may cause to be issued a duplicate certificate in respect of such Shares and may authorise one of their members to execute a transfer there from behalf of and in the name of such Members

(c) The purchaser shall not be bound to see the application of the purchase money, nor shall his title to the Shares be affected by any irregularity, or invalidity in the proceedings in reference to the sale.

Application of proceeds of sale

46.

(a) The net proceeds of any such sale shall be received by the Company and applied in or towards satisfaction of such part of the amount in respect of which the lien exists as is presently payable, and

(b) The residue if any, after adjusting costs and expenses if any incurred shall be paid to the person entitled to the Shares at the date of the sale (subject to a like lien for sums not presently payable as existed on the Shares before the sale).

FORFEITURE OF SHARES

If money payable on Shares not paid notice to be given

47. If any Member fails to pay the whole or any part of any call or any installments of a call on or before the day appointed for the payment of the same or any such extension thereof, the Board of Directors may, at any time thereafter, during such time as the call for installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

Sum payable on allotment to be deemed a call

48. For the purposes of the provisions of these Articles relating to forfeiture of Shares, the sum payable upon allotment in respect of a share shall be deemed to be a call payable upon such Share on the day of allotment.

Form of notice

49. The notice shall name a day, (not being less than fourteen days form the day of the notice) and a place or places on and at which such call in installment and such interest thereon at such rate not exceeding eighteen percent per annum as the Directors may determine and expenses as aforesaid are to be paid. The notice shall also state that in the event of the non-payment at or before the time and at the place appointed, Shares in respect of which the call was made or installment is payable will be liable to be forfeited.

In default of payment Shares to be forfeited

50. If the requirements of any such notice as aforesaid are not complied with, any Share or Shares in respect of which such notice has been given may at any time thereafter before payment of all calls or installments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board of Directors to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited Shares and not actually paid before the forfeiture.

Notice of forfeiture to a Member

51. When any Share shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the

forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

Forfeited Shares to be the property of the Company and may be sold etc.

52. Any Share so forfeited, shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of, either to the original holder or to any other person, upon such terms and in such manner as the Board of Directors shall think fit.

Member still liable for money owning at the time of forfeiture and interest

53. Any Member whose Shares have been forfeited shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment, at such rate not exceeding eighteen percent per annum as the Board of Directors may determine and the Board of Directors may enforce the payment of such moneys or any part thereof, if it thinks fit, but shall not be under any obligation to do so.

Effects of forfeiture

54. The forfeiture of a Share shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand 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.

Power to annul forfeiture

55. The Board of Directors may at any time before any Share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

Declaration of forfeiture

56

(a) A duly verified declaration in writing that the declarant is a Director, the Managing Director or the Manager or the Secretary of the Company, and that Share in the Company has been duly forfeited in accordance with these Articles, on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.

(b) The Company may receive the consideration, if any, given for the Share on any sale, re-allotment or other disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed off.

(c) The person to whom such Share is sold, re-allotted or disposed of shall thereupon be registered as the holder of the Share.

(d) Any such purchaser or allottee shall not (unless by express agreement) be liable to pay calls, amounts, installments, interests and expenses owing to the Company prior to such purchase or allotment nor shall be entitled (unless by express agreement) to any of the dividends, interests or bonuses accrued or which might have accrued upon the Share before the time of completing such purchase or before such allotment.

(e) Such purchaser or allottee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the Share be effected by the irregularity or invalidity in the proceedings in reference to the forfeiture, sale re-allotment or other disposal of the Shares.

Provisions of these articles as to forfeiture to apply in case of nonpayment of any sum.

57. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a Share becomes payable at a fixed time, whether on account of the nominal value of Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Cancellation of shares certificates in respect of forfeited Shares

58. Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the said Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said Shares to the person or persons entitled thereto.

Evidence of forfeiture

59. The declaration as mentioned in Article 56(a) of these Articles shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.

Validity of sale

60. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the Shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the Shares sold, and the purchasers shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such Shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

Surrender of Shares

61. The Directors may subject to the provisions of the Act, accept surrender or any share from any Member desirous of surrendering on such terms and conditions as they think fit.

TRANSFER AND TRANSMISSION OF SHARES

No transfers to minors etc.

62. No Share which is partly paid-up or on which any sum of money is due shall in any circumstances be transferred to any minor, insolvent or person of unsound mind.

Form of transfer

63. A common form of transferred shall be used and the instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

Application for transfer

64.

(a) An application for registration of a transfer of the Shares in the Company may be either by the transferor or the transferee.

(b) Where the application is made by the transferor and relates to partly paid Shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice

(c) For the purposes of clause (b) above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address, given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

Execution of transfer

65. The instrument of transfer of any Share shall be duly stamped and executed by or on behalf of both the transferor and the transferee and shall be witnessed. The transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the Register of Members in respect thereof. The requirements of provisions of Section 108 of the Companies Act, 1956 and any statutory modification thereof for the time being shall be duly complied with.

Transfer by legal representatives

66. A transfer of Share in the Company of a deceased Member thereof made by his legal representative shall, although the legal representative is not himself a Member be as valid as if he had been a Member at the time of the execution of the instrument of transfer.

Register of Members etc when closed

67. The Board of Directors shall have power on giving not less than seven days pervious notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated to close the Register of Members and/or the Register of debentures holders at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.

Directors may refuse to register transfer

68. Subject to the provisions of Section 111 of the Companies Act, 1956 and section 22A of the Securities Contracts (Regulation) Act, 1956 and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Issuer on any account whatsoever except where the Company has a lien on shares.

Death of one or more joint holders of Shares

69. In case of the death of any one or more of the persons named in the Register of Members as

the joint holders of any Share, the survivor or survivors shall be the only persons recognised by the Company as having any title 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 with any other person.

Titles of Shares of deceased Member

70. The Executors or Administrators of a deceased Member or holders of a Succession Certificate or the Legal Representatives in respect of the Shares of a deceased Member (not being one of two or more joint holders) shall be the only persons recognized by the Company as having any title to the Shares registered in the name of such Members, and the Company shall not be bound to recognize such Executors or Administrators or holders of Succession Certificate or the Legal Representative unless such Executors or Administrators or Legal Representative shall have first obtained Probate or Letters of Administration or Succession Certificate as the case may be from a duly constituted Court in the Union of India provided that in any case where the Board of Directors in its absolute discretion thinks it, the Board upon such terms as to indemnity or otherwise as the Directors may deem proper dispense with production of Probate or Letters of Administration or Succession Certificate and register Shares standing in the name of a deceased Member, as a Member. However, provisions of this Article are subject to Sections 109A and 109B of the Companies Act.

Notice of application when to be given

71. Where, in case of partly paid Shares, an application for registration is made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

Registration of persons entitled to Shares otherwise than by transfer (Transmission Clause)

72. Subject to the provisions of the Act and Article 69 hereto, any person becoming entitled to Share in consequence of the death, lunacy, bankruptcy insolvency of any Member or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Share or elect to have some person nominated by him and approved by the Board registered as such holder; provided nevertheless, that if such person shall elect to have his nominee registered as a holder, he shall execute an instrument of transfer in accordance with the provisions herein contained, and until he does so, he shall not be freed from any liability in respect of the Shares. This clause is hereinafter referred to as the "Transmission Clause".

Refusal to register nominee

73. Subject to the provisions of the Act and these Articles, the Directors shall have the same right to refuse to register a person entitled by transmission to any Share of his nominee as if he were the transferee named in an ordinary transfer presented for registration.

Person entitled may receive dividend without being registered as a Member

74. A person entitled to a Share by transmission shall subject to the right of the Directors to retain dividends or money as is herein provided, be entitled to receive and may give

a discharge for any dividends or other moneys in respect of the Share.

No fees on transfer or transmissions

75. No fee shall be charged for registration of transfer, transmission Probate, Succession Certificate & Letters of Administration, Certificate of Death or Marriage, Power of Attorney or other similar documents.

Transfer to be presented with evidence of title

76. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and generally under and subject to such conditions and regulations as the Board may, from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

Company not liable for disregard of a notice prohibiting registration of transfer

77. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said Shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or referred thereto, in any book of the Company, and the Company shall not be bound to be required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

SHARE WARRANTS

Power to issue share warrants

78. The Company may issue warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion with respect to any Share which is fully paid upon application in writing signed by the persons registered as holder of the Share, and authenticated by such evidence(if any) as the Board may, from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, issue a share warrant.

Deposit of share warrants

79.

(a) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for call in a meeting of the Company, and of attending and voting and exercising the other privileges of a Member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposit warrant

(b) Not more than one person shall be recognized as depositor of the Share warrant

(c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor

Privileges and disabilities of the holders of share warrant

80.

(a) Subject as herein otherwise expressly provided, no person, being a bearer of a share warrant, shall sign a requisition for calling a meeting of the Company or attend or vote or exercise any other privileges of a Member at a meeting of the Company, or be entitled to receive any notice from the Company.

(b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the Share included in the warrant, and he shall be a Member of the Company.

Issue of new share warrant coupons

81. The Board may, from time to time, make bye-laws as to terms on which (if it shall think fit), a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Share may be converted into stock

82. The Company may, by Ordinary Resolution:

(a) Convert any fully paid up Share into stock, and.

(b) Reconvert any stock into fully paid-up Shares.

Transfer of stock

83. The several holders of such stock may transfer there respective interest therein or any part thereof in the same manner and subject to the same regulations under which the stock arose might before the conversion, have been transferred, or as near thereto as circumstances admit.

PROVIDED THAT the Board may, form time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the Shares from which stock arose.

Right of stock holders

84. The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the Company, and other matters, as if they held them Shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in Shares, have conferred those privileges or advantages.

Regulation applicable to stock and share warrant

85. Such of the regulations of the Company as are applicable to the paid up Shares shall apply to stock and the words "Share" and "Share holder" in these regulations shall include "stock" and "stock holder" respectively.

DIVIDENDS AND CAPITALISATION OF RESERVEES

Division of profits

192.

(a) Subject to the rights of persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid but if and so long as nothing is paid upon any of Share in the Company, dividends may be declared and paid according to the amounts of the Shares;

(b) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of this Article as paid on the Shares.

The Company at General Meeting may declare dividend

193.The Company in General Meeting may declare dividends, to be paid to Members according to their respective rights and interest in the profits and may fix the time for payment and the Company shall comply with the provisions of Section 207 of the Act, but no dividends shall exceed the amount recommended by the Board of Directors. However, the Company may declare a smaller dividend than that recommended by the Board in General Meeting.

Dividends out of profits only

194. No dividend shall be payable except out of profits of the Company arrived at the manner provided for in Section 205 of the Act.

Interim dividend

195. The Board of Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies.

Debts may be deducted

196.

(a) The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) The Board of Directors may retain the dividend payable upon Shares in respect of which any person is, under the Transmission Article, entitled to become a Member or which any person under that Article is entitled to transfer until such person shall become a Member or shall duly transfer the same.

Capital paid-up in advance as interest not to earn dividend

197. Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

Dividends in proportion to amounts paid-up

198. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms provided that it shall rank for dividends as from a particular date such Share shall rank for dividend accordingly.

No Member to receive dividend while indebted to the Company and the Company's right in respect thereof

199. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his Share or Shares, whilst any money may be due or owing from him to the Company in respect of such Share or Shares (or otherwise however either alone of jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.

Effect of transfer of Shares

200. A transfer of Shares shall not pass the right to any dividend declared therein before the registration of the transfer.

Dividend to joint holders

201. Any one of several persons who are registered as joint holders of any Shares may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such Shares.

Dividend how remitted

202. The dividend payable in cash may be paid by cheque or warrant sent through post directly to registered address of the shareholder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders who is first named on the Register of Members or to such person and to such address as the holder or joint holders may in writing direct. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transit or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.

Notice of dividend

203. Notice of the declaration of any dividend whether interim or otherwise shall be given to the registered holders of Share in the manner herein provided.

Reserves

204. The Directors may, before recommending or declaring any dividend set aside out of the profits of the Company such sums as they think proper as reserve or reserves, which shall, at the discretion of the Directors, be applicable for meeting contingencies or for any other purposes to which the profits of the Company may be properly applied and pending such application, may at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Directors may from time to time think fit.

Dividend to be paid within time required by law.

205. The Company shall pay the dividend, or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within such time as may be required by law from the date of the declaration unless:-

(a) where the dividend could not be paid by reason of the operation on any law; or

(b) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; or

(c) where there is dispute regarding the right to receive the dividend; or

(d) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder; or

(e) where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

Unclaimed dividend

206. Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank, to be called "Unpaid Dividend Account".

Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.

No unclaimed or unpaid divided shall be forfeited, before the claim becomes barred by law.

Set-off of calls against dividends

207. Any General Meeting declaring a dividend may on the recommendation of the Directors make a call on the Members of such amount as the Meeting fixes 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 calls.

Dividends in cash

208. No dividends shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the Capitalisation of the profits or reserves of the Company for the purpose of issuing fully paid up bonus Shares or paying up any amount for the time being unpaid on any Shares held by Members of the Company.

Capitalisation

209.

(1) The Company in General Meeting may, upon the recommendation of the Board, resolve:

(a) That is desirable to capitalize any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and

(b) That such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the Members who would have been entitled thereto, if distributed by way of dividend and in the same proportion.

(2) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in clause (3) either in or towards;

(a) paying up any amount for the time being unpaid on any Shares held by such Members respectively, or

(b) paying up in full unissued Shares of the Company to be allocated and distributed, credited as fully paid up, to and amongst Members in the proportion aforesaid, or

(c) partly in the way specified in sub clause (a) and partly in that specified in sub-clause(b)

(3) A share premium account and capital redemption reserve account 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.

Board to give effect

210. The Board shall give effect to the resolution passed by the Company in pursuance of above Article.

Fractional certificates

211.

(1) Whenever such a resolution as aforesaid shall have been passed, the Board shall;

(a) make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid Shares and

(b) Generally do all acts and things required to give effect thereto.

(2) The Board shall have full power:

(a) to make such provision by the issue of fractional cash certificate or by payment in cash or otherwise as it thinks fit, in the case of Shares becoming distributable in fractions, also

(b) to authorise any person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such Capitalisation or (as the case may require) for the payment by the Company on their behalf by the application thereof of the respective proportions of the profits resolved to be capitalized of the amounts remaining unpaid on their existing Shares.

(3) Any agreement made under such authority shall be effective and binding on all such Members.

(4) That for the purpose of giving effect to any resolution, under the preceding paragraph of this Article, the Directors may give such directions as may be necessary and settle any question or difficulties that may arise in regard to any issue including distribution of new Shares and fractional certificates as they think fit.

J. 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 Draft Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These Contracts, shall be attached to the Prospectus and delivered to the Registrar of Companies, Andhra Pradesh located at Hyderabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at: 6-3-790/8, Flat No. 1, Bathina Apartments, Ameerpet, Hyderabad - 500016, A.P., India from **10.00 a.m. to 4.00 p.m.** from the date of the Draft Prospectus until the Issue Closing Date.

A. Material Contracts:

1. Copy of Memorandum of Understanding entered into with M/s. Vivro Financial Services Private Limited dated July 7, 2009 to act as Lead Manager to the Issue;
2. Copy of Memorandum of Understanding dated May 25, 2009 entered into with M/s. Bigshare Services Private Limited to act as Registrar to the Issue;
3. Copy of Tripartite agreement among NSDL, the Company and the Registrar, M/s. Bigshare Services Private Limited dated [*];
4. Copy of Tripartite agreement among CDSL, the Company and the Registrar, M/s. Bigshare Services Private Limited dated [*];
5. Copy of Agreement entered into with ICRA Ltd. dated June 29, 2009 for the purpose of IPO Grading;

B. Material Documents for Inspection

1. Copy of Memorandum and Articles of Association as on July 7, 2009.
2. Copy of Certificate of Incorporation No. 59968 (CIN No. U52190AP2008PTC059968) dated July 3, 2008 issued in the Name of "Sai Silks (Kalamandir) Private Limited" by the Registrar of Companies, Andhra Pradesh, Hyderabad.
3. Copy of Fresh Certificate of incorporation on conversion of our Company from private limited to public limited in the Name of "Sai Silks (Kalamandir) Limited." (CIN No. U52190AP2008PLC059968) dated May 21, 2009.
4. Copies of resolutions dated 3rd July 2009 in relation to appointment and remuneration of our Managing Director and Whole time Directors.
5. Copy of the resolution passed at the meeting of the Board of Directors held on 1st June 2009 and special resolution passed at the Annual General Meeting of the Company dated 3rd July 2009 in relation to this issue and other related matters.
6. Copies of resolution dated 14th May, 2009 passed in relation to the borrowing powers of the Company.
7. Copy of the Special Resolution passed at the Annual General Meeting of the Shareholders dated 3rd July 2009 pursuant to Section 81 (1A) of the Companies Act, 1956.
8. Consents of the Directors, Company Secretary & Compliance Officer, Auditors, Legal Advisor, the Banker to the Company, the LM, the Registrar to the Issue and Bankers to the Issue to include their names in the Draft Prospectus to act in their respective capacity.
9. Legal Due Diligence Certificate dated July 6, 2009 from the Legal advisors to the issue, M/s. V. S. Raju And Associates, Hyderabad

10. Report of the Statutory Auditors of the Company M/s. B.Vithlani & Co., Proprietor, Chartered Accountants, Hyderabad, dated June 29, 2009 prepared as per Indian GAAP and mentioned in this Draft Prospectus and copies of Summary of Assets and Liabilities and Profit and Loss Accounts as restated of the Company.
11. Letter dated 26th June 2009 from the Statutory Auditors of the Company M/s. B. Vithlani & Co., Chartered Accountants, Hyderabad confirming Tax Benefits as mentioned in the Draft Prospectus.
12. Resolution of the meeting of the Board of Directors of the Company held on June 1, 2009 for the formation of Company's Audit Committee, Investor Grievance Committee and the Remuneration Committee.
13. Annual Reports of the Company for the financial year 2008-09 and Statement of Profit & Loss Account and Balance Sheet of the erstwhile Partnership Firm for 2005-06, 2006-07 and 2007-08.
14. Annual Reports of our Group Company i.e. M/s. Sai Swarnamandir Jewellers (P) Ltd. for the financial year 2007-08 and for the 9 months ended 31st December 2008.
15. Due Diligence Certificate dated July 8, 2009 given to SEBI by the Lead Manager, Vivro Financial Services Private Limited.
16. Agreement of Royalty entered into with Mrs. Chalavadi Jhansi Rani dated 1st October 2005.
17. Agreement To Sale entered into with M/s. Pantaloon Retail (India) Ltd. for Ameerpet Big Bazar Store at Hyderabad Store dated 1st September 2008.
18. Agreement To Sale entered into with M/s. Pantaloon Retail (India) Ltd. for Vijaywada Big Bazar Store at Hyderabad Store dated 1st September 2008.
19. SEBI Observation Letter dated [*] and Company's reply dated [*]
20. In principle Approval dated [*] from NSE.
21. In principle Approval dated [*] from BSE
22. Deed of Arrangement dated [*] among the Promoters for voluntarily lock-in of their pre-issue equity shares for a period of 3 years.
23. Copies of the forms along with the relevant resolutions regarding increase in Authorised Capital.
24. Initial Listing Application dated [*] and [*] filed with NSE and BSE respectively.

Any of the contracts and documents mentioned in this Draft Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

K. DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in this Draft Prospectus is contrary to the provisions of the Companies Act, 1956 and rules made there under. All legal requirements connected with the said Public 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. We, the Directors of **SAI SILKS (KALAMANDIR) LIMITED** declare and confirm that no information/ material likely to have a bearing on the decision of the investor in respect of the equity shares offered in terms of this Draft Prospectus have been suppressed/ withheld and/or incorporated in a manner that would amount to misstatement/ misrepresentation and in the event of it transpiring at any point of time till Allotment/ refund, as the case may be, that any information/ material has been suppressed/ withheld and/ or amounts to misstatement/ misrepresentation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of Section 63 of the Act.

Since the date of last financial statement disclosed in this Draft Prospectus, there have been no circumstances that materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay off its liabilities within a period of next twelve months.

The Directors of the Company and Mr. Chalavadi Naga Kanaka Durga Prasad, Chairman & Managing Director of the Company certify that all disclosures made in the Draft Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS

Mr. Chalavadi Naga Kanaka Durga Prasad * Chairman & Managing Director	
Mr. D. K. Durga Rao* Whole-Time Director	
Mr. Kalyan Srinivas Annam Whole-Time Director	
Mr. Nitin Siddamsetty* Independent Director	
Mrs. Sakuru Anita* Independent Director	
Mr. Laxmi Nivas Jaju* Independent Director	

*Through his constituted attorney Mr. Kalyan Srinivas Annam.

SIGNED BY COMPLIANCE OFFICER

Soumith Kumar Sikinderpurkar
(Compliance Officer & Company Secretary)
Place: Hyderabad
7th July 2009