

Draft Red Herring Prospectus

Dated January 29, 2007

Please read Section 60B of the Companies Act, 1956
(Will become Prospectus on the date of filing with the RoC)

100% Book Building Issue

**ASIAN GRANITO INDIA LIMITED**

(We were incorporated as Karnavati Fincap Private Limited on August 8, 1995. On August 29, 1995, our Company became a public limited company and was renamed Karnavati Fincap Limited. On March 18, 1999, we were renamed Panchariya Textile Industries Limited and thereafter on July 28, 2000, our name was changed to Vasudev Textile Industries Limited. We received a fresh certificate of incorporation on November 25, 2002, consequent on a change of name to Asian Granito India Limited ("AGIL"). Our Company was incorporated with its registered office at 14, Amar Chambers, 1st floor, Reid Road, Railwaypura, Ahmedabad – 380 002. It was later changed to 704 A/B, Sahajanand, Shahibaug Road, Shahibaug, Ahmedabad – 380 004 and back to 14, Amar Chambers, 1st floor, Reid Road, Railwaypura, Ahmedabad – 380 002. Our registered office was once again shifted to 3rd floor, Empire Tower, behind Associate Petrol Pump, Panchwati, Ellise Bridge, Ahmedabad – 380 006 and then to City Mall, 2nd Floor, Beside Rajpath Club, Sarkhej – Gandhinagar Highway Road, Ahmedabad – 380 054. (For further details on change of name and change in the registered office of the Company please refer to the section entitled "History and Corporate Structure" on page [●] of this Draft Red Herring Prospectus ("DRHP"))

Registered Office: City Mall, 2nd Floor, Beside Rajpath Club, Sarkhej – Gandhinagar Highway Road, Ahmedabad – 380 054.

Tel: +91 79 3291 9687 Fax: +91 79 2686 1501

Corporate Office: Ceramic Zone – Dalpur, Taluka – Prantij, District Sabarkantha, Gujarat – 383 120.

Tel: +91 2770 240931, 32, 33, 34 Fax: +91 2770 240930

Contact person: Ms. Vanita Agarwal

E-mail address: ipo@asiangranito.com **Website:** www.asiangranito.com

PUBLIC ISSUE OF 7,000,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS [●] PER EQUITY SHARE) AGGREGATING RS. [●] MILLION (THE "ISSUE") BY ASIAN GRANITO INDIA LIMITED (THE "COMPANY", "AGIL" OR THE "ISSUER"). THE ISSUE IS COMPRISED OF A RESERVATION OF 350,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION TO THE ELIGIBLE EMPLOYEES OF OUR COMPANY ("EMPLOYEE RESERVATION PORTION") AND A NET ISSUE TO THE PUBLIC OF 6,650,000 EQUITY SHARES OF RS. 10 EACH (HEREINAFTER REFERRED TO AS THE "NET ISSUE"). THE ISSUE WOULD CONSTITUTE 33.24% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

THE COMPANY IS CONSIDERING A PRE-IPO PLACEMENT, NOT TO EXCEED 6% OF THE ISSUE, TO CERTAIN INVESTORS PRIOR TO THE ISSUE ("PRE-IPO PLACEMENT"). IF THE PRE-IPO PLACEMENT IS COMPLETED, THE NET ISSUE WOULD BE REDUCED TO THE EXTENT OF THE PRE-IPO PLACEMENT SUBJECT TO A MINIMUM ISSUE SIZE OF 25% OF THE POST ISSUE CAPITAL BEING OFFERED TO THE PUBLIC.

PRICE BAND: Rs. [●] TO Rs. [●] PER EQUITY SHARE OF FACE VALUE Rs. 10

THE FACE VALUE OF THE SHARES IS RS. 10 AND THE FLOOR PRICE IS [●] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [●] TIMES OF THE FACE VALUE.

The Issue is being made through the 100% book building process where up to 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), of which not less than 5% shall be allocated to Mutual Funds. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 350,000 Equity Shares shall be available for allocation on a proportionate basis to the eligible employees subject to valid bids being received at or above the Issue price.

RISK IN RELATION TO THE 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 Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Managers ("BRLMs")) on the basis of assessment of market demand for the Equity Shares by way of book building) 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 or regarding the price at which the Equity Shares will be traded after listing. The Company has not opted for IPO grading.

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the NSE and the BSE. The Company has received in-principle approval from these stock exchanges for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. NSE is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER**REGISTRAR TO THE ISSUE**

**SBI CAPITAL MARKETS LIMITED**

202, Maker Tower 'E'
Cuffe Parade
Mumbai – 400 005, India
Tel: +91 22 2218 9166
Fax: +91 22 2218 8332
Email: agl.ipo@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Sachin Kapoor

**INTIME SPECTRUM REGISTRY LTD.**

C-13 Pannalal Silk Mills Compound,
LBS Marg
Bhandup West
Mumbai 400 078, India
Tel.: +91 22 2596 3838
Fax: +91 22 2594 6969
E-mail: agilipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Salim Shaikh

ISSUE PROGRAMME**BID / ISSUE OPENS ON****BID / ISSUE CLOSES ON**

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SECTION 1: GENERAL

Definitions and Abbreviations

Term	Description
“AGIL” or the “Company” or “our Company” or “we” or “our” or “us”	Unless the context otherwise requires refers to Asian Granito India Limited, a company incorporated under the Companies Act, 1956
Auditors	Deepak R. Soni & Co., Chartered Accountants
Director	A director on the Board of our Company
Subsidiary	Asian Tiles Limited

Conventional/General Terms

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Companies Act	The Companies Act, 1956
Depository	A body corporate registered under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EGM	Extra-ordinary General Meeting
EPS	Earnings Per Share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time
FI	Financial Institutions
Financial Year / Fiscal/ FY	The twelve months ended March 31 of a particular year, unless otherwise stated
GoI / Government	Government of India
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
I.T. Act	The Income Tax Act, 1961, as amended from time to time except as stated otherwise
Ltd.	Limited
MAT	Minimum Alternate Tax
Mn/mn	Million
NAV	Net Asset Value
Non Residents	All bidders who are persons resident outside India as defined in the FEMA
NRE Account	Non Resident External Account
NRI/Non-Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and having the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited

Term	Description
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires
PIO/ Person of Indian Origin	Shall have the same meaning as is ascribed to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time
ROC	Registrar of Companies, Gujarat, Dadra & Nagar Haveli, at Ahmedabad
SEBI	Securities and Exchange Board of India
SEBI Guidelines	SEBI (Disclosure & Investor Protection) Guidelines, 2000, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1995
TDS	Tax Deducted at Source
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
VAT	Value Added Tax

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the issue of Equity Shares pursuant to the Issue to the successful Bidders
Banker(s) to the Issue	[●]
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Company's Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form
Bid Closing Date /Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, Hindi national newspaper and a regional language newspaper with wide circulation
Bid Opening Date/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, Hindi national newspaper and a regional language newspaper with wide circulation
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form
Bidding Period / Issue Period	The period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids

Term	Description
Board of Directors/Board	The Board of Directors of our Company
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being SBI Capital Markets Limited and Enam Financial Consultants Private Limited
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	Any price within the Price Band finalised by the Company in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account(s) to the Issue Account after the Prospectus is filed with the RoC, following which the Board shall allot Equity Shares to successful Bidders
Designated Stock Exchange	NSE
Draft Red Herring Prospectus	This Draft Red Herring Prospectus filed with the SEBI, which does not have complete particulars of the price at which the Equity Shares are offered and size of the Issue
Eligible Employees	Permanent employees of the Company (or its Subsidiary) as at December 31, 2006, who are Indian nationals based in India and are physically present in India at the time of submission of the Bid-cum-Application Form
Employee Reservation Portion	The portion of the Issue reserved for the Eligible Employees of the Company being a maximum of 350,000 Equity Shares of Rs. [●] each
Enam	Enam Financial Consultants Private Limited, a company incorporated under the Companies Act and having its registered office at 113, Stock Exchange Towers, Dalal Street, Fort, Mumbai 400 001, India
Equity Shares	Equity shares of the Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
IPO	Initial Public Offering
Issue	Public issue of 7,000,000 Equity Shares of Rs. 10 each for cash at the Issue Price aggregating [●] million pursuant to the Red Herring Prospectus and the Prospectus. If the Pre-IPO Placement is completed, the Issue would be reduced to the extent of the Pre-IPO Placement
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Date
Issue Price	The final price at which Equity Shares will be allotted in terms of the Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, which may range between 10% and 100% of the Bid Amount
Mutual Fund Portion	5% of the QIB Portion or 166,250 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion, on a proportionate basis
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulation, 1996
Net Issue	Issue as adjusted for Pre-IPO Placement less the Employee Reservation Portion

Term	Description
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non-Institutional Portion	The portion of the Net Issue to the public being 997,500 Equity Shares of Rs. 10 aggregating Rs. [●] million each available for allocation to Non Institutional Bidders
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending up to the date specified in the CAN
Pre-IPO Placement	The pre-IPO placement not exceeding 6% of the Issue to certain investors prior to the Issue which is being considered by the Company
Price Band	The price band with a minimum price (Floor Price) of Rs. [●] and the maximum price (Cap Price) of Rs. [●], including any revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalizes the Issue Price
Promoter Group	Unless the context otherwise requires, the entities mentioned in the section entitled “Promoter Group” on page [●] of this Draft Red Herring Prospectus
Promoters	Mr. Kamleshbhai Patel, Mr. Hasmukhbhai Patel, Mr. Mukeshbhai Patel and Mr. Rameshbhai Patel
Prospectus	The Prospectus, filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
QIB Portion	The portion of the Net Issue to public and up to 3,325,000 Equity Shares of Rs. 10 aggregating Rs. [●] million each at the Issue Price, available for allocation to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, Mutual Funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million, and multilateral and bilateral development financial institutions
Registrar / Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue
Retail Portion / Retail Investors Portion	The portion of the Net Issue to the public and being a minimum of 2,327,500 Equity Shares of Rs. 10 aggregating Rs. [●] million each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the number of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The document issued in accordance with the SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus which will be filed with the RoC at least 3 days before the Bid Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation
SBICAP	SBI Capital Markets Limited, a company incorporated under the Companies Act and having its registered office at 202, Maker Tower ‘E’, Cuffe Parade, Mumbai – 400 005
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Company and the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	SBICAP Securities Limited and Enam Securities Private Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members

Term	Description
Underwriting Agreement	The agreement among the members of the Syndicate and the Company to be entered into on or after the Pricing Date

Company / Industry related terms

Term	Description
B1a	Term for tiles with water absorption level below 0.5 %
B1b	Term for Tiles with water absorption level between 0.5 % and 3%
B2a	Term for Tiles with water absorption level between 3% and 6%
Ball Mills	Metallic cylinder lined with rubber used for grinding
Bicottura	Double fired tiles
Bisque	Fired unglazed wall tile
Business Associate	Retail distributors who are not our authorized dealers
Ceramic raw materials	Raw materials including kaolin clays, feldspar, silica and colouring oxides
China Clay, Soda Feldspars, Pot Feldspars and Quartz	Ceramic raw materials used for ceramic tiles, sanitary ware etc.
CIF	Cost inclusive of Insurance and Freight
Committee	Committee of the Board of Directors of Asian Granito India Limited authorized to take decisions on matters related to / incidental to this Issue
Corundum	Hard form of Alumina
Cu. mt	Cubic meter
Double firing technology	Firing of tiles in two stages
Dust pressing	Pressing the powder at very high pressure to shape
Extrusion moulding	Shaping the plastic body by pushing at high pressure
EPCG	Export Promotion Capital Goods
Feeding	Sending the tiles in to kiln for firing
Firing	Firing the ceramic articles or tiles
GITCO	Gujarat Industrial and Technical Consultancy Organisation Limited
Glaze Frit	Crystal used for the purposes of coating tile with a layer of glaze
Glazing	Application of an impermeable glossy layer on tiles
Green tiles	Shaped and unfired tiles
Horizontal Roller Dryer	Long dryer used for drying pressed tile
Hydraulic Presses	Machines used for shaping tiles
ICCTAS	Indian Council of Ceramic Tiles and Sanitaryware
IPR	Intellectual Property Rights
K.L	Kilo Litre(s)
Kg	Kilogram
KVA	Kilo Volt Ampere
LDO	Light Diesel Oil
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MOH	A measure of hardness
Monocottura	Single fired tiles
Mosaico	Range of borders crafted in both ceramic, marble and stone
MT/mt	Metric tonnes
Pressure molding	Shaping with high hydraulic pressure
R&D	Research and Development
Registered Office of the Company	City Mall, 2 nd Floor, Beside Rajpath Club, Sarkhej – Gandhinagar Highway Road, Ahmedabad – 380 054.
Silos	Storage tanks used for storing the dust
Single firing	Firing of tiles in one stage
Slip Pump	Pumps used for pumping the slurry

Term	Description
Slurry	Mixture of raw materials in liquefied form
Spray Dryer Chamber	Drying cabin
Sq. mt	Square meter
Ukraine clay	Clay imported from Ukraine
Vitrification	The process of converting a material into a glass-like amorphous solid which is free of any crystalline structure, either by the quick removal or addition of heat, or by mixing with an additive

Certain Conventions; Use of Market Data

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from the Company's financial statements prepared in accordance with Indian GAAP and included in this Draft Red Herring Prospectus. The Company's current Financial Year commenced on April 1, 2006 and ends on March 31, 2007. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

There are significant differences between Indian GAAP and U.S. GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by a Person not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. The Company has not attempted to explain those differences or quantify their impact on the financial data included herein, and the Company urges the investors to consult their own advisors regarding such differences and their impact on its financial data.

For definitions, please refer to the section entitled "Definitions and Abbreviations" on page [●] of this Draft Red Herring Prospectus.

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India, all references to the "US" or the "U.S." or the "USA" or the "United States" are to the United States of America and all references to "UK" are to the United Kingdom. All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India.

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

Forward-Looking Statements

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

All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from the Company’s expectations include, among others:

- Changes in Indian or international interest rates;
- General economic and business conditions in India and other countries;
- The Company’s ability to successfully implement strategy, its growth and expansion plans and technological changes;
- Changes in the value of the Rupee and other currency changes;
- Performance of the agricultural, retail and industrial sectors in India;
- The Company’s rate of growth;
- Potential mergers, acquisitions or restructurings
- Performance of the Indian debt and equity markets;
- Occurrence of natural calamities or natural disasters affecting the areas in which the Company has operations or outstanding credit;
- Changes in relevant laws and regulations;
- Changes in political conditions in India; and
- Changes in the foreign exchange control regulations in India.
- Competition in our industry.

For further discussion of factors that could cause the Company’s actual results to differ, please refer the section entitled “Risk Factors” on page [●] of this Draft Red Herring Prospectus. By their nature, certain 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. The Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges in respect of the Equity Shares allotted in this Issue.

SECTION 2: RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Draft Red Herring Prospectus before making any investment decision relating to our Equity Shares. The occurrence of any of the following events could have a material adverse effect on our Company's business, results of operation, financial condition and prospects and cause the market price of our Equity Shares to fall significantly and the investor may lose all or part of his/her investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Draft Red Herring Prospectus, including the restated financial statements beginning on page [●] of this Draft Red Herring Prospectus.

Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

INTERNAL RISK FACTORS

We have not yet placed orders for most of the plant and machinery, equipments etc. as stated in the section entitled 'Objects of the Issue' of this Draft Red Herring Prospectus.

The net proceeds of the Issue are to be deployed for setting up of a wall tiles unit and modernization and expansion of vitrified tiles unit. We are yet to place orders for the equipments required for the wall tiles unit and the modernization and expansion of vitrified tiles unit except for printing machine required under the modernisation and expansion of our vitrified tiles facility. We shall place the orders as and when they are required in terms of the implementation schedule. However, any delay in placing the orders or procurement of plant and machinery may delay the implementation schedule. Such delays may also lead to increase in prices of these equipments, further affecting our cost and profit estimates.

Our inability in fulfilling the "Objects of the Issue" will have a material adverse impact on our result of operations which in turn may negatively affect our growth prospects.

Presently, we are completely dependent on our vitrified tiles unit and the wall tiles unit is an effort on our part to reduce this dependence and also provide another viable source of income. Further, modernisation of the vitrified tiles unit will also provide us with additional cost saving benefits as a consequence of the better economies of scale that we believe the expansion will provide us. Our inability to establish the wall tiles unit will nullify one of our business strategies of aspiring to offer a complete spectrum of tiling solutions to the construction industry and affect our ability to grow and compete effectively. This will result in our high and almost complete dependence on vitrified tiles. Our inability to modernise the vitrified tiles unit will amongst other things, affect our expansion plans and will have a negative impact on our results of operations and in turn on our growth prospects.

Downturn in construction industry and reversal of trend in foreign direct investments in real estate

In the last few years we have been experiencing a growth in our business, mainly on account of an upward trend in the real estate market due to favourable government policies, increasing level of disposable income, falling interest rates etc. In the future if the real estate industry is affected adversely, it could adversely impact our business and profitability.

Governmental policies have recently been relaxed so as to allow foreign direct investments in the real estate sector. Any reversal in such foreign direct investment policies could adversely impact our business and profitability.

We have not identified alternate sources of financing for the project towards which funds are being raised in this Issue. Any failure or delay to mobilize the required resources may delay implementation schedule of the expansion project and could adversely affect our growth plans.

We propose to set up a wall tiles unit and modernise and expand our existing vitrified tiles plant. We propose to meet the monetary requirements of the project entirely from the Issue proceeds and to that extent have not identified alternate sources of financing. Any inability, failure or delay in mobilizing the required resources may delay the implementation schedule of the project and could adversely affect our growth plans.

Dependence on the senior management and key managerial personnel

Our management is involved in the day-to-day management of our operations. They are assisted by a team of experienced personnel. We depend on our management and key personnel for the smooth running of our operations. In the event any of these persons is unable to continue in their current capacities, our business may be adversely affected. Further, our success also depends on our ability to attract and retain our key employees. At the middle management level our employees are exposed to several aspects of our business on a regular basis. This ensures continuity of our operations. Any inability on our part to retain them may also adversely affect our business.

Our Company and our Subsidiary may be required to obtain additional Government licenses and approvals for our business operations and implementation of our projects

Our Company and our Subsidiary require certain approvals, licenses, registrations and permissions for operating our business, some of which have expired and for which we have either applied or are in the process of applying for obtaining the approval or its renewal (for further details please refer to section entitled “Licenses and Approvals” on page [●] of this Draft Red Herring Prospectus). If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business, results of operations, financial condition and prospects could be negatively impacted both on a consolidated and a non-consolidated basis.

Both we and our Subsidiary are awaiting certain operational approvals and renewals, including specifically, registrations under Contract Labour (Regulation and Abolition) Act, 1970 and Rules. We also await a no objection certificate from the Gujarat Pollution Control Board. Additionally, our Subsidiary has applied for renewal of its factory license. Any delay or failure to acquire these and other approvals, or the imposition or restrictions on our business pending receipt of these approvals could have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, regulators may impose conditions in relation to the grant to us of licenses and approvals, including those in relation to electricity supply and pollution control. Any such requirements could have a material adverse effect on our business, results of operations, financial condition and prospects.

As part of our expansion plans we have made an application for the conversion of agricultural land, acquired for our project, into non-agricultural land. Additionally, we do not possess licenses under the Shops and Establishments Act for our display centers and depots across India.

There is, however, no guarantee that we will be successful in obtaining these or any other licenses and/or any necessary operation approvals in a timely manner, without onerous conditions or at all. Any failure to obtain these licenses could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our company faces stiff competition from existing and new entities

Our company operates in a very competitive environment and there a number of challenges which affect the performance of our Company.

- a. Our Company faces stiff competition from existing manufacturers some of whom have greater experience in this market than our Company, which may enable them to react faster to customer requirements than our Company.
- b. The vitrified tiles industry has in the last three years seen the entry of approximately 15 manufacturing entities. New entrants in the industry may affect our market share and our future prospects.
- c. Our Company competes with companies in the marble and granite industries in addition to the companies in the ceramic tile sector. The marble and granite manufacturers pose a different threat and also cater to the higher strata of the society which is the market in which we also compete. The diverse nature of the competition may hamper our Company’s ability to meet fresh challenges;

- d. Greater organisation amongst the ceramic tile sector may lead to consolidation of the hitherto unorganized sector and this may also adversely affect our Company's market share;

Our failure / inability to face these challenges or in dealing with them in a cogent manner will lead to an erosion in our Company's market share and directly affect our financial performance and growth prospects.

Presently our entire revenue is generated from the sale of vitrified tiles and any decrease in the demand for vitrified tiles will adversely affect our business

Our entire revenue is derived from the sales of vitrified tiles. We are proposing to diversify into the wall tile manufacturing industry to reduce our current dependence on vitrified tiles. However, even after the establishment of the wall tiles unit we will continue to be heavily dependent on the vitrified tiles market. Any decrease in demand for vitrified tiles will adversely affect our financial performance and the results of our operations.

Increase in costs of raw materials including transportation of the same, fuel and power may adversely affect our performance

Cost of raw material including transportation of the same constituted 25.18% of our operational income whereas the cost of power and fuel constituted 26.98% of our operational income for the FY 2005-06. Any increases in domestic fuel price will result in an increase in the transportation costs which will adversely affect our profitability. Further, any increase in cost of power will adversely affect us. Recently, we have shifted to usage of LNG at our plants which is a cheaper alternative to LPG and also less prone to sharp price increases. However, any increase in the prices of LNG will adversely affect us.

Increase in one or more of these costs may reduce our price competitiveness and adversely affect our business and financial performance.

We are dependent on imports for some of our raw materials and spare parts for plant and machinery

Some of the major raw materials required in the manufacturing of vitrified tiles including Ukraine clay and colour pigments are imported from other countries. On an average we maintain three months of stock for Ukraine clay. In the event Ukraine clay is not available or there is a delay in the procurement of Ukraine clay or other products, our operations may get adversely affected, which in turn may affect our profitability. Further, spare parts such as abrasives, required to obtain the finished product, are also imported and any shortage in supply of the same will adversely affect our business operations.

The institutional segment constitutes a significant portion of our total sales. Any reduction in demand from this segment may affect our profitability.

We cater to the institutional and retail segment with the majority of our revenue accruing from sales to the institutional segment. The institutional segment constitutes a significant portion of our total sales and has constituted more than 50 % of our revenues since the commencement of commercial production and we believe that this trend will continue. While the margins from the institutional segment are lower than the retail segment as a consequence of bulk discount, the level of consumption is substantially higher. Any reduction in the demand pattern of the institutional buyers may lead to the decrease in the demand for our products, which in turn will substantially affect our profitability.

Reduction in the tax benefits available to us may adversely affect our profitability.

Our unit is situated in Sabarkantha district which has been identified as a backward area of class "B" by the Central Board of Direct Taxes and accordingly we were enjoying 100% tax exemption in accordance with section 80-IB of the Income Tax Act, 1961, till the year ended March 31, 2006 and were paying only the MAT as per book profit in accordance with section 115JB of the Income Tax Act, 1961. From the current Fiscal 2007 onwards we are entitled to 30% deduction in profits for another five years. Any downward revision in the tax exemption will adversely affect our profits.

Our inability to keep pace with the changes in the tile making technology and design patterns of the tiles may adversely affect our profitability.

Majority of our tile making technology is sourced from overseas suppliers. We regularly upgrade the existing facilities for new technology as and when required. In the event that we are unable to keep pace with the then prevailing trends, we may not be able to compete effectively which in turn may affect the demand for our tiles.

Our vitrified tiles incorporate the current trends in the design patterns through our association with international design houses and our internal research and development capabilities. If we are unable to offer new designs in the future or if our designs are not accepted by the market, our results of operations may be affected which in turn would affect our profitability.

Under-utilization of capacity at our present vitrified tiles manufacturing facility or the proposed wall tiles unit may affect our business which in turn may affect our results of operations.

Presently, our vitrified tiles unit operates at an efficiency level in excess of 90% of its installed capacity. However, with the setting up of a new wall tiles unit and expansion in our existing capacity for vitrified tiles, the total capacity is likely to increase substantially. In the event that we are unable to fully utilize the increased capacity, our cost of production may increase substantially which may adversely affect our result of operations.

Increase in the import of vitrified tiles may adversely affect our profitability

There has been a substantial increase in the import of vitrified tiles from Rs. 116.63 million in Fiscal 2004 to Rs. 669.45 million in Fiscal 2006, as compared to the increase in the import of ceramic tiles from Rs. 1136.45 million in Fiscal 2004 to Rs. 1817.12 million in Fiscal 2006. Any substantial increase in the volume of imported vitrified tiles, may lead to the erosion of market share of domestic producers including us. This may adversely affect our profitability.

We use designs which are bought from Italy and other foreign countries and any inability in obtaining the same may affect our margins

In addition to creating our own designs we obtain designs for the tiles from foreign countries specially Italy and China. Further, the designs to be used for wall tiles, a plant for the manufacture of which the Company proposes to set up, also are to be procured from Spain. The designs are displayed in a tile exhibition which attracts manufacturers from all over the world and the designs are sold through an open tender process. Any inability on our part to acquire the designs of our choice or acquisition of the same by a rival may adversely affect our margins.

We have certain contingent liabilities not provided for which may adversely affect our financial condition.

As of September 30, 2006, our contingent liabilities not provided for such as bank guarantees, letters of credit and corporate guarantees given to the Bank of Baroda for our Subsidiary, aggregated to Rs.140.61 million. In the event that any of these contingent liabilities materialise, our financial condition may be adversely affected. For further details, please refer to the section entitled “Outstanding Litigation and Other Material Developments” at page [●] of this Draft Red Herring Prospectus.

We are subject to the restrictive loan covenants of our Bankers in respect of the short and long term borrowings made from them. Some of the loan covenants may affect some or all of the rights of the shareholders.

We have been sanctioned a loan amount of Rs. 587.5 million from the State Bank of India towards working capital facilities and as term loan and also Rs. 50 million from Development Credit Bank Limited as a short term loan. These loan agreements have a number of restrictive covenants including requirement of prior approval for change in capital structure, amalgamation or reconstruction, undertaking any new project, implementation of any scheme of expansion etc. We also require the prior approval of the banks to declare dividends (in the event of default), enter into any borrowing arrangement, whether secured or unsecured, with any other bank, financial institution etc. Further, the former bank has the option of appointing a director on the Board of Directors of our Company. If any of these consents is not forthcoming, our ability to undertake the abovementioned activities will be adversely affected. We have obtained consent from these banks towards this Issue.

Any default on the repayment of debt, would entitle the lenders to enforce their security interests on our assets limiting our ability to carry out operations. In addition, such default could limit our ability to raise additional funds in the future.

We have through our letter dated January 25, 2007, intimated the State Bank of India that we have availed of the short term loan from Development Credit Bank Limited and have been orally informed that they have no objection to the same. However, we have no written confirmation of the same.

Our insurance may not be adequate to protect us against all potential losses to which we may be subject to.

We attempt to maintain insurance against losses which could occur on account of factors like accidents leading to injury, other natural and man made causes of accidents, damage to production facilities and the environment. There could be situations where our insurance policies may not be sufficient in covering all the losses which we may suffer. If we suffer an event for which we are not adequately insured, there is a risk that it could have a material adverse effect on our business, results of operations and financial condition.

Inability to meet the Export commitments under EPCG may lead to the levy of penalties

Certain goods have been imported at concessional duty under various licenses pursuant to the Export Promotion Capital Goods (EPCG) scheme pursuant to which we have availed duty concession to the extent of Rs.67,32,600 on purchase of plant & machinery. As a result we are under an obligation to export products worth US \$ 1,125,617.55 within a period of eight years from the date of licence i.e. June 18, 2003.

In case we are unable to meet the above commitment, we will be liable to a retrospective levy of import duty on items previously imported at a concessional duty. Additionally, the respective authorities have rights to levy penalties and / or interest for any defaults on a case-by-case basis.

We face foreign exchange risk in respect of some of the machinery which we intend to import

We have received quotations and placed orders for some of the machinery which we plan to import from overseas suppliers. The quotations for these machineries are in Euros and US dollars. Any appreciation of these currencies vis-à-vis the Indian rupee may lead to increase in the cost of imported machines and this may adversely affect our project and profitability.

We operate in a sector that was hitherto highly unorganized and the level of organization in this sector is still in its nascent stage

The ceramic industry was highly unorganized since inception and organizational levels in the industry are still not comparable to other industries in India and the ceramic industry in foreign countries. We have an informal understanding with most of our suppliers, including those supplying our raw materials, dealers and distributors, and even builders, who place orders for large quantities of the tiles produced. There are very few formal / written agreements / contracts regarding the purchase of the raw materials / finished products. If any of these parties reneges on these informal understandings our production capabilities will be adversely affected. Further, we may not have recourse to legal action and our financial performance will also be adversely affected to that extent.

We have no intellectual property protection

We have applied for registration of 16 trademarks. However, objections have been filed against all applications (except against “asiyana tiles”) primarily by Bell Granito India Limited and Asian Paints Limited. If the parties succeed in the objections raised, we will have no protection for our trademarks. Further, we may be restrained from using our current name. This may lead to erosion in brand value and will hamper our performance.

Further, the designs on the tiles manufactured by us are not protected by any intellectual property rights and acquisition alone does not ensure exclusivity in use. Our designs may be used by other manufacturers which will adversely affect the performance of our products and our overall performance.

Our Company relies on contract labour for the performance of many of its operations

Our company relies on contract labour for performance of many unskilled operations. Our registration as a principal employer under the Contract Labour (Regulation and Abolition) Act, 1970, is valid up to December 31, 2006. We source our contract labour requirements locally and an increase in labour costs, requirement to regularize the workers or pay any contributions, may adversely affect our profitability. Further, if we are unable to obtain renewal of our contract labour registrations and licenses, we will not be able to use contract labour at our units, which may hamper production, increase employee costs and affect our results of operations and profitability.

Our Company's operations could be seriously affected in case of industrial unrest at its plants.

Our Company has production facilities which employ 122 persons including contract labourers. In case of industrial unrest and / or disruption in the day-to-day functioning of our units we may face disruption in production and consequent financial losses.

There are outstanding litigations pending against us and our Subsidiary

We are involved in a number of legal cases, including among others, tax, consumer and intellectual property related claims. To date, we believe that these cases are not material to our business as a whole. However, in the event that all of these cases were decided against us, they could have a material adverse effect on our results of operations.

We are defendants in legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. The amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities and including amounts claimed jointly and severally from us and other parties. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in the financial statements of the respective persons/entities, which could increase expenses and current liabilities.

There are certain claims pending in various courts and before various authorities and at different levels of adjudication against us and our Subsidiary.

Further, a personal penalty of Rs. 10,000 each was imposed on two of our Promoters, viz. Mr. Mukeshbhai Patel and Mr. Kamleshbhai Patel by the tax department.

There are 3 tax related claims against us aggregating to Rs. 7.51 million.

There are 2 consumer complaints against us with respect to our products. The claims under these complaints aggregate Rs. 0.42 million.

There are 4 intellectual property related claims pending against us and our Subsidiary. The financial implications of these claims cannot be quantified.

No assurance can be given as to whether these matters will be settled in favour of or against our Company and / or our Subsidiary. Nor can any assurance be given that no further liability will arise out of these claims. For details please refer to section entitled "Outstanding Litigations and Other Material Developments" on page [●] of this Draft Red Herring Prospectus.

External Risk Factors

The cyclical nature and excess capacity of the tile industry may impact our business, results of operations and financial condition

The demand / supply situation in the tile industry depends on the cyclical nature of the housing and construction industry, the current growth rate of the economy, the size and growth rate of the replacement market, etc. Due to the cyclical nature of the industry, the demand for our products may fluctuate widely. In case of a downward cycle, the demand for our products may fall behind supply, leading to excess capacity and subsequent losses on account of unutilised capacity. In case of an upward cycle the demand for our products may exceed the supply, leading to opportunity costs, erosion of customer base etc.

A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to decline.

Our assets and customers are predominantly located in India. The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. The present government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the Government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our financial performance and the price of our Equity Shares.

Changes in the regulatory framework for the tile industry could adversely impact our business

Withdrawal of exemption of anti-dumping duties on tiles in India, increase in excise duties and other taxes such as sales tax, value added tax etc. and reduction of import duties may have adverse impact on our business. We do not know what the nature or extent of changes that can take place other than those mentioned hereinabove. Such changes may adversely affect the financial condition of the Company.

Emergence of competition from other manufacturing countries

We face global competition from countries like China, Italy etc., which have vast experience in the manufacturing and export of vitrified tiles. This may result in stiff competition in the domestic market and in conjunction with the favourable import policy may have an adverse impact on our business.

Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and future financial performance, our ability to obtain financing for capital expenditures and the price of our Equity Shares.

There is no existing market for the Equity Shares, and we do not know if one will develop to provide you with adequate liquidity. Our stock price will fluctuate after the Issue and, as a result, you could lose a significant part or all of your investment.

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest in our Company will lead to the development of an active trading market on the stock exchanges or how liquid that market might become. If an active market does not develop, you may have difficulty in selling any of the Equity Shares that you purchase. The initial public offering price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price paid by you in the Issue. The market price of the Equity Shares on the Indian Stock Exchanges may fluctuate after listing as a result of several factors, including:

- Volatility in the Indian and other global securities markets;
- Risks relating to our business and industry, including those discussed above;
- Our ability to complete the project in time;
- Strategic actions by us or our competitors;
- Investor perceptions of the investment opportunity associated with the Equity Shares and our future performance;
- Significant development in the regulation of financial services market;
- Adverse media reports on us, or our Subsidiary;
- A decrease in the market price of the Equity Shares could cause you to lose some or all of your investment.

Exchange rate fluctuations may have an impact on our financial performance.

Our Company relies on import of raw materials and any adverse movements in foreign exchange rates may impact our business, its future financial performance and the price of its Equity Shares. The financial performance of these international operations when translated into Rupees may from time to time be adversely impacted by exchange rate movements.

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

Our plants are susceptible to natural disasters such as droughts, floods, earthquakes as well as acts of violence from terrorists and war. The occurrence of any of the above event could disturb the operations of our plants and we may have to shut down our plant for carrying out repairs that will result in loss of revenues and increased costs.

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

All our manufacturing facilities and assets are located in India and also, all of our employees and Directors reside in India. Our Company derives a major portion of its revenue from domestic sales. The changes in Government policies pertaining to taxation (direct and indirect), political instability and social unrest may have an adverse effect on the operations of our Company and its financial results.

Natural calamities could adversely affect the Indian economy, our business and the price of our Equity Shares.

India has experienced natural calamities like earthquakes, floods and drought in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. For example, in FY 2003, many parts of India received significantly less than normal rainfall. As a result of the drought conditions in the economy during FY 2003, the agricultural sector recorded a negative growth of 7.0%. Also, the erratic progress of the monsoon in FY 2005 adversely affected sowing operations for certain crops and resulted in a decline in the growth rate of the agriculture sector from 9.1% in fiscal 2004 to 1.1% in fiscal 2005. Further prolonged spells of below or above normal rainfall or other natural calamities could adversely affect the Indian economy our business, financial condition and results of operations and the price of its Equity Shares.

All our Company's manufacturing units and assets are situated in the state of Gujarat which has faced civil unrest in the recent past. For instance in March 2002, the state of Gujarat faced communal riots leading to the death of large number of people and great damage to property. Repeat of such instances could affect our Company, its share price and its performance.

Trade deficits could adversely affect our business and the price of our Equity Shares.

India's trade relationships with other countries and its trade deficit, driven to a major extent by global crude oil prices, may adversely affect Indian economic conditions. If trade deficits increase or are no longer manageable because of the rise in global crude oil prices or otherwise, the Indian economy, and therefore our Company's business, its financial performance and the price of its Equity Shares could be adversely affected.

NOTES TO RISK FACTORS

1. The book value per Equity Share of Rs. 10 each was Rs.36.43 as of September 30, 2006 as per the Company's financial information under Indian GAAP and the SEBI Guidelines. For further details, please refer to the section entitled "Capital Structure" at page [●] of this Draft Red Herring Prospectus.
2. Public issue of 7,000,000 Equity Shares at a price of Rs. [●] for cash aggregating to Rs. [●]. The Issue comprises a Net Issue of 6,650,000 Equity Shares of Rs. 10 each and reservation of 350,000 Equity Shares of Rs. 10 each for Eligible Employees of our Company. The Issue will constitute 33.24% of the fully diluted post-Issue equity share capital of the Company. The Company is considering a Pre-IPO Placement, not to exceed 6% of the Issue, to certain investors prior to the Issue. If the Pre-IPO Placement is completed, the Net Issue would

be reduced to the extent of the Pre-IPO Placement subject to a minimum Issue size of 25% of the post Issue capital being offered to the public.

3. The net worth of the Company was Rs. 512.21 million as of September 30, 2006 as per our financial information under Indian GAAP and the SEBI Guidelines.
4. We have entered into related party transaction including with our Promoters and our Subsidiary. For related party transactions, please refer to the section entitled “Financial Information” at page [●] of this Draft Red Herring Prospectus.
5. For further information on the interests of our Promoters, Directors and Key Managerial Personnel, see the sections entitled “Management” and “Promoters and Promoter Group” at pages [●] and [●] of this Draft Red Herring Prospectus.
6. The Promoter Group holds 21.95 % of our paid-up share capital. The average cost of acquisition per Equity Share to the promoter is as follows:

Name of the Promoter	Number of shares held	Average Cost of Acquisition
Mr. Kamleshbhai Patel	1,888,768	Rs.6.16
Mr. Hasmukhbhai Patel	274,469	Rs.6.71
Mr. Mukeshbhai Patel	1,850,960	Rs.6.09
Mr. Rameshbhai Patel	270,115	Rs.8.27

7. The Issue is being made through the 100% Book Building Process wherein upto 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.
8. The investors are advised to please refer to the section entitled ‘Basis for Issue Price’ on page [●] of this Draft Red Herring Prospectus.
9. Any clarification or information relating to the Issue shall be made available by the BRLMs and the Company to the investors at large and no selective or additional information will be available for a section of investors in any manner whatsoever. For any clarification or information relating to the Issue, investors may contact the BRLMs, who will be obliged to provide such clarification or information to the investors.
10. Investors may contact the BRLMs and the other members of the Syndicate for any complaints pertaining to the Issue.
11. Trading in Equity Shares for all investors shall be in dematerialised form only.

SECTION 3: INTRODUCTION

Summary

This is only summary information about our Company and does not contain all the details you should consider while investing in our Company. You should carefully read the entire Draft Red Herring Prospectus together with the information contained in chapters namely “Risk Factors” and “Financial Statements” before investing in our Company.

We are in the business of manufacturing a wide range of vitrified tiles at various price points. Our products include glazed, unglazed, rustic, matte, homogenous and non-homogeneous body, water jet cutting, tailor made designs or customized as per our clients requirement. These products are manufactured at our plant in the Ceramics Zone- Dalpur, Himmatnagar, District Sabarkantha, Gujarat.

In September 2002, our Promoters Mr. Kamleshbhai Patel, Mr. Hashmukhbhai Patel, Mr. Mukeshbhai Patel and Mr. Rameshbhai Patel took over the management of M/s Vasudev Textile Industries Limited by taking over 100 % controlling interest of the company. After the change in the management of the company, the name of the company was changed to Asian Granito India Limited and a new manufacturing unit for vitrified tiles with a capacity of 4000 square meters per day was set up. Commercial production commenced from October 2003 onwards. The capacity of the plant has been increased by 5000 square meters per day in January 2005 and further by 5000 square metres per day from July 2006. Thus we have total capacity of 14,000 square meters per day or 5.11 million square metres per annum.

Our Subsidiary, Asian Tiles Limited, is into the business of manufacturing ceramic floor tiles. Accordingly, the company set up a plant for manufacturing of ceramic tiles at survey no.16, Jawanpura, near. Sardar Plant, Idar, Sabarkantha, Gujarat, with a capacity of 2500 square meters of tiles per day. The company now has an increased capacity of 7000 square meter per day.

Competitive Strengths

Our emphasis on reaching out to our customers, consistently maintaining and improving quality, constant innovation and competitive pricing has held us in good stead. Outlined below are reflections of our competitive strengths and that of our Subsidiary's.

1. Dedicated and experienced management team

We have a dedicated and experienced management team comprising our Promoter Directors and key managerial personnel. Our Promoters have an average experience of twelve years in this industry. Our business is conducted under the supervision of our Promoters who take an active interest in our day-to-day operations with the help of experienced professionals in their respective areas of specialization. In addition to our Promoters, we also have a core management team which assists the top level management in identifying new opportunities and in the implementation of the business strategies of our Company. The core management team has an average experience in excess of 10 years in the ceramic industry and related activities and we believe is equipped to handle future challenges. This team supervises our activities as well as our Subsidiary's.

2. Efficiency of the production processes

We are equipped with modern technology at our vitrified tiles plant and our ceramic tiles plant (operated through our Subsidiary) and we believe that we are amongst the first vitrified tiles manufacturers who use the latest equipment and technology. We have focused on monitoring labour and productivity related issues and have also adopted a policy of constant improvement across all the major processes. In addition, we use Management Information Systems (“MIS”) tools for running our operations at optimal efficiency. This is further evidenced by the fact that the average capacity utilization of our vitrified tiles plant and the ceramic tiles plant was approximately 90% in Fiscal 2006. Our trained and experienced manpower has also helped in streamlining the production process and increasing the output. We also believe that by following a worker friendly policy we have developed cordial relations with our work force which has also helped in ensuring smooth production process in our facilities.

3. Focus on quality and innovation

We believe that quality and innovations are the bed-rock of successful strategy. Towards this end we stress on and constantly strive to maintain and improve the quality of our products. This focus is reflected in the standard of our quality systems which have been certified ISO – 9001:2000. We have a R&D team comprising of six persons headed by our president of production department who focus on producing new designs and concepts for tiles. In Fiscal 2006 our R&D team introduced approximately 15 new designs in the vitrified tiles industry and approximately 30 new designs in the ceramic tiles industry. We have also introduced rustic, metallic and wooden series into the market. Further, we gave new dimensions to the size of tiles in the Indian market by introducing 1212mm x 808 mm slab size tiles into the market. This enables us to compete with greater efficiency against the marble industry which hitherto was considered the only producer of the larger slabs, which is perceived to have greater aesthetic appeal. We have thus produced a large number of colours, designs and size variations of tiles in the Indian tile market and we believe that we will continue to do so in the future.

4. Proximity to raw material sources

The main raw materials used in our production processes comprise, amongst others, clay, quartz and feldspar. These are available in large quantities in the neighbouring state of Rajasthan. Our units are based in the Sabarkantha district in Gujarat, which is easily accessible by road and also has the advantage of proximity to the Kandla Port through which we receive our imported raw materials such as Ukraine clay and colour pigments. Our transportation costs constitute a substantial part of our total costs and proximity to raw materials enables us to maintain cost efficiency.

5. Cost efficient manufacturing units

Our focus is on creating our own manufacturing base at a strategic location in Gujarat which is ideal from several perspectives like sourcing of raw materials, manpower etc. Towards this end, our existing plant is undergoing expansion. Our ability to run a cost efficient operation and to reduce the overheads has helped us in maintaining a high level of capacity utilization. Since we are not importing tiles from outside India, we have complete control over aspects like material procurement, quality control, managing inventory stocks, controlling costs etc. From July 2006 onwards, our vitrified tiles unit utilises liquefied natural gas (“LNG”) provided through pipelines, which in comparison to LPG, which we used as fuel earlier, is cheaper by about 20-25%. The fuel cost constitutes about 25% of the total cost, thus it will give us an added advantage as against the companies who use costlier fuel. Our ceramic tile manufacturing unit (operated through our Subsidiary) uses gassifiers since the imperfections which are created on account of the coal used in the gassifier is neutralised in the case of the ceramic tiles on account of the layer of glaze applied on the tiles. Coal is the cheapest of the options available.

Business Strategy

Our key business strategies as well as those of our Subsidiaries’ are as follows:

1. Offering a complete spectrum of tiling solutions for the construction industry

We believe that the construction sector is poised for a rapid growth in the coming years, both in the urban and rural areas. We plan to capture a major share of this expanding market by offering a complete range of ceramic tiles for the construction industry under a single roof. We are currently offering various tiling solutions through vitrified tiles and ceramic floor tiles (through our Subsidiary). We plan to expand the range of our products by offering wall tile solutions as well. We also believe that our ability to offer products across various price points not only helps in giving different purchasing options to the customers based on their budget but also helps in creating a holistic image of our products.

2. Increased focus on the export market

In Fiscal 2006 we generated export revenues of Rs. 1.76 million which accounted for less than 1% of our total revenue. We believe that the export market can be tapped to enhance our export revenue and add a new and important source of revenue. We are proposing to establish distribution networks outside India in order to expand our export activities. Towards this end, we have identified certain crucial geographies where we believe that the demand for our products will increase substantially, such as the US, which have traditionally been large importers of ceramic tiles. In 2005, the US market alone accounted for 246 million sq. mt or 14.3% of the total world imports.

3. Expanding our sales and distribution network.

Our sales and distribution network plays a major role in the effective distribution of our products across the country. In order to increase our market penetration and improve the retail sales of our products we plan to increase the number of our display centres from the current 7 to 10 by adding new centres in Kolkata, Hyderabad and Bangalore. We propose to expand our network geographically to other regions, covering smaller cities and major towns where the demand for tiling solutions is also increasing. We intend to implement this by leveraging and expanding our existing marketing network and increasing our market penetration in major cities where there is rapid growth in construction activities on account of increasing salary levels, growth in housing finance facilities and changing lifestyles.

4. Focus on Product Innovation

We will continue to focus on creating innovative designs in tiles through our R&D efforts. We have established a R&D laboratory at our Himmatnagar plant, which is supervised by our trained engineers / architects. We have established a feedback mechanism from our customers / distributors which enables us to better understand the market perception and demand. We believe that our focus on R&D would help us in creating new and user friendly designs ahead of competition.

Summary Financial Information

The following table sets forth the selected historical financial information of our Company derived from our restated financial statements for the Fiscals ended March 31, 2002, 2003, 2004 , 2005, 2006 and for the six months ended September 30, 2006, prepared in accordance with Part II of the Schedule II of the Companies Act, and SEBI guidelines, and restated as described in the auditor's report of M/s. Deepak R. Soni & Co., included in the section titled "Financial Information" on page [●] of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and notes thereon.

Summary Statement of Profit and Loss as Restated

(in Rs. Million)

	For the Six Months Ended September	FOR THE FISCAL YEAR ENDED				
PARTICULARS	30, 2006	2006	2005	2004	2003	2002
INCOME						
Sales (Manufacturing)						
Export Sales	0.10	1.76	0.00	0.00	0.00	0.00
Domestic Sales	743.52	1094.79	633.82	108.58	0.00	0.00
Trading Sales (Domestic)	15.19	30.06	1.43	0.00	2.40	71.52
Less : Excise, Sales Tax	83.88	118.18	75.84	14.13	0.00	0.00
SUB TOTAL	674.93	1008.43	559.41	94.45	2.40	71.52
Increase/(Decrease) in Stock	31.73	85.37	83.48	38.52	0.00	0.00
Other Income	0.24	1.01	0.07	0.47	0.52	0.19
TOTAL	706.90	1094.81	642.96	133.44	2.92	71.71
EXPENDITURE						
Trading Purchases	13.30	42.16	3.59	0.00	1.69	70.76
Raw Material Consumed	177.42	275.38	176.06	30.45	0.00	0.00
Other Manufacturing Expenses	290.68	449.20	243.90	44.25	0.00	0.00
Employees' Emoluments	25.58	34.85	24.45	2.95	0.24	0.26
Selling Expenses	22.46	31.13	34.95	9.76	0.00	0.00
Administrative & Other Expenses	25.48	27.33	26.80	2.66	0.42	0.15
Depreciation	17.82	28.88	15.48	6.10	0.06	0.12
Financial Charges	20.20	31.70	17.66	5.94	0.62	0.40
Miscellaneous Expenditure W/off	0.00	0.00	0.03	0.03	0.03	0.03
TOTAL	592.94	920.63	542.92	102.14	3.06	71.72
Net Adjusted Profit before Tax and Extraordinary Items	113.96	174.18	100.04	31.30	-0.14	-0.01
Provision for Tax - Current Tax	12.76	14.66	7.80	2.41	0.07	0.00
- Deferred Tax	6.85	9.22	14.05	8.79	0.00	0.00
- Fringe Benefit Tax	0.38	0.59	0.00	0.00	0.00	0.00
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
Net Profit after Tax And Extraordinary Items	93.97	149.71	78.19	20.10	-0.21	-0.01
Carried forward Profit from Previous year	159.22	9.51	1.32	0.22	0.43	0.44
Opening Provision for Deferred Tax	0.00	0.00	0.00	0.00	0.00	0.00
Profit available for appropriation	253.19	159.22	79.51	20.32	0.22	0.43

Less: Transfer to General Reserve	0.00	0.00	70.00	19.00	0.00	0.00
Taxation/Depreciation Adjustments of Earlier Year/s	0.00	0.00	0.00	0.00	0.00	0.00

Summary Statement of Assets and Liabilities as Restated

(Rs. in million)

	BALANCE SHEET AS ON					
PARTICULARS	30/09/06	31/03/06	31/03/05	31/03/04	31/03/03	31/03/02
A. Fixed Assets						
Gross Block	495.93	331.91	325.25	168.92	2.75	1.59
Less: Depreciation	68.28	50.45	21.58	6.10	0.06	0.73
Net Block	427.65	281.46	303.67	162.82	2.69	0.86
Add: Capital work in progress	0.35	123.00	1.60	0.00	21.24	0.00
Total	428.00	404.46	305.27	162.82	23.93	0.86
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block after adjustment of Revaluation Reserve	428.00	404.46	305.27	162.82	23.93	0.86
B. Investments	41.11	41.11	0.50	0.51	0.51	30.03
C. Current Assets, Loan & Advances						
Inventories	432.57	387.06	203.90	61.03	0.00	1.69
Sundry Debtors	288.25	191.06	91.74	38.15	0.00	36.07
Cash and Bank Balances	31.05	16.43	10.00	5.89	33.64	0.26
Loans and Advances	97.49	58.52	41.56	17.95	23.65	17.12
Total	849.36	653.07	347.20	123.02	57.29	55.14
D. Liabilities and Provisions:						
Secured Loans	490.7	414.41	242.69	97.35	0.00	10.13
Unsecured Loans	24.07	16.04	0.00	7.77	4.77	0.00
Current Liabilities and Provisions	252.58	219.27	137.05	53.70	40.87	39.26
Deferred Tax Liabilities	38.91	32.06	22.84	8.79	0.00	0.00
Total	806.26	681.78	402.58	167.61	45.64	49.39
E. Net Worth (A+B+C-D)*	512.21	416.86	250.39	118.74	36.09	36.64
F. Represented by						
Paid-up Share Capital:						
-Equity Shares	140.61	140.61	100.00	42.52	36.30	36.30
-Preference Shares	0	0.00	0.00	0.00	0.00	0.00
-Reserves and Surplus	398.12	304.15	154.44	76.25	0.22	0.43
Less:- Revaluation Reserve	0	0.00	0.00	0.00	0.00	0.00
Reserves and Surplus after adjustment of Revaluation Reserve	398.12	304.15	154.44	76.25	0.22	0.43
Total	538.73	444.76	254.44	118.77	36.52	36.73
G. MISC. EXPENDITURE UPTO THE extent not w/off	26.52	27.90	4.05	0.03	0.43	0.09
H. Net Worth (F-G)*	512.21	416.86	250.39	118.74	36.09	36.64

Consolidated Profits And Losses Account
(in Rs. Million)

	For the Six Months Ended September
PARTICULARS	30.09.2006
INCOME	
Sales (Manufacturing)	
Export Sales	0.10
Domestic Sales	864.66
Trading Sales (Domestic)	15.19
Less : Excise, Sales Tax, Return & Sales Capitalized	100.84
SUB TOTAL	779.11
Increase/(Decrease) in Stock	36.01
Other Income	0.39
TOTAL	815.51
EXPENDITURE	
Trading Purchases	0.00
Manufacturing Expenses	555.12
Employees' Emoluments	28.78
Administrative & Other Expenses	51.92
Depreciation	23.95
Financial Charges	25.34
Miscellaneous Expenditure W/off	0.02
TOTAL	685.13
Adjusted Profit before Tax and Extraordinary items	130.38
Provision for Tax - Current Tax	14.60
- Deferred Tax	11.30
- Fringe Benefit Tax	0.41
Adjusted Profit before extraordinary Items	104.07
Extraordinary Income(net of tax)	0.00
Net Profit after extraordinary items	104.07
Less : Minority Interest	0.00
Adjusted Profit after Minority Interest	104.07
Carried forward Profit from Previous year	197.43
Opening Provision for Deferred Tax Liability	0.00
Profit available for appropriation	301.50
Less: Pre Holding Profit transferred to Goodwill/Capital Reserve	0.00
Profit after Consolidation	301.50
Less: Transfer to General Reserve	0.00
Taxation/Depreciation Adjustments of Earlier Year/s	NA

Statement of consolidated assets and liabilities

(in Rs. Million)

	BALANCE SHEET AS ON	
PARTICULARS	30/09/06	31/03/06
A. Fixed Assets		
Gross Block	675.65	508.82
Less: Depreciation	102.08	78.12
Net Block	573.57	430.70
Add: Capital work in progress	0.35	123.00
Total	573.92	553.70
Less: Revaluation Reserve	0.00	0.00
Net Block after adjustment of Revaluation Reserve	573.92	553.70
B. Investments	0.50	0.50
C. Current Assets, Loan & Advances		
Inventories	492.33	441.64
Sundry Debtors	364.47	249.41
Cash and Bank Balances	34.54	20.02
Loans and Advances	105.63	67.92
Total	996.97	778.99
D. Liabilities and Provisions:		
Secured Loans	583.19	508.30
Unsecured Loans	39.24	25.99
Current Liabilities and Provisions	319.43	286.61
Deferred Tax Liabilities	64.08	52.78
Minotiry Interest	0.00	0.00
Total	1005.94	873.68
E. Net Worth (A+B+C-D)*	565.45	459.51
F. Represented by		
Paid-up Share Capital:		
-Equity Shares	140.61	140.61
-Preference Shares	0.00	0.00
-Capital Reserve	37.91	37.91
-Reserves and Surplus	414.04	309.97
Less:- Revaluation Reserve	0.00	0.00
Reserves and Surplus after adjustment of Revaluation Reserve	414.04	309.97
Total	592.56	488.49
G. MISC. EXPENDITURE UPTO THE extent not w/off	27.11	28.98
H. Net Worth (F-G)*	565.45	459.51

Note: Accumulated Profits and Reserves of Asian Tiles Limited upto March 27, 2006 on which the company became almost 100% subsidiary of Asian Granito India Limited is treated as Capital Reserve and shown accordingly herein above.

The Issue

The Issue	7,000,000 Equity Shares of Rs. 10 each aggregating Rs. [•] million
Of which:	
Employee Reservation	350,000 Equity Shares of Rs. 10 each aggregating Rs. [•] million
Therefore,	
Net Issue to the Public	6,650,000 Equity Shares of Rs. 10 each aggregating Rs. [•] million
Of which:	
Qualified Institutional Buyers portion	Upto 3,325,000 Equity Shares of Rs. 10 each aggregating Rs. [•] million (allocation on a proportionate basis)
Of which :	
Reservation for Mutual Funds	166,250 Equity Shares aggregating Rs. [•] million (allocation on a proportionate basis)
Balance for all QIBs including Mutual Funds	3,158,750 Equity Shares aggregating Rs. [•] million (allocation on a proportionate basis)
Non-Institutional Portion	At least 997,500 Equity Shares of Rs. 10 each aggregating Rs. [•] million (allocation on a proportionate basis)
Retail portion	At least 2,327,500 Equity Shares of Rs. 10 each aggregating Rs. [•] million (allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	14,061,291 Equity Shares of Rs. 10 each
Equity Shares outstanding after the Issue	21,061,291 Equity Shares of Rs. 10 each
Objects of the Issue	For more information, please refer to the section entitled “Objects of the Issue” at page [•] of this Draft Red Herring Prospectus.

The Company is considering a Pre-IPO Placement, not to exceed 6% of the Issue to certain investors prior to the Issue. If the Pre-IPO Placement is completed, the Net Issue would be reduced to the extent of the Pre-IPO Placement.

General Information

Registered Office of the Company

Asian Granito India Limited

City Mall, 2nd floor,
Beside Rajpath Club,
Sarkhej – Gandhinagar Highway Road,
Ahmedabad – 380 054
Phone: +91 79 3291 9687
Fax: +91 79 2686 1501
Website: www.asiangranito.com

Registration Number - 04-27025

Our Company is registered with the Registrar of Companies, Gujarat Dadra & Nagar Haveli situated at ROC Bhavan, Opp. Rupal Park Society, Behind Ankur Bus Stop, Naranpura, Ahmedabad - 380013.

Our Company was incorporated with its registered office at 14, Amar Chambers, 1st floor, Reid Road, Railwaypura, Ahmedabad – 380 002. It was later changed to 704 A/B, Sahajanand, Shahibaug Road, Shahibaug, Ahmedabad – 380 004 and back to 14, Amar Chambers, 1st floor, Reid Road, Railwaypura, Ahmedabad – 380 002. Subsequently, our registered office was shifted to 3rd floor, Empire Tower, behind Associate Petrol Pump, Panchwati, Ellise Bridge, Ahmedabad – 380 006 and then to City Mall, 2nd Floor, Beside Rajpath Club, Sarkhej – Gandhinagar Highway Road, Ahmedabad – 380 054.

Board of Directors

Our Board comprises:

Name of the Director	Designation	Status
Mr. Kamleshbhai Patel	Chairman cum Managing Director	Non-independent
Mr. Hasmukhbhai Patel	Managing Director	Non-independent
Mr. Rameshbhai Patel	Whole time Director	Non-independent
Mr. Mukeshbhai Patel	Whole time Director	Non-independent
Mr. Mahesh Chandra Julka	Director	Independent Director
Mr. Maganlal Prajapati	Director	Independent Director
Mr. Rajaram Sohanlal Shah	Director	Independent Director
Mr. Hitesh Mehta	Director	Independent Director

For further details of the Company's Chairman, Managing Director and other Directors, please refer to the section entitled "Our Management" on page [•] of this Draft Red Herring Prospectus.

Company Secretary and Compliance Officer

Ms. Vanita Agarwal
City Mall, 2nd Floor,
Beside Rajpath Club,
Sarkhej – Gandhinagar Highway Road,
Ahmedabad – 380 054, India
Tel: + 9179 3291 9687
Fax: +9179 2686 1501
E-mail: ipo@asiangranito.com

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

Book Running Lead Managers

SBI Capital Markets Limited

202, Maker Tower 'E'
Cuffe Parade
Mumbai – 400 005, India
Tel: +91 22 2218 9166
Fax: +91 22 2218 8332
Email: agl.ipo@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Sachin Kapoor

Enam Financial Consultants Private Limited

801/ 802, Dalamal Towers
Nariman Point
Mumbai 400 021, India
Tel: +9122 5638 1800
Fax: +9122 2284 6824
E-mail: asiangranito@enam.com
Website: www.enam.com
Contact Person: Mr. M Natarajan

Legal Advisor to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai – 400 013, India
Tel: +91 22 2496 4455
Fax: +91 22 2496 3666
E-mail: am.mumbai@amarchand.com

Syndicate Members

SBICAP Securities Limited

191, Maker Tower 'F'
Cuffe Parade
Mumbai – 400 005, India
Tel: +91 22 3027 3309
Fax: +91 22 2218 0196
Email: prasad.chitnis@sbicaps.com
Contact Person: Mr. Prasad Chitnis

Enam Securities Private Limited

2nd Floor, Khatau Building
44, Bank Street
Off Shaheed Bhagat Singh Road
Fort
Mumbai- 400 001, India
Tel: +91 22 2267 7901

Fax: +91 22 2266 5613
Email: asiangranito@enam.com
Contact Person: Mr. Ajay Seth

Registrar to the Issue

Intime Spectrum Registry Ltd.
C-13 Pannalal Silk Mills Compound
LBS Marg
Bhandup West
Mumbai 400078, India
Tel.: +91 22 2596 3838
Fax: +91 22 2594 6969
E-mail: agilipo@intimespectrum.com
Website: www.intimespectrum.com
Contact Person: Mr. Salim Shaikh

Escrow Collection Banks and Bankers to the Issue

[•]

Statutory Auditors

Deepak R. Soni & Co.
Chartered Accountants
Dr. Gandhi Road
Himmatnagar – 383 001, India
Phone : +91 2772 242780
Email: deepak_soni11@yahoo.com

Bankers to the Company

State Bank of India
Commercial Branch,
“Paramsiddhi” Complex
Nr. Mahakant Building
Ellise bridge,
Ahmedabad – 380006, India
Phone: +91 79 2657 5689
Fax: +91 79 2658 1512

Monitoring Agency

State Bank of India
Commercial Branch
“Paramsiddhi” Complex
Nr. Mahakant Building
Ellise bridge,
Ahmedabad – 380006, India
Phone: +91 79 2657 5689
Fax: +91 79 2658 1512

Appraising Agency

Gujarat Industrial and Technical Consultancy Organisation Limited
GITCO House

Opposite Sardar Patel Stadium
Navrangpura,
Ahmedabad-380009, India
Phone: +91 79 2656 9617
Fax: +91 79 2659 5279

Statement of Inter-se Allocation of Responsibilities between the BRLMs

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments etc.	SBICAPS	SBICAPS
Due diligence of the Company's operations/management/business plans/legal, etc. Drafting and design of offer document and of statutory advertisement including memorandum containing salient features of the Prospectus. The Lead Managers shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges and SEBI including finalisation of the Prospectus and filing with the Stock Exchanges.	SBICAPS	SBICAPS
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure etc.	SBICAPS, Enam	Enam
Appointment of other Intermediaries (a) Printers; (b) Registrar; (c) Advertising Agency; and (d) Banker to the Issue	SBICAPS, Enam	Enam
Domestic institutions/banks/ Mutual Funds marketing strategy: Finalise the list and division of investors for one on one meetings, institutional allocation	SBICAPS, Enam	Enam
International institutional marketing strategy, road show marketing presentation Finalise the list and division of investors for one on one meetings, institutional allocation	SBICAPS, Enam	Enam
Retail/Non-institutional marketing strategy which will cover, inter alia, - Finalize media, marketing and public relation strategy; - Finalize centres for holding conferences for brokers, etc.; - Finalize collection centers; and Follow-up on distribution of publicity and Issue material including form, Prospectus and deciding on the quantum of the Issue material	SBICAPS, Enam	Enam
Managing the book, coordination with Stock Exchanges, pricing and allocation to QIB Bidders.	SBICAPS, Enam	Enam
Post bidding activities including management of Escrow Accounts, co-ordinate non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders, Etc.	SBICAPS, Enam	SBICAPS
The post-issue activities of the issue will involve essential follow up steps, which include finalization of trading and dealing instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as Registrars to the issue, Banker to the issue and the bank handling refund business. The Lead Managers shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge the responsibility through suitable agreements with the Issuer Company.	SBICAPS, Enam	SBICAPS

Credit Rating

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

Grading

We have not opted for the grading of this Issue.

Trustees

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

Book Building Process

Book Building refers to the process of collection of bids from investors, which is based on the price band. The Issue Price is fixed after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

- (1) The Company;
- (2) Book Running Lead Managers, in this case being SBI Capital Markets Limited and Enam Financial Consultants Private Limited
- (3) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters, in this case being SBICAP Securities Limited and Enam Securities Private Limited.
- (4) Registrar to the Issue, in this case being Intime Spectrum Registry Limited.

SEBI, through its guidelines, has permitted an issue of securities to the public through the 100% Book Building Process, wherein upto 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs), which includes reservation amounting to 5% of the QIB Portion for Mutual Funds. Further, at least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. The allocation shall be subject to applicable restrictions on foreign ownership. Further 5% of the proposed Issue shall be available for allocation on a proportionate basis to the Eligible Employees subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. In addition, QIBs are required to pay at least 10% of the Bid Amount upon submission of the Bid-cum-Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further details, please refer to the section entitled “Issue Procedure” at page [●] of this Draft Red Herring Prospectus.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

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

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding;
- Ensure that he/she has a demat account;
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid-cum-Application Form; and

- Ensure that the Bid-cum-Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. For details please refer to the section entitled “Issue Procedure” on page [•] of this Draft Red Herring Prospectus. Bidders are specifically requested not to submit their General Index Register number instead of the Permanent Account Number as the Bid is liable to be rejected.

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

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE (www.bseindia.com) and NSE (www.nseindia.com) during the bidding period. The illustrative book as shown below shows the demand for the shares of a company at various prices and is collated from bids from various investors.

Number of equity shares Bid for	Bid Price(Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e., Rs. 21 in the above example. The issuer, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 21. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Withdrawal of the Issue

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date but before the Allotment of Equity Shares without assigning any reason.

Bid/Issue Period

BID/ISSUE OPENS ON [•], 2007
BID/ISSUE CLOSES ON [•], 2007

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

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

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

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

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
SBI Capital Markets Limited 202, Maker Tower 'E' Cuffe Parade Mumbai – 400 005, India Tel: +91 – 22 – 2218 9166 Fax: +91 22 2218 8332 Email: agl.ipo@sbicaps.com Contact Person: Mr. Sachin Kapoor	[•]	[•]
Enam Financial Consultants Private Limited 801/ 802, Dalamal Towers, Nariman Point, Mumbai 400 021, India Tel: +91 22 5638 1800 Fax: +91 22 2284 6824 E-mail: asiangranito@enam.com Contact Person: Mr. M Natarajan	[•]	[•]
SBICAP Securities Limited 191, Maker Tower 'F' Cuffe Parade Mumbai – 400 005, India Tel.: +91 22 3027 3309 Fax.: +91 22 2218 0196 Email: prasad.chitnis@sbicaps.com Contact Person: Mr. Prasad Chitnis	[•]	[•]
Enam Securities Private Limited 2 nd Floor, Khatau Building 44, Bank Street Off Shaheed Bhagat Singh Road Fort, Mumbai- 400 001 Tel.: +91 22 2267 7901	[•]	[•]

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
Fax.: +91 22 2266 5613 Email: asiangranito@enam.com Contact Person: Mr. Ajay Sheth		

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

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

Notwithstanding the above table, the BRLMs and the Syndicate Members shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure / subscribe to the extent of the defaulted amount. Allotment to QIBs is proportionate as per the terms of this Draft Red Herring Prospectus. For further details about Allotment please refer to the section entitled “Issue Procedure” on page [•] of this Draft Red Herring Prospectus.

Capital Structure

Our share capital as of the date of this Draft Red Herring Prospectus is set forth below:

	Aggregate Value at Face Value	Aggregate Value at Issue Price
Authorized Equity Capital		
25,000,000 Equity Shares	250,000,000	-
Issued, Subscribed And Paid-Up Equity Capital before the Issue		
14,061,291 Equity Shares fully paid-up before the Issue	140,612,910	196,545,480
Terms of Present Issue of 7,000,000 Equity Shares of Rs 10 each in terms of this Draft Red Herring Prospectus:*	70,000,000	[●]
Employee Reservation Portion		
350,000 shares of Rs 10 each	3,500,000	[●]
Net Issue to Public		
6,650,000 shares of Rs 10 each	66,500,000	[●]
Equity Capital after the Issue		
21,061,291 Equity Shares	210,612,910	[●]
Securities Premium Account		
Before the Issue	55,932,570	
After the Issue		[●]

We are considering a Pre-IPO Placement, not to exceed 6% of the Issue, to certain investors prior to the Issue. We will complete the issuance of such Equity Shares pursuant to the Pre-IPO Placement, if any, prior to filing the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is successfully completed the number of Equity Shares issued for such purpose, will be reduced from Net Issue.

* The present Issue has been authorized by the Board of Directors in their meeting on November 7, 2006, and by the shareholders of our Company at an EGM held on December 5, 2006.

- a) The initial authorized capital of Rs. 5,00,000 comprising of 50,000 Equity Shares was increased to Rs. 20,000,000 comprising of 2,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on September 4, 1995.
- b) The authorized capital of Rs. 20,000,000 comprising of 2,000,000 Equity Shares was increased to Rs. 90,000,000 comprising of 9,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on September 20, 1995.
- c) The authorized capital of Rs 90,000,000 comprising of 9,000,000 Equity Shares was increased to Rs. 100,000,000 comprising of 10,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on December 10, 2004.

- d) The authorized capital of Rs. 100,000,000 comprising of 10,000,000 Equity Shares was increased to Rs. 250,000,000 comprising of 25,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on March 20, 2006.

Notes to Capital Structure

1. Share capital history of our Company

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative No. of Equity Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
August 08, 1995	20	10	10	Cash	Subscription to the Memorandum	20	20	-
August 28, 1995	680	10	10	Cash	Further Allotment of Shares	700	7,000	-
September 08, 1995	99,300	10	10	Cash	Further Allotment of Shares	100,000	1,000,000	-
September 13, 1995	900,000	10	10	Cash	Further Allotment of Shares	1,000,000	10,000,000	-
September 16, 1995	1,000,000	10	10	Cash	Further Allotment of Shares	2,000,000	20,000,000	-
January 15, 1996	562,200	10	10	Cash	Further Allotment of Shares	2,562,200	25,622,000	-
February 25, 1997	1,068,200	10	10	Cash	Further Allotment of Shares	3,630,400	36,304,000	-
June 25, 2003	153,030	10	100	Cash	Further Allotment of Shares	3,783,430	37,834,300	13,772,700
July 17, 2003	468,443	10	100	Cash	Further Allotment of Shares	4,251,873	42,518,730	42,159,870
November 2, 2004	2,140,000	10	10	Cash	Further Allotment of Shares	6,391,873	63,918,730	-
December 30, 2004	1,829,786	10	10	Cash	Further Allotment of Shares	8,221,659	82,216,590	-
March 30, 2005	1,778,341	10	10	Cash	Further Allotment of Shares	10,000,000	100,000,000	-
March 27, 2006	4,061,291	10	10	Shares acquired through Share Swap	Share Swap*	14,061,291	140,612,910	-
Total	14,061,291					14,061,291	140,612,910	55,932,570

* Note: We allotted 4,061,291 Equity Shares to the shareholders of Asian Tiles Limited under a share swap in the ratio of 1:1, thereby making Asian Tiles Limited a wholly owned subsidiary of our Company.

2. Promoter Contribution and Lock-in

All Equity Shares, which are being locked in are eligible for computation of promoters' contribution according to clause 4.6 of the SEBI Guidelines and are being locked-in under clause 4.11 of the SEBI Guidelines.

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post Issue capital of our Company held by the Promoters shall be locked-in for a period of three years from the date of Allotment in the Issue. The details of such lock-in are set out below:

Name of Promoter	Date on which Equity Shares were allotted/transferred	Nature of transaction	Consideration (Cash, Bonus, kind, etc)	Issue Price (Rs)	Number of Equity Shares –	Face Value	% of Post-Issue paid-up capital	Lock-in Period
Hansmukhbhai D. Patel	September 28, 2002	Transfer of shares	Cash	1	125,000	10		Three years
	July 17, 2003	Further Allotment of Shares	Cash	100	2,480	10		Three years
	December 10, 2004	Transfer of shares	Cash	10	3,340	10		Three years
	December 15, 2004	Transfer of shares	Cash	10	13,000	10		Three years
	December 30, 2004	Further Allotment of Shares	Cash	10	50,000	10		Three years
	March 20, 2005	Transfer of shares	Cash	10	300	10		Three years
	March 30, 2005	Further Allotment of Shares	Cash	10	24,500	10		Three years
	March 27, 2006	Share Swap	Cash	10	51233	10		Three years
Sub Total					269,853		1.28%	Three years
Kamleshbhai B. Patel	September 28, 2002	Transfer of shares	Cash	1	215,000	10		Three Years
	July 17, 2003	Further Allotment of Shares	Cash	100	14,997	10		Three Years
	December 30, 2004	Further Allotment of Shares	Cash	10	3,000	10		Three Years

Name of Promoter	Date on which Equity Shares were allotted/transferred	Nature of transaction	Consideration (Cash, Bonus, kind, etc)	Issue Price (Rs)	Number of Equity Shares –	Face Value	% of Post-Issue paid-up capital	Lock-in Period
	April 19, 2005	Transfer of shares	Cash	2.92	787,450	10		Three Years
	August 15, 2005	Transfer of shares	Cash	4.67	150,000	10		Three Years
	August 31, 2005	Transfer of shares	Cash	5.50	100,000	10		Three Years
	March 25, 2006	Transfer of shares	Cash	10.00	586,556	10		Three Years
Sub Total					1,857,003	10	8.82%	Three Years
Mukeshbhai J. Patel	September 28, 2002	Transfer of shares	Cash	1	289,000	10		Three Years
	July 17, 2003	Further Allotment of Shares	Cash	100	2,230	10		Three Years
	February 15, 2004	Transfer of shares	Cash	10	10,000	10		Three Years
	December 30, 2004	Further Allotment of Shares	Cash	10	50,000	10		Three Years
	August 15, 2005	Transfer of shares	Cash	4.38	330,295	10		Three Years
	August 31, 2005	Transfer of shares	Cash	3.78	540,000	10		Three Years
	March 25, 2006	Transfer of shares	Cash	10	574,546	10		Three Years
	March 27, 2006	Share swap	Cash	17.12	23,760	10		Three Years
Sub Total					1,819,831	10	8.64%	Three Years
Rameshbhai B. Patel	September 28, 2002	Transfer of shares	Cash	1	55,000	10		Three Years
	July 17, 2003	Further Allotment of Shares	Cash	100	300	10		Three Years
	February 15, 2004	Transfer of shares	Cash	10	3,000	10		Three Years
	May 15, 2004	Transfer of shares	Cash	10	5,000	10		Three Years
	December 30, 2004	Further Allotment of Shares	Cash	10	13,500	10		Three Years
	March 20, 2005	Transfer of shares	Cash	10	8,700	10		Three Years

Name of Promoter	Date on which Equity Shares were allotted/transferred	Nature of transaction	Consideration (Cash, Bonus, kind, etc)	Issue Price (Rs)	Number of Equity Shares –	Face Value	% of Post-Issue paid-up capital	Lock-in Period
	March 30, 2005	Further Allotment of Shares	Cash	10	57,500	10		Three Years
	August 15, 2005	Transfer of shares	Cash	10	10,000	10		Three Years
	March 25, 2006	Transfer of shares	Cash	10	88,815	10		Three Years
	March 27, 2006	Share Swap	Cash	10	23,757	10		Three Years
Sub Total					265,572	10	1.26%	
Total					4,212,259	10	20.00%	

A total of 4,212,259 Equity Shares forming 20% of the post Issue paid up capital of our Company shall be locked in by the Promoters for a period of three years as minimum promoter's contribution. The lock-in shall start from the date of Allotment in the proposed Issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the public issue. The entire pre-Issue capital other than the Equity Shares locked in as part of minimum promoters' contribution as stated in the table above shall be locked in for a period of one year from the date of Allotment under this Issue.

Further the Promoters have given an undertaking that securities forming part of the minimum 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 SEBI until the date of commencement of lock-in period as stated above.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other Person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

The locked in Equity Shares held by the Promoters, may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. The list of shareholders of our Company and the number of Equity Shares held by them is as follows:
 - (a) All our ten shareholders and the number of Equity Shares held by them as of the date of filing this Draft Red Herring Prospectus with SEBI i.e. January 29, 2007 and ten days prior to the filing of this Draft Red Herring Prospectus i.e. January 19, 2007, are as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
a)	AGL Infrastructure Pvt. Limited	1953154	13.89
b)	Kamleshbhai B. Patel	1888768	13.43
c)	Mukeshbhai J. Patel	1850960	13.16
d)	Jayantibhai M. Patel	510739	3.63
e)	Vinodbhai L. Patel	505889	3.60
f)	Bhikhabhai V. Patel	285226	2.03
g)	Hasmukhbhai D. Patel	274469	1.95
h)	Rameshbhai B. Patel	270115	1.90
i)	Ramjibhai Purshottambhai Patel	261100	1.86
j)	Punjabhai M. Patel	255980	1.82

- (b) Details of all our shareholders and the number of Equity Shares held by them as of two years prior to filing of this Draft Red Herring Prospectus i.e. January 29, 2005 are as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding
a)	Shantisuri Secutities Pvt. Ltd.	2,250,000	27.37
b)	Alka India Limited	411,850	5.01
c)	Mukeshbhai J. Patel	351,230	4.27
d)	Asian Tiles Ltd.	340,000	4.14
e)	Daxesh Vasantbhai Raval	340,000	4.14
f)	Riddhesh Girishbhai Bhandari	250,000	3.04
g)	Kamleshbhai B. Patel	232,997	2.83
h)	Jayantibhai M. Patel	202,250	2.46
i)	Vinodbhai L. Patel	194,943	2.37
j)	Hasmukhbhai D. Patel	193,820	2.36

4. Shareholding pattern of our Company before and after the Issue is as follows:

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue.

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of shares	%	No. of shares	%
Promoter	4,284,312	30.47%	4,284,312	20.34%
- Kamleshbhai Patel	1,888,768	13.43%	1,888,768	8.97%
- Hasumukhbhai Patel	274,469	1.95%	274,469	1.30%
- Mukeshbhai Patel	1,850,960	13.17%	1,850,960	8.79%
- Rameshbhai Patel	270,115	1.92%	270,115	1.28%
Promoter Group	3,086,883	21.95%	3,086,883	14.66%
Corporate	1,953,154	13.89%	1,953,154	9.27%
- AGL Infrastructure Private Limited	1,953,154	13.89%	1,953,154	9.27%

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of shares	%	No. of shares	%
Employees*	778,369	5.54%	1,128,369	5.36%
Others[#]	3,958,573	28.15%	10,608,573	50.37%
	14,061,291	100.00%	21,061,291	100.00%

* Includes the permanent employees of the Company as at January 25, 2007

Includes 1,169,927 shares held by the directors of our Subsidiary, other than the shares held by our Promoters

5. Except to the extent of beneficial ownership of Equity Shares held by our Promoters no other Director holds our Equity Shares. The following table sets out the details of our key managerial personnel who hold our Equity Shares:

Name of Key Managerial Personnel	No. of equity shares held (Rs. 10 each)	% holding
Mr. Kalidasbhai Patel	93,099	0.66%
Mr. Bhaveshbhai Patel	182,340	1.30%

6. Our Company, our Promoters and the BRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any Person, other than as disclosed in this Draft Red Herring Prospectus.
7. Our Company has not issued Equity Shares for consideration other than cash except swap of shares by issue of our one share in exchange of one share of Asian Tiles Limited.
8. There has been no sale or purchase of Equity Shares by the Promoters or the Promoter Group in the last six months. No Equity Shares have been sold or purchased by our Promoter and our Promoter Group, during the period of six months preceding the date on which this DRHP is filed with SEBI.
9. In the Issue, in case of over-subscription in all categories, 50% of the Issue shall be available for allocation on a proportionate basis to QIB Bidders. 5% of the QIB Portion will be available for allocation to the Mutual Funds. Mutual Funds participating in the 5% portion of the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Further, at least 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs.
10. A total of 5% of the issue size, i.e. 350,000 Equity Shares, has been reserved for allocation to our permanent employees on a proportionate basis, subject to valid bids being received at or above the Issue Price. Only permanent employees of our Company as defined in the SEBI Guidelines, as on the cut-off date i. e. December 31, 2006 would be eligible to apply in this issue under Employees Reservation Portion. Employees may bid in the Net Issue portion as well and such Bids shall not be treated as multiple Bids. Any under-subscription in the Equity Shares under the Employee Reservation Portion would be treated as part of the Net Issue. Under-subscription in any category will be met through over-subscription in any other category including Employee Reservation Portion.
11. As on the date of this Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
13. We have not raised any bridge loan against the proceeds of the Issue.
14. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off while finalising the Basis of Allotment.
15. Except as disclosed in this Draft Red Herring Prospectus, there will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus to SEBI until our Equity Shares issued/ to be issued pursuant to the Issue have been listed.
16. Subject to the Pre-IPO Placement, we presently do not intend or propose to alter our capital structure for six months from the date of filing of this DRHP, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise.
17. We have not issued any Equity Shares out of revaluation reserves. Apart from bonus Equity Shares we have not issued any Equity Shares for consideration other than cash.
18. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time. All equity shares under this Issue shall be fully paid-up.
19. As of January 29, 2007 the total number of holders of Equity Shares is 104 (one hundred and four).
20. Under-subscription, if any, in the QIB, Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at our discretion in consultation with the BRLMs. Under-subscription in the Employee Reservation Portion would be added back to the Retail Portion and the Non-Institutional Bidders Category.
21. We have not issued any Equity Shares in the last one year at a price lower than the IPO price.
22. No natural Person is in control (holding 10% or more of the voting rights) of any body corporate forming part of the Promoter Group. Further, details of the natural persons who are on the boards of directors of any body corporate forming part of the Promoter Group have been disclosed in the section entitled "Promoters" and "Promoter Group" beginning at page [●] and [●] of this Draft Red Herring Prospectus.
23. There are no payments, direct or indirect in the nature of a discount, commissions, allowance or otherwise shall be made either by the Company or the Promoters in any public issue, to the persons who have received firm allotment in this Issue.

Objects of the Issue

The objects of the Issue are set forth below:

- i) Setting up of a wall tile unit;
- ii) Modernisation and expansion of existing vitrified tile manufacturing unit;
- iii) General Corporate Purposes;
- iv) Issue Expenditure.

Additionally we are seeking to achieve the benefits of listing, which we believe, would enhance our brand equity and provide liquidity to our shareholders.

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

Funds Requirement

The following table summarizes the requirement of funds and the use of net proceeds from the Issue:

(Rs. in million)		
S. No.	Particulars	Amount
1.	Setting up of the wall tile unit	611.80
2.	Modernisation and expansion of the existing vitrified plant	133.24
3.	General corporate purposes	[•]
4.	Cost of the Issue	[•]
	Total	[•]

The funds requirement in the table above is based on our current business plan. In the event any surplus is left out of the Issue proceeds after meeting all the aforesaid objectives, such surplus Issue proceeds will be used towards general corporate purposes.

Details of the Objects of the Issue

1. SETTING UP OF A WALL TILE UNIT

We propose to set up a new wall tile plant with a manufacturing capacity of 9,300 square meters per day (50,000 MT per annum) adjoining our existing factory premises at Village Dalpur, Taluka Prantij, District Sabarkantha in the state of Gujarat, at the distance of 60 kms from Ahmedabad at Himmatnagar. The machinery set comprises of a batching and mill feeding machine, a continuous mill feeding machine, a slip preparation machine, powder spray-drying and storage machine, press loading machine, hydraulic press of PH3020 and fast dryer, glaze preparation equipment, glazing line, firing kiln (length - 147 meters), handling and storage equipment, sorting and packing equipment. We propose to purchase the abovementioned machinery from Sacmi Imola S.C, Italy.

The total cost of setting up of the wall tile plant is approximately Rs.611.80 Million. The details of the same are given as under:

(Rs. in Million)		
S. No	Particulars	Amount
1.	Land and site development	21.85
2.	Building	72.29
3.	Plant & Machinery	459.88
4.	Electrification	39.96
5.	Provision for contingencies @ 3%	17.82

S. No	Particulars	Amount
Total		611.80

Land

Whilst we have acquired additional land ad-measuring 167,565 sq meters at a cost of Rs. 10.67 million, the same is agricultural land and therefore no non-agricultural activity may be carried out on it. However, we have applied for its non agricultural use and subsequently, have commenced site development at this location pursuant to permission granted under section 65 (b) of the Bombay Land Revenue Code, 1879 [as applicable to Gujarat]. The estimated cost of the site development is as set out below:

Site Development

Sl. No.	Name of Building Structure	Built up Area	Average Rate (in Rs.)	Estimated Cost (Rs. in million)
1	Earth Filling	56,250 cu mt	55 per cu mt	3.09
2	Compound Wall	1,300 mt	1,500 per mt	1.95
3	Bore Well for water availability at 500 ft depth	1 Borewell	650,000	0.65
4	Internal R.C.C. roads	9,050 sq mt	240 per sq mt	2.17
5	Tar roads	12,050 sq mt	275 per sq mt	3.32
Total				11.18

We have already incurred an expenditure of Rs 1.19 million towards site levelling and building the compound wall.

Factory Building

We propose to construct the building at a cost of Rs.72.29 Million including the main process building and ancillary buildings for the proposed wall tile unit and required construction for the existing unit. We have appointed M/s Building Service Bureau as a consultant for construction of the proposed factory building. M/s Building Service Bureau has several years of experience in the construction sector and has worked for us in the past.

Details of the proposed factory building are as set out below:

Sl. No.	Name of Building Structure	Type Structure	Built up Area (Sq. mt)	Average Rate (per sq. mt Rs.)	Estimated Cost (Rs. in Million)
1	Shed for Raw Material Storage	R.C.C Frame Structure	4,972.00	1812.79	9.01
2	Shed for Slip House	R.C.C Frame & Steel Structure	2,808.00	2000.00	5.62
3	Shed for Silo	R.C.C Frame & Steel Structure	960.00	2100.00	2.02
4	Shed for Spray Dryer	R.C.C Frame & Steel Structure	1,440.00	2750.00	3.96
5	Shed for Kiln	R.C.C Frame & Steel Structure	12,446.88	1800.00	22.40
6	Shed for Press	R.C.C Frame & Steel Structure	1,200.00	2200.00	2.64
7	Shed for Glaze Line	R.C.C Frame & Steel Structure	6,223.44	1800.00	11.20

8	Shed for Utility	R.C.C Frame Structure	2,813.88	2562.84	7.21
9	Staff Quarters	R.C.C Frame Structure	2,220.00	3535.14	7.85
10	Over head Tank	R.C.C Frame Structure	75,000 ltr	5.00 per ltr	0.38
	TOTAL				72.29

Plant & Machinery

We are, currently, negotiating with a few suppliers including Sacmi Imola S.C, Italy, for the supply of complete range of machines along with technical assistance and know how and will soon be placing the orders in accordance with the project implementation schedule.

The details of the various plant and machinery based on the quotation received from Sacmi Imola, Italy dated April 05, 2006 are as set out below:

S. No.	Description With Broad Specification	Fob Value (EURO)	Value (Rupees in Million) ¹
1.	Batching & Mill feeding	53,737.50	3.14
2.	Continuous Mill Feeding	27,492.50	1.61
3.	Slip Preparation	306,842.50	17.94
4.	Powder spray drying and storage	334,410.00	19.55
5.	Press Loading	18,652.50	1.09
6.	Pressing & Fast Drying	1,134,152.50	66.30
7.	Glazing	292,110.00	17.08
8.	Firing	1,520,930.00	88.91
9.	Handling & Storage	474,080.00	27.71
10.	Sorting & Packing	253,000.00	14.79
11.	Packing and Other Expenses	221,092.50	12.93
12.	Technical Know How, assistance and Engineering	246,800.00	14.43
	Total Free on Board ("FOB")Value	4,883,300.00	285.48
	Freight & Insurance @ 3%.		8.56
	Total CIF Value		294.04
	Custom Duty 36.00% on CIF Value		105.86
	Sub Total		399.90
	Transportation, Loading, Unloading, Clearing Agents Commission, Erection And Foundation Charges Including The Utilities Required (@15%)		59.98
	Total Value Of Imported Machines In Indian Rs.		459.88

¹ The conversion from EURO to Rupees is based on the rate of Rs.58.46 per EURO being the six months average rate ending on December 31, 2006 taken from the source: www.gocurrency.com

Electrification

Consequent to the project implementation our total electricity requirement would increase to 4,800 KVA from the existing 3,500 KVA. We have received a quotation from Uttar Gujarat Vij Company Limited for the supply of required power. The said requirement will be met by setting up a 66 KV sub station at the factory premises.

The details of the expenses for setting up of the sub-station as set out below:

Sr. No.	Description	Suppliers	Cost (Rs. in Million)
1	Service Line Charges to provide additional 2,400 KVA EHT power	Uttar Gujarat Vij Co. Limited	8.74
2	Service Connection Charges		0.04
3	Security Deposit		9.10
4	Development Charges		2.16
5	Set up of unit		19.92
	Total		39.96

We have already incurred an expenditure of Rs 14.00 million towards electrification costs which includes Service connection charges, Service Line Charges, Security Deposit and Development Charges.

Project implementation schedule for wall tile unit

We propose to set up the wall tile plant by the end of September 2007 and commence its commercial production from October 2007 onwards. The under-mentioned project implementation schedule includes the expenditure schedule not comprising of contingencies of Rs.17.82 million.

Activity	Expenditure Schedule (Rs. in Mn)		Schedule Implementation of
	Upto March 31, 2007	After March 31, 2007 and upto September 30, 2007	
Possession of land	10.67	NIL	Already Acquired
Site Development	11.18	NIL	October 2006 to February 2007
Commencement of civil work [#]	57.83	14.46	February 2007
Completion of civil, utilities			June 2007
Placement of orders of Plant & Machinery and electrification [@]	171.98	327.86	February 2007 to August 2007
Erection of machineries			September 2007
Trial Run			September 2007
Commercial Production			October 2007

[@] This includes an expenditure of Rs 14.00 million already incurred towards electrification costs which includes Service connection charges, Service Line Charges, Security Deposit and Development Charges.

This includes an expenditure of Rs.1.19 million already incurred towards site development and building compound wall.

2. MODERNISATION AND EXPANSION OF EXISTING VITRIFIED PLANT

We now propose to increase our vitrified tiles manufacturing capacity of 14,000 sq. meters per day (117,500 MT per annum) by 2,000 sq. meters per day (16,800 MT per annum), which would increase the total installed capacity to 16,000 sq. meters per day (134300 MT Per annum (based on the standard tile size of 605mm x 605mm.)

The setting up of this additional capacity is proposed to be carried out at our existing vitrified tiles plant situated at Village Dalpur, Taluka Prantij, District Sabarkantha in the state of Gujarat, at the distance of 60 kms from Ahmedabad. This expansion shall include installation of roto-color printing machine, automatic sorting line, ball mills, brushing machine, spray drying machine, etc. for balancing equipments.

The cost of the machinery is estimated based on the quotations received from the suppliers and we are in the process of finalizing the orders. The summary of the proposed expenditure towards the modernization and expansion of existing vitrified tiles plant is as under:

(Rs. in Million)		
S. No	Particulars	Amount
1.	Imported Machinery	83.45
2.	Indigenous Machinery	45.91
3.	Provision for Contingencies @ 3%	3.88
Total		133.24

The above plant and machinery will be installed by the end of June 2007 and the commercial production is expected to commence from July 2007. A brief of the machinery is given as under:

Details of Imported machinery

(Rs. in Million)						
S. No.	Description with broad specification	Name of the Manufacturer	Date of Quotation	FOB Value (USD)	FOB Value (EURO)	Insurance and freight
1	Printing Machines ROTOCOLOR S4.1 LL MPS with accessories Eight	System Ceramics, Italy [#]	July 6, 2006		240000.00	3%
2	Sorting Line EASY LINE standard and accessories Two	Sacmi Impianti, Italy	February 20,2006		125000.00	3%
3	Parts for modifying KEXINDA calibrating machine	Kexinda Enterprise, China	March 23, 2006	90000.00		3%
4	CP/600 Brushing Machine	Hope Ceramics Machinery Co. Ltd., China	September 6, 2006	5800.00		3%
5	LUXO Coating Line with consumption material	Keda Industrial Co. Limited	June 28,2006	149476.00		3%

6	QMP 3400*6300 30T Ball Mill with Hmax=75mm rubber lining	Foshan Kexinda Yi Long Economic & Trade Co. Ltd., China	September 2, 2006	44000.00		3%
7	QMP 3400*6300 30T Ball Mill with 100mm thickness medium alumina lining			44000.00		3%
8	Double Feeder for 4600T Press	Kexinda Enterprise, China	September 8, 2006	290000.00		3%
9	Bladong Pneumatic Pump	Yangtze Co. Limited, China	September 6, 2006	45000.00		3%
TOTAL FOB VALUE IN USD AND EURO				668276.00	365000.00	
PRICE PER USD AND EURO				45.58[@]	58.46[@]	
TOTAL FOB VALUE IN INDIA RS. IN MILLION				30.46	21.34	51.80
Freight & insurance						1.55
Total CIF Value						53.35
Custom Duty 36.00% on CIF value						19.21
Transportation, Loading, unloading, Clearing agents commission, Erection and foundation charges including the utilities required						10.88
Total Value of Imported Machines						83.45

[@] The conversion from EURO to Rupees is based on the rate of Rs.58.46 per EURO being the six months average rate ending on December 31, 2006 taken from the source: www.gocurrency.com

[#] We have already placed an order with System Ceramica, Italy on July 31, 2006 for purchase of one Roto Colour Printing Machine and have already paid Rs.1.49 million towards opening of Letter of Credit in favour of the supplier.

Details of machinery sourced domestically

Sr. No.	Description	Date of Quotation	Quantity	Name of Suppliers	Cost (Rs. in Million)
1	Hindustan 2021 Z Bar Front End Loader Filted with 2.5m ³ GP bucket with weld on teeth, Cabin with wiper and std tool kit	June 6, 2006	1	GMMCO Limited	3.02
2	Weishaupt GMBH make Monoblock burner	September 5, 2006	2	Raj Process Equipments And Systems Pvt Limited	4.00
3	90 TPD product Capacity Spray Drying Machine	September 5, 2006	1	Raj Process Equipments And Systems Pvt Limited	13.00
4	Fabrication & erection of Big Graneuls Systems with material	September 5, 2006	1	Nilkanth Engineering	2.50
5	Fabrication & erection of Tank Sturer with Agitators 12 ft X 12ft with material	September 5, 2006	4	Nilkanth Engineering	1.00

	Fabrication & erection of M.S. with S.S. Silo 50 ton capacity with material		10		11.00
6	Dust Extraction & Collection System for Ball Mill Area	May 27, 2006	2	Maxtech Engineers	1.20
7	Ventifresh Air Ventilator	September 5, 2006	700	N.R. Engineering	4.20
	Machinery transportation, loading, unloading, insurance and Government Levies @ 15%				5.99
	Cost of machinery to be sourced				45.91

Project implementation schedule for existing vitrified unit

We propose to complete the expansion of the vitrified tiles plant by the end of June 2007 and commence its commercial production from July 2007 onwards. The project implementation schedule, set out below, includes the expenditure schedule not comprising of contingencies of Rs.3.88 million.

Activity	Expenditure Schedule (Rs. in Mn)		Schedule of Implementation
	Upto March 31, 2007	After March 31, 2007	
Possession of land and Site Development	NIL	NIL	Already acquired
Placement of orders and receipt of machinery	64.96	64.40	February 2007 to May 2007
Erection of machineries			June 2007
Trial Run			June 2007
Commercial Production			July 2007

3. GENERAL CORPORATE PURPOSES

The amount of [●] million, which is raised through the Issue and which is in excess of proposed project cost, and the Issue expenses, will be utilized for general corporate purposes which may include acquisitions, expansion of existing or new facilities, geographical expansion, brand building exercises and the strengthening of our marketing capabilities. The management, in accordance with the policies of the Board, will have the flexibility in utilizing any surplus amounts from the proceeds of the Issue.

4. ISSUE EXPENSES

The Issue related expenses consist of underwriting fees, selling commission, fees payable to BRLMs, legal counsel, Bankers to the Issue, Escrow Bankers and Registrar to the Issue, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges.

(Rs. in Million)	
Activity	Estimated Expense*
Lead management fee, underwriting and selling commissions	[●]

Activity	Estimated Expense*
Advertising and marketing expenses	[•]
Printing and stationery	[•]
Others (Registrar's fee, legal fee, listing fees etc.)	[•]
Total estimated issue expenses	[•]

* Will be incorporated after finalization of Issue Price

Appraisal

The techno-economic feasibility report for the project to be implemented by us has been prepared by GITCO (Gujarat Industrial and Technical Consultancy Organisation Limited), a technical consultancy company set up by the Gujarat Government, leading financial institutions and banks. The scope and purpose of this appraisal include:

- Product study, status of the industry, demand and supply aspects of the products and market prospects for the proposed project.
- Technical aspects of the project and scrutiny of its technical feasibility.
- Cost of Project, Means of Finance, estimates of working capital requirements and proposed funding arrangement for the same.

Means of Finance

The expenditure planned to be incurred under the Objects of the Issue would be met from the Issue proceeds out of the public issue equity shares.

Interim use of funds

Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market Mutual Funds, deposit with banks for necessary duration and other investment grade interest bearing securities as may be approved by the Board. Such transactions would be at the prevailing commercial rates at the time of investment.

Shortfall of funds

Any shortfall of funds in the proposed Issue will be met by the internal cash accruals.

Funds deployed

Our Company has incurred the following expenditure towards the 'Objects of the Issue' as at December 29, 2006. We have obtained a certificate from Deepak R. Soni & Co., Chartered Accountants, dated January 10, 2007 giving details of expenses already incurred for the 'Objects of Issue'. Presently we have met the expenses through our internal cash accruals. However, the same is to be repaid through from the Issue proceeds. The same is detailed as under:

Expenses incurred	Expenses (Rs. in mn)	Present Sources of Fund
Land acquisition towards setting up of wall tile unit	10.64	Internal Cash Accruals
Land and site development	1.19	Internal Cash Accruals
Electrification	14.00	Internal Cash Accruals
Expansion and modernisation of the existing vitrified plant	1.49	Internal Cash Accruals

Basis for Issue Price

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

Qualitative Factors

Some of our key strengths are set out below:

- Efficiency of the production processes;
- Dedicated and experienced management team;
- Focus on quality and innovation;
- Proximity to raw material sources; and
- Cost efficient manufacturing units.

For detailed discussion on the qualitative factors, please refer to the section entitled “Our Business - Strengths” on page [●] of this Draft Red Herring Prospectus.

Quantitative Factors

Our results of operations are given in detail in the chapter titled “Financial Statements”. Some of the quantitative factors, which may form basis for computing the issue price, are as under:

1. Adjusted Earning per Share (EPS)*

Financial Year	EPS (Rs.)	Weight used
2003-04	4.89	1
2004-05	13.96	2
2005-06	14.89	3
Weighted Average	12.91	

Note: EPS has been calculated in accordance with Accounting Standard – 20 “Earning per Share” by applying the following formula:

(Net profit attributable to equity shareholders/Weighted average number of shares outstanding during the period)

2. Price Earnings Ratio (P/E Ratio)

Company P/E Ratio

Based on year ended March 31, 2006 EPS of Rs. 14.89	[●]
Based on Weighted Average Adjusted EPS of Rs. 12.91	[●]

Industry P/E Ratio

The Industry P/E ratio is given on the basis of the market prices of the respective companies in the same field as on January [●], 2007 in comparison with their EPS declared for the last quarter on annualized basis.

Highest	20.8
Lowest	6.0
Industry Average	13.66

(Source: Capital Market Volume dated January 15-28, 2007)

3. Return on Net Worth (RONW)

Financial Year	RONW	Weight used
2003-04	16.93 %	1
2004-05	31.23 %	2
2005-06	35.91 %	3
Weighted Average	31.19 %	

Note: RONW has been calculated by applying the following formula: (Net profit attributable to equity shareholders/Equity Shareholders fund outstanding at the year end)

4. Minimum Return on total net worth after the Issue required to maintain pre-Issue EPS of Rs.14.89 is [●] %.

5. Net Asset Value per Equity Share (NAV)

- i) As of 31st March 2006: Rs.29.65/-.
- ii) As of 30th September 2006: Rs.36.43/-.
- iii) After the issue: [●]

Note: NAV has been calculated by applying the following formula:

(Adjusted Net Worth at the end of the period/Total number of equity shares outstanding at the end of the period)

6. Comparison with Peer Group

Particulars	Face Value (Rs.)	Prices per Share ¹	EPS (Rs.) ²	P/E Ratio (Times)	RONW (%)	NAV (Rs.)
Asian Granito India Limited	10/-	[●]	13.37	[●]	36.70% ³	36.43 ³
<i>Industry Average</i>						
Peer Group						
Kajaria Ceramics Ltd	2/-	64	3.50	16.00	22.20%	18.40
Murudeshwar Ceramics Ltd	10/-	114	19.10	6.0	12.40%	123.70
Nitco Tiles Limited	10/-	248	11.90	20.8	11.70%	115.80
Orient Ceramics Limited	10/-	170	15.90	10.7	12.70%	76.60
SPL Limited	10/-	73	4.90	14.8	5.40%	73.20

(Source: In case of our peer group, Capital Market Volume dated Jan 15-28, 2007 and for our Company, as detailed in chapter titled “Financial Statement”)

¹ Price per share has been taken as the closing price of January 08, 2007.

² EPS of our Company has been on the basis of six months audited statement ending on September 30, 2006 and presented in annualized terms. EPS of our peer group have been taken based on the trailing 12 months ended September 30, 2006 and presented in annualized terms.

³ RONW (annualised) and NAV have been presented on the basis of six month ending on September 30, 2006.

The Issue price of Rs. [●] per Equity Share has been determined by us, in consultation with the BRLMs, on the basis of assessment of market demand for the offered securities by way of Book Building Process and is justified based on the above accounting ratios. For further details see “Risk Factors” on page [●] and the financials of our Company including profitability and return ratios, as set out in the auditors report on page [●], for a more informed view.

Statement of Tax Benefits

November 27, 2006

The Board of Directors
Asian Granito India Limited
Ahmedabad

Dear Sirs,

Opinion on Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to Asian Granito India Limited ("Company") and its shareholders under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company may or may not choose to fulfil.

The benefits discussed in the annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

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

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to Asian Granito India Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

Thanking you,

Yours

faithfully,

For Deepak R. Soni Co.

Chartered Accountant

(D.R.Soni)

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO ASIAN GRANITO INDIA LIMITED AND TO ITS SHAREHOLDERS

1. Under the Income-Tax Act, 1961 ("the Act"):

I Benefits available to the Company

a. Deduction under Section 80-IB of the Act

The profits & gains derived by the unit which commenced its production before 31st March 2004 is eligible for deduction @ 100% under section 80- IB of the Act for the period of three consecutive assessment years upto Financial Year 2005-06 and thereafter at thirty per cent for subsequent assessment years beginning from the year in which undertaking commenced the manufacturing activity. However, the total period of deduction shall not exceed eight consecutive assessment years. The profits of the division for the purposes of Section 80-IB of the Act shall be computed on stand alone basis and the division must satisfy the other conditions of the Act prescribed therein.

The Company in the past has claimed deduction under Section 80-IB and is eligible to claim this deduction for the prospective years.

b. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-0 (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of any company is exempt from tax.

c. As per section 10(35) of the Act, the following income shall be exempt in the hands of the Company

Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or Income received in respect of units from the Administrator of the specified undertaking; or Income received in respect of units from the specified company

However, this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified Company or of a mutual fund, as the case may be.

For this purpose (i) "Administrator" means the Administrator as referred to in section 2(a) of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 and (ii) "Specified Company" means a company as referred to in section 2(h) of the said Act.

d. As per section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company.

For this purpose, "Equity Oriented Fund" means a fund -

(i) where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five percent of the total proceeds of such funds; and

(ii) which has been set up under a scheme of a Mutual Fund specified under section 10(23D) of the Act.

e. As per the section 115JB, the Company will not be able to reduce the income to which the provisions of section 10(38) of the Act apply while calculating "book profits" under the provisions of section 115JB of the Act and will be required to pay Minimum Alternate Tax @11.22% (including a surcharge of 10% and education cess of 2% on the overall tax) of the book profits determined.

f. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and education cess) without indexation benefits, at the option of the Company. Under section 48

of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

- g. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
 - (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
- h. As per section 111A of the Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

II Benefits to the Resident Shareholders of the Company under the Income-Tax Act, 1961:

- a. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-0 (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.
- b. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.
- c. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits and Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "Capital Gains" or under the head "Profits and Gains of Business or Profession" for such amount paid on account of securities transaction tax.
- d. As per section 112 of the Act, if the shares of the Company are listed on a recognised stock exchange, taxable long term capital gains, if any, on sale of the shares of the Company (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less.
- e. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their

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

- f. A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:
- g. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
- h. by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
- i. As per section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from such shares is used for purchase of a residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of a residential house property within a period of three years after the date of transfer.
- j. As per section 111A of the Act, short term capital gains arising to the shareholder from the sale of equity shares of the Company transacted through a recognised stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).

III Non-Resident Indians/Non Resident Shareholders (Other than FIIs and Foreign Venture Capital Investors).

- a. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-0 (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.
- b. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.
- c. As per section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits & Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "capital gains" or under the head "Profit and gains of Business or Profession" for such amount paid on account of securities transaction tax.
- d. As per section 54E of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.
 - (i) A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:
 - i. by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or

- ii. by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
- e. As per section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from such shares is used for purchase of a residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
- f. Under section 115-I of the Act, the Non-Resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Act viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:
 - (i) As per 115E of the Act, capital gains arising to the non-resident on transfer of shares other than specified assets held for a period exceeding 12 months, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess) (without indexation benefit but with protection against foreign exchange fluctuation).
 - (ii) As per section 115F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to a Non-Resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
 - (iii) As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
 - (iv) As per section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income, for the assessment year in which he is first assessable as a Resident, under section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- g. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of 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.

IV Foreign Institutional Investors (FIIs)

- a. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-0 (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.
- b. As per section 10(38) of the Act, long term capital gains arising to the FIIs from the transfer of a long term capital asset being an equity share in the Company where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the FIIs.

- c. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the section 10(38) of the Act at the following rates:

Nature of income	Rate of tax (%)
Long term capital gains Short term capital gains (other than referred to	10 *10

- d. The above tax rates have to be increased by the applicable surcharge and education cess.

The amount of income tax calculated on the income by way of short term capital gains referred to in Sec. 111A shall be @ 10% otherwise income tax on short term capital gain calculated @30%.

- e. In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.
- f. As per section 54E of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.
- "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:
 - by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
 - by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
- g. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of 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 FII.

V Venture Capital Companies/Funds

As per section 10(23FB) of the Act, all venture capital companies/funds registered with the Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from sale of shares of the Company. However income received by a person out of investment made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person.

VI Mutual Funds

As per 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 thereunder, Mutual Funds setup by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

Benefits to shareholders of the Company under the Wealth Tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence the shares are not liable to Wealth Tax.

Benefits to shareholders of the Company under the Gift Tax Act, 1958.

Gift made after 1st October 1998 is not liable for gift tax, and hence, gift of shares of the Company would not be liable for gift tax.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

Notes:

- (i) All the above benefits are as per the current tax laws.
- (ii) 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 investments in the shares of the company.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to Asian Granito India Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

SECTION 4: ABOUT THE COMPANY

Industry Overview

Background

Tile Industry

Tiles have been used as paving or cladding material since ancient times. Records evidence that tiles were used to decorate the interiors of pyramids, indicating that the production of tiles was prevalent, among the Egyptians, in 5000 B.C. Prior to the industrial revolution, glazed ceramic tiles were seen as a rich man's product and were reserved for palaces and sacred buildings. The production of such tiles was not only labour intensive but also expensive. Technological advances in the tile manufacturing industry, however, have revolutionised the manner of production of ceramic tiles. Such technological advances have lowered the cost of and reduced the time involved in, the production of ceramic tiles in addition to making it less labour intensive. Factors such as these have resulted in tiles becoming a more affordable commodity.

At present, tiles are an integral part of housing / commercial projects and the rapid development in tile manufacturing technology has enabled the production of more durable, long-lasting tiles in a variety of designs and sizes.

Characteristics of tiles

A ceramic tile is a mixture of clay and other minerals, which are shaped and fired under high temperatures to form a hard body, called Bisque. Different regions of the world produce their own unique type of clay with different combinations of hardness, colour, texture, etc. The raw materials provide strength and stability to the Bisque and the clay provides density. Glass may be fused into the Bisque by using intense heat. This process is called Glazing. A tile may also be left unglazed.

The Monocottura technology was another important development in the field of tile manufacturing. Monocottura in Italian means single-fired. This process shapes, fires and glazes tiles in one step. Tile manufacturing which required the tiles to be baked in kilns for days to achieve the desired results could, as a consequence of the Monocottura technology, be produced in less than an hour. This has in turn resulted in a significant decrease in the cost of production of tiles. The Monocottura tiles also have better density and glaze as compared to tiles produced by other methods.

The Monocottura process is distinguished from the Bicottura process since the latter requires clay to be 'fired' twice. The clay is 'fired' first following the layer of ceramic is glazed consequent upon further 'firing'. Tiles produced in this manner may be 'fired' several times, and are generally less durable as compared to tiles produced through the Monocottura process.

Types of Tiles

1. The word 'Ceramic Tiles' is a generic word which includes :

- ☐ Ceramic Tiles
- ☐ Ceramic Vitrified Tiles
- ☐ Porcelain Tiles

Ceramic tiles may be classified as glazed ceramic tiles and unglazed ceramic tiles. Glazed ceramic tiles may be plain or decorated and are generally used as both wall tiles and floor tiles. Unglazed ceramic floor tiles are more suited to commercial and industrial settings.

Floor tiles are generally thicker, larger and more porous when compared to wall tiles. Floor tiles are generally of three kinds:

- (i) ceramic tiles;
- (ii) porcelain tiles; and
- (iii) fully vitrified tiles (Granito).

The manufacturing process for wall tiles differs from that of floor tiles. Wall tiles are manufactured through the Bicottura process whereas floor tiles are manufactured through the Monocottura process.

Porcelain tiles / vitrified tiles are essentially ceramic tiles; however, they have very low water absorbency. They are usually made from kaolin clays, feldspar, silica and colouring oxides and are fired at about 1,200 degree Celsius. Porcelain and vitrified tiles, unlike porous bodied tiles, shrink in the firing process and hence certain allowances are made for dimensional accuracy during the manufacturing process. These tiles can be used as both wall and floors tiles. However, the current industry trend is towards using them as wall tiles.

Global scenario:

There are three major regions in the world that bulk produce and export ceramic vitrified tiles. These major regions are Asia – China being the largest producer and exporter, Latin America – Brazil being the largest producer and the European Union – Italy and Spain being the major producers.

In 2005, the world ceramic tile production totalled 6,955 million square meters, an increase of 5.70 % over the 6,580 million square meters of 2004. The same year, consumption rose to 6,550 million square meters from 6,150 million square meters i.e. up about 6.50%.

Top Manufacturing Countries – Ceramic Tiles

(in million sq mt)

		2003	2004	2005
1	China	2000	2200	2500
2	Spain	627	640	656
3	Italy	603	589	570
4	Brazil	534	566	568
5	India	240	270	298
6	Turkey	189	216	261
Total World Production		6150	6580	6955

Major Tile Consumers –Ceramic Tiles

(in million sq mt)

		2003	2004	2005
1	China	1700	1850	2000
2	Brazil	421	449	442
3	Spain	332	361	383
4	USA	262	293	305
5	India	235	270	303
6	Italy	187	192	192
Total World Consumption		5724	6150	6550

India is the fifth largest producer of ceramic tiles in the world. The production of ceramic tiles in India aggregated 298 million square meters in 2005 as compared to 270 million square meters in 2004 and 240 million square metres in 2003. The production capacity at present amounts to 310 million square meters. While the production levels have increased the quantity of ceramic tiles exported are still at a very low level of 4.36%. Further, the level of exports declined from 15 million square meters in 2004 to 13 million square meters in 2005. The level of imports though similarly small, is increasing and in 2005 stood at 18 million square meters, China being the primary exporter. Local production meets almost the entire domestic demand, which has increased to 303 million square meters.

The largest importer of tiles in the world is the United States of America, which alone imported 14.3% of the total world-wide imports in the year 2005. The imports account for 80.66% of its national consumption.

(Source: Ceramic World Review, n. 68/2006)

Spain has, traditionally, been the hub of ceramic tile production and consumption. Today, Spain is the second largest producer of ceramic tiles and is credited with pioneering the single fire process and the large format wall tile. Italy has a ceramic tile market worth more than Rs. 400,000 million. However, of late, these global leaders have moved from ceramic to granite tiles. Thus, China with more than 30 % share in the global industry has emerged as a new leader.

Tile manufacturing is at present more prevalent in Asian countries due to environmental wrangles and economies of production. Turkey, Bangladesh, Pakistan, Iran and India offer a number of advantages to tile manufacturers setting up production facilities in these countries. Cheap labour, low energy costs, abundant raw material and beneficial government policies attract foreign investments.

(Source: Gitco report)

Indian Ceramic Industry

The Indian ceramic industry is almost 100 years old. Presently, there are 33 units in the organized sector with an installed capacity of 85.15 million metric tonne (MT). In India, the ceramic tile industry has been growing at a rate of approximately 12 to 15 % per annum. India was ranked 5th in the world in terms of production and consumption of ceramic tiles and produced 270 million square meters of ceramic tiles, out of a global production of 6560 million square meters during the year 2004-05. State-of-the-art ceramic goods are being manufactured in the country and the technology adopted by the Indian ceramic industry is as per international standards.

(Source: Annual Report 2005-06; Government of India, Ministry of Commerce & Industry)

Of the total ceramic tiles market, floor tiles accounted for the largest share of 53%, while wall tiles have a share of 35% and vitrified and porcelain tiles account for 12%. Although vitrified tile manufacturing is costlier due to the need for modern equipment and raw materials like imported Ukraine clay, profit margins are better as vitrified tiles are aimed at the higher end of the market.

The excise duty for the industry has been rationalized from as high as 55% in Fiscal 1994 to 8% currently. The reduction in the excise duty has resulted in a drop in tile prices which have in turn resulted in an increase in demand. The market has grown annually at 18% from 1996-97 to 2001-02 and is expected to grow annually at 14% till 2007 pegging the demand at 5 MT in Fiscal 2007.

(Source: Gitco Report)

Vitrified Tile industry

Vitrified tiles are the latest version of ceramic tiles. Internationally, with a 20 % annual growth rate, vitrified tiles is the fastest growing segment in the ceramic tile industry, accounting for close to 10 % of the overall tile production across the world. In India too, vitrified tiles are emerging as the next generation of flooring material. These tiles characterize features such as efficacy of ceramic tiles along with the tenacity of natural stone. These tiles are now being used at major airports, restaurants, showrooms, malls etc across the world. Until 2002, vitrified tiles were considered to be premium flooring products. However, after the setting up of newer units, the market for vitrified tiles has expanded. The new entrants in this segment have aggressively marketed the product and explained its benefits. As a result vitrified tiles are being increasingly used as flooring material for a variety of construction requirements.

Although Indian Porcelain Tile Industry is at early days, it is expanding rapidly, at a pace of about 25% a year, and now accounts for 12-13% of country's entire ceramic tile production. In early 2004 there were no more than 4 to 5 manufacturers, but over the last two years about ten companies have started up production and the segment has grown rapidly to reach a value of Rs.4 billion with an output of 75000-80000 sq. meters per day. The leading porcelain tile producers include H&R Johnson, Murudeshwara Ceramics, Asian Granito, Bell Granito and Sogo Ceramics. Other small producers are located in the Morbi and Himmatnagar clusters, also in Gujarat.

(Source: Ceramic World Review)

At present, the market for vitrified tiles is concentrated in the big cities where large offices, commercial complexes, luxurious residential buildings, shopping malls and multi-storied buildings are constructed. The Indian vitrified tiles market is expanding rapidly at a pace of about 30% a year. Whilst the total market for vitrified tiles was estimated at Rs. 500 million in 1996 - 1997, we believe that it is now in the range of Rs.6000 to Rs. 7500 million. At present vitrified tiles are replacing natural products like marble and the industry is expected to grow at a rate of 30% per annum for the next five years in India.

Market Characteristics of the Tile Industry

The market for ceramic tiles in India can be broadly divided into two categories:

1. **Institutional buyers** – This segment of the market is also called the project market. It consists of big construction firms, the corporate sector and government institutions. While this segment accounts for 60 % of the total sales, the gross operating margins are low. And may range between 10-20%.
2. **Retail buyers** – This segment consists of homebuilders. The gross operating margins in this segment are higher when compared to the institutional buyers. Success in such a highly competitive market typically requires the manufacturers to locate their plants close to the raw material sources since freight accounts for a significant component of the total cost. They also need to be able to offer customers a wide array of shades and designs and have a large network of distribution and sales outlets to ensure that they can serve customers in all the major markets.

Replacement Markets

The replacement market is growing rapidly as new tiling solutions are creating several new options for existing facilities. A large replacement and maintenance market is expected to emerge as the market matures, the quality of work improves and the time taken to fix the tiles is reduced. Increasing brand awareness amongst the consumers is also benefiting the manufacturers in the organized sector.

Entry barriers for ceramic tile industry:

The major entry barriers for the ceramic tile industry are the high capital costs involved and strong brand image.

Setting up a tile manufacturing unit is a highly capital intensive activity, where controlling costs is crucial for a successful operation. Further with the improvement in technology, manufacturing tiles has become more automated. The manufacturers need to continuously upgrade their technology in order to stay competitive.

Another requirement for success is the need for a strong brand image which involves focussing on building up the brand, dedication of the management and the collective effort of the entire marketing network.

Ceramic tiles are being promoted not only as a utility product but also as a lifestyle product with manufacturers boasting of a wide range of designs, colours, textures and surface effects. Manufacturers are turning out innovative designs to beat their competition. This includes tiles with a wood, leather and marble like finish.

Future Prospects

The per capita consumption of tiles in India remains very low at just 0.25 square meters in comparison to 2.0 square meters in China, Brazil and Malaysia and 8.0 square meters in Spain. The total market size of the tile industry is estimated to be Rs 40,000 million. The growth of the Indian market in quantitative terms has been greater than the growth in value. This is largely a result of the steady fall in the selling price over the last three years due to the increase in competition, reduction in cost of production by the use of the latest technology, additional measures for reduction in the cost of fuels, government measures in to reduce sales tax and excise duty.

The expected 15% annual growth of the Indian tile industry will be driven by the boom in the building industry particularly residential buildings and the growing financial resources of the steadily expanding middle classes. According to the national building organization (NBO), Indian building stock will exceed 317 million buildings in 2011 compared to 249 million in 2001. 74% of these buildings will be for residential use i.e. 238 million new houses.

(Source: Ceramic World Review)

Major Sectors in the Tile Industry

The tile manufacturing industry is delineated into the organized and the unorganized sector.

There is no concrete information available regarding the exact size or production capacity of the organised or unorganised sector and the details have been culled out from general information available.

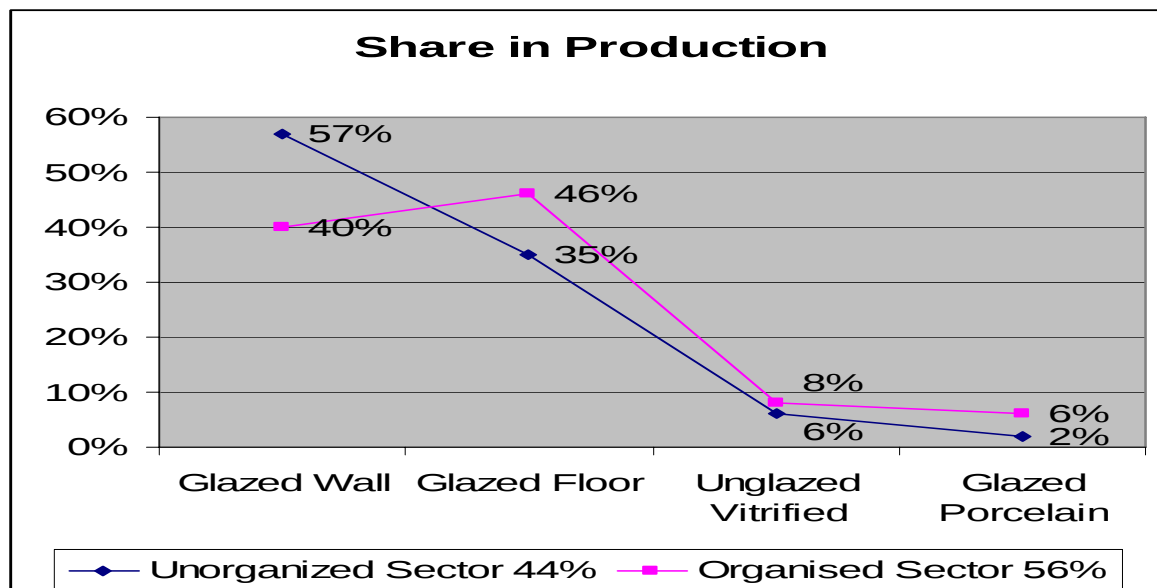
Organized Sector

It is generally understood that the organized sector accounts for about 55% of the tile production (56% in terms of value). There are about 15 large and more structured Indian ceramic companies most of which have two or more production facilities. The average production capacity per factory in the organized sector ranges from 10,000 to 15,000 square meters per day.

Unorganized Sector

The unorganized sector, with 44% of the total tile production, is an important part of the Indian ceramic tile industry. Consisting of approximately 250 companies (70% of which are located in Gujarat) it is clearly geared to the low market segment. According to several studies, these producers enjoy production costs which are at least 30-35% lower than companies in the organized sector because they do not pay taxes or social security contributions for their workers. Unofficially, the turnover of this sub-sector is estimated at around Rs. 10-15 billion (between 180 and 270 million Euro). The unorganized sector consists primarily of floor tile manufacturing entities.

(Source: Ceramic World Review)



(Source: ICCTAS)

Import Export of Ceramic Tiles from India

As per data available from the web site of the Department of Commerce, Government of India, Export Import Data Bank, the import of ceramic tiles in the last three years is as set out below:

Rs. in millions				
S. No	Name of Products	2003-04	2004-05	2005-06
1.	Vitrified tiles whether polished or not	48.75	128.99	407.94
2.	Other unglazed vitrified tiles polished or not	67.88	121.02	261.51
3.	Tiles other than vitrified tiles	25.50	85.88	49.91
4.	Tiles other than vitrified tiles polished or not	146.37	550.15	877.86
5.	Ceramic Mosaic cubes	771.70	128.47	81.47
6.	Ceramic Mosaic tiles	76.25	116.98	138.43
	Total	1136.45	1131.49	1817.12

As per data available from the web site of the Department of Commerce, Export Import Data Bank, the export of ceramic tiles in last three years is as set out below:

Rs. in millions				
S. No.	Name of Products	2003-04	2004-05	2005-06
1.	Vitrified tiles whether polished or not	12.75	72.89	77.21
2.	Other unglazed vitrified tiles polished or not	6.02	33.89	21.45
3.	Tiles other than vitrified tiles	14.83	19.29	6.00
4.	Tiles other than vitrified tiles polished or not	1.73	6.29	8.99
5.	Ceramic Mosaic cubes	115.01	105.27	81.30
6.	Ceramic Mosaic tiles	357.90	165.73	169.00
	Total	508.24	403.36	363.95

(Source: Government of India, Ministry Of Commerce & Industry, Department Of Commerce)

The total import of ceramic tiles in India amounted to Rs. 1,817.12 million in 2005-06 as against the total market of Rs. 40,000 million, which was 4.54% of the market size in general and the share of vitrified tiles was Rs. 669.45 million as against the total market size of Rs. 9,000 million i.e. 7.44%.

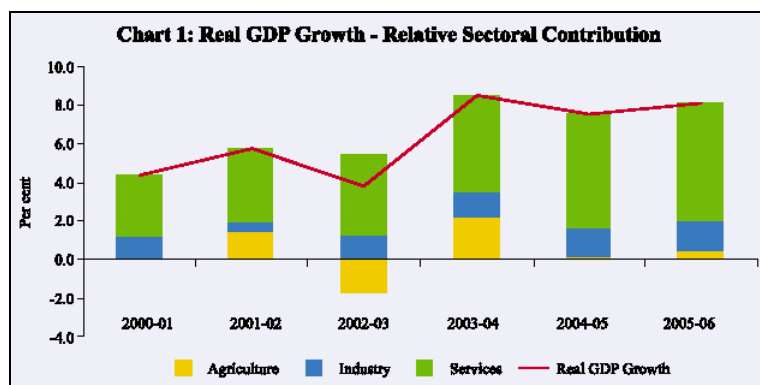
(Source: Gitco Report)

Factors responsible for the growth of ceramic tiles industry in India

- **Economic Growth:** The growing demand for housing is a primary indicator of economic growth. The continuous increase in construction activity in the country is also an indicator of the increase in disposable income, which in turn leads to a higher demand for new houses or for remodelling material for existing houses. With a population of more than 1 billion, and a growing middle class, the housing sector has a huge potential to grow in India. As per the tenth plan (2002-07), the total number of houses that would be required cumulatively during the plan period is estimated at 22.44 million dwelling units. Housing has become a basic necessity, as people in India are looking forward to

improved sanitary conditions. There is a direct relationship between the growth of the housing sector and the usage of tiles and sanitary facilities in India.

According to the advance estimates of the Central Statistical Organisation (CSO), real GDP growth accelerated from 7.5 % in 2004-05 to 8.1 % in 2005-06. Construction, a sub-sector of services exhibited double-digit growth rates for the third consecutive year as seen below. (Source: RBI Macroeconomic and Monetary Developments in 2005-06).



Growth in housing, construction and retail outlet sector

The Government of India has been recently focussing on the development of the housing sector. Industrial construction has been steadily on the rise as a result of the economic growth made by the country, the demand for shopping malls and office complexes. The increase in the demand from these sectors is translating into greater demand for ceramic tiles and sanitary ware.

The retail sector has shown rapid growth over the last 5 years. The growing middle class population and increasing income levels have led to a greater cumulative purchasing power. This in turn has led to a demand for organized retailing in the form of large malls, multiplexes, shopping markets etc. With so many malls and multiplexes under construction the demand for tiles and sanitary ware is bound to increase proportionately as well. Besides new investments by several foreign investors in the Indian retail and construction sector has also given a boost to this sector.

Rise in income levels

In the last ten years, there has been a significant change in the income patterns of Indians due to the boom in the manufacturing as well as service sector. The real income levels of the Indians more particularly in the age group of 21– 40 years has gone up substantially and there has also been a significant rise in the middle class population. This in turn has led to a greater demand for better flooring and sanitary ware solutions. Ceramic based tiles and sanitary ware provide better options in terms of variety of usage, quality, comfort etc and hence their demand has steadily increased over the years.

Replacement demand for tiles

Due to the changes in lifestyle and the effects of awareness and publicity generated for tile usage through media, there is an increasing tendency towards replacement of flooring from traditional mosaic/marble to ceramic tiles. With the increase in number of designs, size variations, colour options, customization etc the replacement tile market is growing at an increasing pace. Similarly in the sanitary ware industry new, innovative and user-friendly designs have helped in creating a vibrant replacement market.

Factors which have helped in making tiles more affordable

Lower cost of production:

The cost of producing tiles in India is substantially lower as compared to the advance countries. This is a result of lower labour costs and the availability of cheaper basic raw materials for manufacturing tiles.

Reduction in the cost of raw materials:

Till 2004, there were a large number of unorganized units manufacturing ceramic tiles in India, which individually had a very low manufacturing capacity. Due to low capacities the manufacturers were not able to purchase raw materials in bulk. This led to higher raw material costs. However, over the last two years there have been investments of more than Rs. 20,000 million in the industry for increasing the capacity as well as for the modernization of existing plants. Consequent upon the increase in the capacities, the manufacturers are now able to purchase raw materials in bulk and have also started importing the raw materials themselves from the international market instead of buying it from the traders who were importing these raw materials. Due to this change, the cost of raw materials for the manufacturers has come down substantially.

Decrease in the cost of fuel due to change in the fuel:

Due to the improvement in technology from the traditional tunnel system to the single fired technology, the fuel requirement has substantially reduced. In addition to the above, the majority of manufacturers in Morbi and Himmatnagar, which has a cluster of tile industries, have switched over to bio gas plants which normally run on coal, lignites, husk, fire wood etc. instead of LPG. The cost of these sources of fuel is much lower when compared to LPG. Recently, the Gujarat government has also taken steps to provide LNG through pipe lines. Due to the change in fuel materials and supply of gas through pipe lines, the cost of fuel has reduced by approximately 20-25%*, which has helped in reducing the selling price of tiles thus making it more affordable to the housing industry.

* Based on the Kilo calorie comparison given in chapter “Our Business”.

Good potential for exports:

The United States of America is a major importer of tiles. In 2005, out of their total requirements, 80.66 % of their consumption was met through imports. It accounted for 14.30% of total world wide imports. Italy is a major supplier to the United States of America, however, due to constant fluctuations in the exchange rates of the Euro and the US Dollar, imports from Italy have become costlier for the United States of America. This has provided an opportunity to the Indian manufacturers, who have a lower cost base and improved quality standards, to export to markets like the United States of America. As per the Export Import Data Bank of the Department of Commerce, Government of India, the country had commenced exporting vitrified tiles to the United States of America from the year 2005-06.

(Source: Ceramic World Review)

Government's Measures for growth of the ceramic tile industry:

The Government of India and the various state governments have taken various steps for the development of the ceramic industries. Some of the measures are as under:

- Reduction of excise duty on ceramic tiles to 8% from 2003-04.
- Reduction in custom duty from 15% to 5% on the minerals used as raw materials for vitrified tiles.
- Reduction of sales tax on the finished products from 12% to 8%. With the introduction of value added tax in the country, the rate has been increased to 12.50% however with the availing of credit on input material the same effectively comes to about 4 -5%.
- Supply of gas through pipe lines to the ceramic units.

(Source: Gitco Report)

Strength and weaknesses of Ceramic Industry:

The strengths of the ceramic tile sector include a consolidated industrial system, the process of technological modernisation that has taken place over the last fifteen years, the advantages in terms of production costs, which are as much as 30% lower than those of Europe and the United States of America, and well trained, expert personnel. But there are also weaknesses, which include fairly low per capita tile consumption (although this could well be considered an opportunity); a high degree of industrial fragmentation with a very large number of small and medium-sized companies that do not exploit economies of scale and have very small operating margins; the current threat from Chinese manufacturers who are able to market products with even lower prices; the substantial impact of an unorganised sector that is fairly resistant to technological modernisation and absorbs state incentives; the high costs or lack of availability of several factors such as energy and transport systems; raw materials that are not always of high quality; an underdeveloped local manufacturing good sector.

In spite of these difficulties, the prospects suggest an annual growth rate of 15%, at least for the next 3-5 years, with potential for considerably increasing export share and the prospect for local manufacturers of a reduction in energy costs due to the growing availability of natural gas.

(Source: Ceramic World Review n. 65/2006)

Our Business

In this section the terms “we” and “our” have been used in the sub-headings “Competitive Strengths” and “Strategies” to collectively refer to our Company and our Subsidiary.

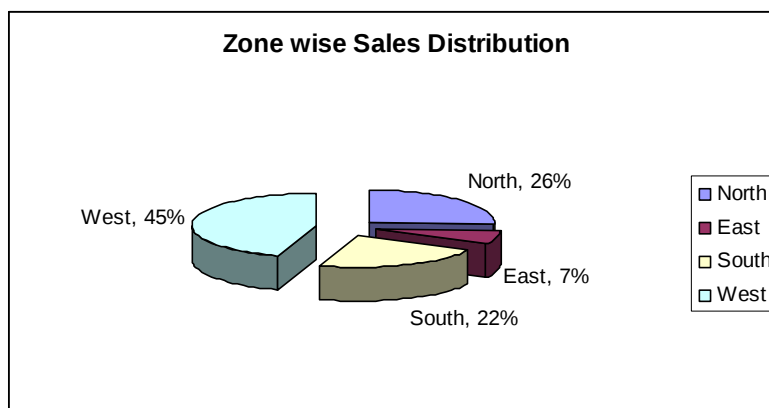
Overview

We are in the business of manufacturing vitrified tiles and cater to a wide spectrum of consumers through a vast range of products at various price points. Our products include glazed, unglazed, rustic, matte, homogenous and non-homogeneous body, tiles manufactured through water jet cutting, tailor-made designs or customized according to the client requirements. These products are manufactured at our plant in the Ceramics Zone - Dalpur, Himmatnagar, District. Sabarkantha, Gujarat.

We are one of the leading manufacturers of vitrified tiles in India with the ability to provide most of the major tiling solutions under a single roof. We started our operations in October 2003 by setting up a new manufacturing unit for vitrified tiles with a capacity of 4,000 square meters per day. The capacity of our plant was increased by 5,000 square meters per day in January 2005 and a further 5,000 square meters per day from July 2006. After a recent expansion in July 2006, our total manufacturing capacity has increased to 14,000 square metres of vitrified tiles per day. After the proposed expansion as described under the section entitled “Objects of the Issue”, the total vitrified tile manufacturing capacity will be increased to 16,000 square metres per day.

We cater to a broad spectrum of the urban and rural population through a nationwide distribution network. Currently, we and our Subsidiary offer ceramic and vitrified tiles across the country through more than 250 dealers and distributors and more than 3,000 Business Associates. The geographical break-up of the sales of our products is set forth below:

- northern zone - 26%;
- eastern zone - 7%;
- southern zone - 22%; and
- western zone - 45%.



Our Promoters, Mr. Kamleshbhai Patel and Mr. Mukeshbhai Patel, along with Mr Vinodbhai Patel, started ceramic tile manufacturing facility under the name of M/s Kedia Cera Tiles Private Limited in 1993. Then the capacity of the plant was 500 square meters per day.

In September 2002, Mr. Kamleshbhai Patel, Mr. Hashmukhbhai Patel, Mr. Mukeshbhai Patel and Mr. Rameshbhai Patel took over the management of M/s Vasudev Textile Industries Limited by taking over 100 % controlling interest of the company. After the change in the management of the company, the name of the company was changed to M/s Asian Granito India Limited and a new manufacturing unit for vitrified tiles with a capacity of 4000 square metres per day was set up. Commercial production commenced from October 2003.

Our Subsidiary, Asian Tiles Limited, set up its first unit for the manufacturing of ceramic tiles and commenced its commercial production in December 2000 with an installed capacity of 2500 square meters per day. The company has now increased the production capacity to 7000 square meter per day. This company was incorporated by our

Promoters, Mr. Kamleshbhai Patel, Mr. Mukeshbhai Patel and Mr. Hashmukhbhai Patel along with Mr. Vinodbhai Patel and others in 1999.

Competitive Strengths

Our emphasis on reaching out to our customers, consistently maintaining and improving quality, constant innovation and competitive pricing has held us in good stead. Outlined below are reflections of our competitive strengths and that of our Subsidiary's.

1. Dedicated and experienced management team

We have a dedicated and experienced management team comprising our Promoter Directors and key managerial personnel. Our Promoters have an average experience of twelve years in this industry. Our business is conducted under the supervision of our Promoters who take an active interest in our day-to-day operations with the help of experienced professionals in their respective areas of specialization. In addition to our Promoters, we also have a core management team which assists the top level management in identifying new opportunities and in the implementation of the business strategies of our Company. The core management team has an average experience in excess of 10 years in the ceramic industry and related activities and we believe is equipped to handle future challenges. This team supervises our activities as well as our Subsidiary's.

2. Efficiency of the production processes

We are equipped with modern technology at our vitrified tiles plant and our ceramic tiles plant (operated through our Subsidiary) and we believe that we are amongst the first vitrified tiles manufacturers who use the latest equipment and technology. We have focused on monitoring labour and productivity related issues and have also adopted a policy of constant improvement across all the major processes. In addition, we use Management Information Systems ("MIS") tools for running our operations at optimal efficiency. This is further evidenced by the fact that the average capacity utilization of our vitrified tiles plant and the ceramic tiles plant was approximately 90% in Fiscal 2006. Our trained and experienced manpower has also helped in streamlining the production process and increasing the output. We also believe that by following a worker friendly policy we have developed cordial relations with our work force which has also helped in ensuring smooth production process in our facilities.

3. Focus on quality and innovation

We believe that quality and innovations are the bed-rock of successful strategy. Towards this end we stress on and constantly strive to maintain and improve the quality of our products. This focus is reflected in the standard of our quality systems which have been certified ISO – 9001:2000. We have a R&D team comprising of six persons headed by our president of production department who focus on producing new designs and concepts for tiles. In Fiscal 2006 our R&D team introduced approximately 15 new designs in the vitrified tiles industry and approximately 30 new designs in the ceramic tiles industry. We have also introduced rustic, metallic and wooden series into the market. Further, we gave new dimensions to the size of tiles in the Indian market by introducing 1212mm x 808 mm slab size tiles into the market. This enables us to compete with greater efficiency against the marble industry which hitherto was considered the only producer of the larger slabs, which is perceived to have greater aesthetic appeal. We have thus produced a large number of colours, designs and size variations of tiles in the Indian tile market and we believe that we will continue to do so in the future.

4. Proximity to raw material sources

The main raw materials used in our production processes comprise, amongst others, clay, quartz and feldspar. These are available in large quantities in the neighbouring state of Rajasthan. Our units are based in the Sabarkantha district in Gujarat, which is easily accessible by road and also has the advantage of proximity to the Kandla Port through which we receive our imported raw materials such as Ukraine clay and colour pigments. Our transportation costs constitute a substantial part of our total costs and proximity to raw materials enables us to maintain cost efficiency.

5. Cost efficient manufacturing units

Our focus is on creating our own manufacturing base at a strategic location in Gujarat which is ideal from several perspectives like sourcing of raw materials, manpower etc. Towards this end, our existing plant is undergoing expansion. Our ability to run a cost efficient operation and to reduce the overheads has helped us in maintaining a high level of capacity utilization. Since we are not importing tiles from outside India, we have complete control over aspects like material procurement, quality control, managing

inventory stocks, controlling costs etc. From July 2006 onwards, our vitrified tiles unit utilises liquefied natural gas (“LNG”) provided through pipelines, which in comparison to LPG, which we used as fuel earlier, is cheaper by about 20-25%. The fuel cost constitutes about 25% of the total cost, thus it will give us an added advantage as against the companies who use costlier fuel. Our ceramic tile manufacturing unit (operated through our Subsidiary) uses gassifiers since the imperfections which are created on account of the coal used in the gassifier is neutralised in the case of the ceramic tiles on account of the layer of glaze applied on the tiles. Coal is the cheapest of the options available.

Business Strategy

Our key business strategies as well as those of our Subsidiaries’ are as follows:

1. Offering a complete spectrum of tiling solutions for the construction industry

We believe that the construction sector is poised for a rapid growth in the coming years, both in the urban and rural areas. We plan to capture a major share of this expanding market by offering a complete range of ceramic tiles for the construction industry under a single roof. We are currently offering various tiling solutions through vitrified tiles and ceramic floor tiles (through our Subsidiary). We plan to expand the range of our products by offering wall tile solutions as well. We also believe that our ability to offer products across various price points not only helps in giving different purchasing options to the customers based on their budget but also helps in creating a holistic image of our products.

2. Increased focus on the export market

In Fiscal 2006 we generated export revenues of Rs. 1.76 million which accounted for less than 1% of our total revenue. We believe that the export market can be tapped to enhance our export revenue and add a new and important source of revenue. We are proposing to establish distribution networks outside India in order to expand our export activities. Towards this end, we have identified certain crucial geographies where we believe that the demand for our products will increase substantially, such as the US, which have traditionally been large importers of ceramic tiles. In 2005, the US market alone accounted for 246 million sq. mt or 14.3% of the total world imports.

3. Expanding our sales and distribution network.

Our sales and distribution network plays a major role in the effective distribution of our products across the country. In order to increase our market penetration and improve the retail sales of our products we plan to increase the number of our display centres from the current 7 to 10 by adding new centres in Kolkata, Hyderabad and Bangalore. We propose to expand our network geographically to other regions, covering smaller cities and major towns where the demand for tiling solutions is also increasing. We intend to implement this by leveraging and expanding our existing marketing network and increasing our market penetration in major cities where there is rapid growth in construction activities on account of increasing salary levels, growth in housing finance facilities and changing lifestyles.

4. Focus on Product Innovation

We will continue to focus on creating innovative designs in tiles through our R&D efforts. We have established a R&D laboratory at our Himmatnagar plant, which is supervised by our trained engineers / architects. We have established a feedback mechanism from our customers / distributors that enable us to better understand the market perception and demand. We believe that our focus on R&D would help us in creating new and user friendly designs ahead of competition.

Our Products

Vitrified Tiles

As flooring material, tiles have to compete with carpet, hardwood, laminate, rugs, vinyl, stone, marble and granite. A tile is a thermal product that absorbs both heat and cold, depending on the room temperature. The tile stays cool in summer and warm in winter. The surface of the tile is naturally harder than carpet, but no harder than vinyl or wood.

Vitrified tiles are ceramic tiles which have been subject to a higher degree of vitrification leading to less absorption of water. Vitrification is a process of converting a material into a glass-like amorphous solid which is free of any crystalline structure, either by the quick removal or addition of heat, or by mixing with an additive.

A vitrified tile is a homogeneous body and does not have a separate coat of gloss as distinct from ceramic tiles. Further, since vitrified tiles are subjected to a higher degree of vitrification, they are less porous and hence they have less percentage (approximately 0.5%) of water absorption. This helps in reducing the porosity of the tiles and hence increases their stain resistance.

Vitrified tiles are as tough as granite or marble, but yet elegant and slip resistant. The hardness of tiles is measured in terms of MOH. This scale has 10 minerals namely Talc, Gypsum, Calcite, Flourspar, Apatite, Orthoclase, Quartz, Topaz, Corundum and Diamond with respective hardness numbers from 1 to 10 respectively. Vitrified tiles have a hardness quotient of 7-8 MOH while that of Italian marble averages around 4 and Granite around MOH scale of 6.

Vitrified tiles can easily be cleaned, are resistant to wear, impervious to water, acid (except hydrofluoric acid), alkalis and grease and are visually attractive. The non-slip property of vitrified tiles may be increased by the introduction of raised areas on the surface of the tiles or by applying silicon carbide.

Types of Vitrified Tiles

- *Porcelain or Fully Vitrified Tiles*

Fully vitrified tiles or porcelain tiles can either be unglazed or glazed and are characterised by the tile's low water absorption which remains at and below 0.5% and considered under Class B1a. Fully vitrified tiles or porcelain tiles are normally dry pressed using a body made from kaolin clay, feldspar, silica and colouring oxides fired to around 1200°C.

- *Vitrified and Semi-Vitrified Tiles*

These tiles may also be either unglazed or glazed. Tiles in this category can be either dry pressed or extruded and have water absorption between 0.5% and 3% i.e. of class B1b – dry pressed for vitrified tiles, and 3% to 6% i.e. of Class B2a – dry pressed for semi vitrified tiles.

Technology

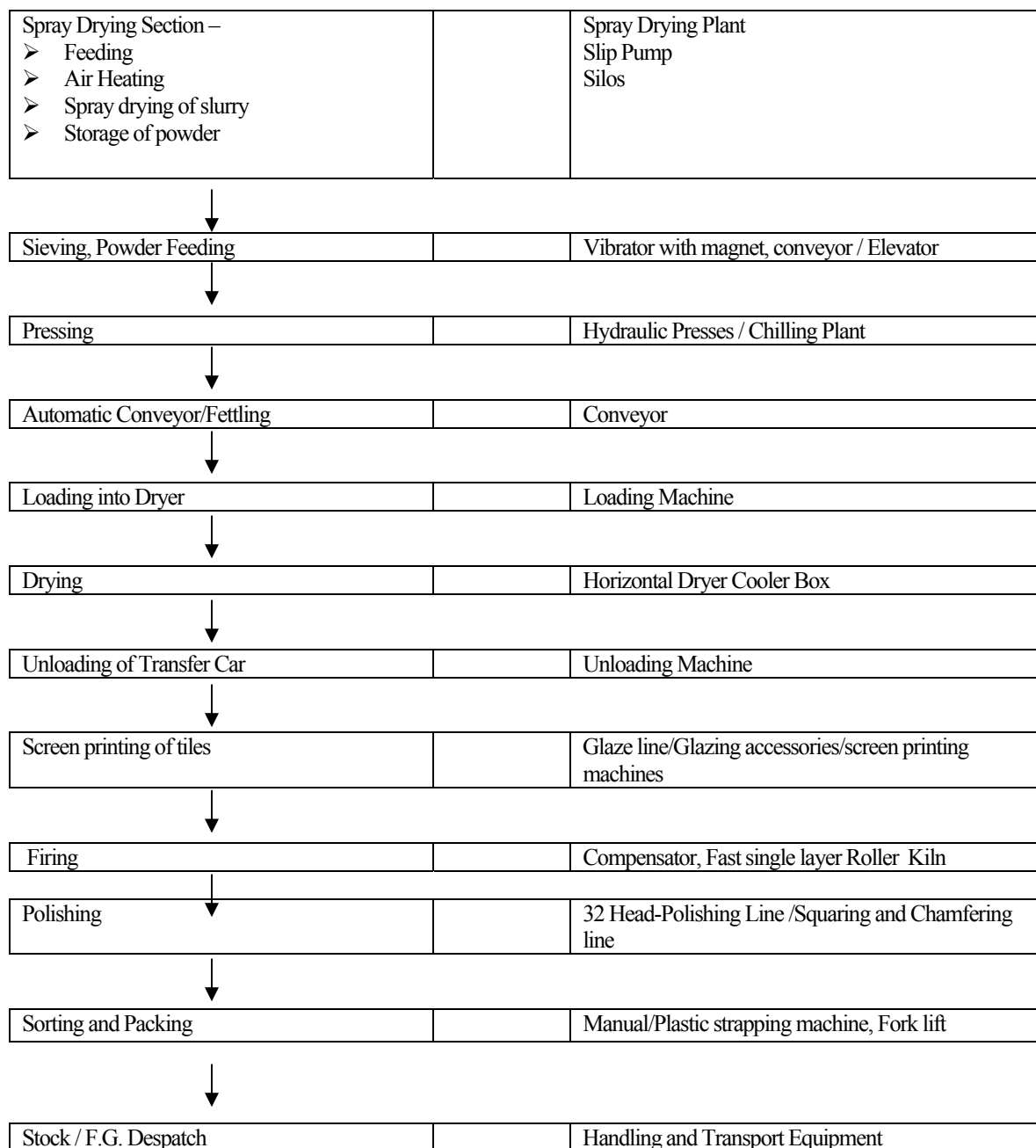
We have adopted the “single firing technology” in our plant for the manufacture of vitrified tiles. Single firing technology is characterized by a highly automated continuous line production system. This technology was invented and adopted by the industry overseas in the mid-seventies. It was the introduction of single firing technology with the use of fast firing cycles, which led to substantial changes, especially in firing technology and machinery (kilns), in this industry. The technology and the machinery for all the three lines is provided by SACMI, Imola, Italy. We have also acquired some of the machines from China in consultation with SACMI.

Production process

Process Flow Chart

A typical process flow chart indicating major operations and equipment needed for the manufacturing process of vitrified tiles is presented hereafter:

<i>Section / Operations</i>		<i>Equipment</i>
↓		
Slip House → Clay & Mineral Mixing → Slurry		Weighing Hopper, Conveyor, Loader, Ball Mills / Stirrers / Blungers
↓		



The ceramic vitrified tiles are manufactured by using single firing technology for which various processes/operations are described below.

1. Processing of Raw Materials

Various types of clays and minerals such as quartz, feldspar and sand are lifted by a pay loader and put into a weighing box in a pre-determined proportion, to make one charge. Pigments / ceramic colourants are added to this charge. The charge is then fed into the ball mills through conveyors. Water is added to the charge and the mix is ground in the ball mills with the help of grinding media. The ground materials in slurry form are thereafter discharged into storage tanks fitted with agitators to keep the slurry in suspension. From this storage tank, the slip is transferred to another storage tank after sieving. The sieved slurry is thereafter fed to the spray dryer chamber, which is heated upto a temperature of around 550 to 600 degree centigrade by hot air blast coming from

the hot air generator using LDO / LNG as fuel. The output from the spray dryer is in the form of a powder and is obtained with specific moisture content by adjusting the inlet and outlet temperatures of the spray dryer. The powder is collected in the storage silos.

2. Formation of tile body and drying

The powder is taken from the silos and after sieving on a vibrator fitted with a magnet, it is fed into the hoppers of the hydraulic press where the powder is pressed in the die to take the shape of a tile of specific size as per the cavity of the die. Tiles coming out of the press are sent to the horizontal roller dryer where they are heated to a specified temperature to remove the moisture.

3. Preparation of designs and screen printing of tiles

In the printing section, various types of designs are prepared and printed on the dried tiles by applying colours on the screen printing machines. Tiles with 'marble finish' need to be screen-printed, whereas other types of tiles may not be subjected to this operation.

4. Firing

The tiles are thereafter fed into the fast single layer roller kiln where they are fired. The kiln has different temperatures ranging from 500 to 1400 degree centigrade in its different zones. Here, vitrification takes place in the body of the tile.

5. Polishing

The baked tiles are subjected to polishing by using a 36-48 head polishing line. The tiles are also side-chamfered. Thus, in this section, size and thickness variations are minimized. Matt finish tiles do not need polishing operation hence they are not subjected to this process.

6. Sorting & Packing

The polished tiles are subjected to quality checking and sorting, where an operator marks out tiles with defects and segregates them into different categories such as first, second or third grade quality. Different grades of the finished tiles are then packed into different types of packing boxes, which are marked accordingly. The packed finished goods are thereafter sent for despatch.

Raw material

The basic raw materials required for the manufacture of vitrified tiles are china clay, soda feldspars, potash feldspars and quartz. We source the clay from Bikaner and Bawar in Rajasthan and Kutch, Santalpur and Than in Gujarat. Other materials like glaze, frits adhesives are available within India and are sourced from the domestic market. These raw materials are procured from the local vendors in the respective locations. We identify the vendors based on the several parameters like the quality of raw material, price competitiveness and the time taken for delivery. We ask for the samples from various suppliers and compare the quality of raw material by the specifications given by our R&D department and approve the one which fulfils the various parameters as stated above. Once the goods are delivered at our premises, they are subject to further quality checks to ensure the required specification of the raw materials.

Whilst vitrified tiles can be manufactured with the aforementioned raw materials we also use Ukraine clay, which is imported from Ukraine, for the manufacture of vitrified tiles. The use of Ukraine clay provides our tiles greater stability and brighter look. The main characteristic is the plastic content available in the Ukraine Clay which helps in reducing the water absorption ability of the tile. The polishing abrasives and soluble salts for vitrified tiles are imported from Spain, Italy and China. We maintain inventory of three months for imported materials to allow natural drying and homogeneity which improves the quality of the raw material. Further, raw materials such as Ukraine clay require to be stocked prior to the winter season since the mining activity during winter is generally lesser than normal.

OUR PROJECT – PROPOSED WALL TILES UNIT

Ceramic wall tiles are used in decorating both the interiors and exteriors of buildings. In India the use of ceramic tiles is mostly limited to the interiors mainly in bathrooms, rooms, etc. However the trend is gradually changing and decorative wall tiles are used extensively since over time it proves to be cost effective and also provides an attractive look.

Ceramic wall tiles can be either glazed or unglazed. In glazed tiles, the surface is covered with a relatively thin layer of glassy material, (the glazing), the composition of which differs from that of Bisque.

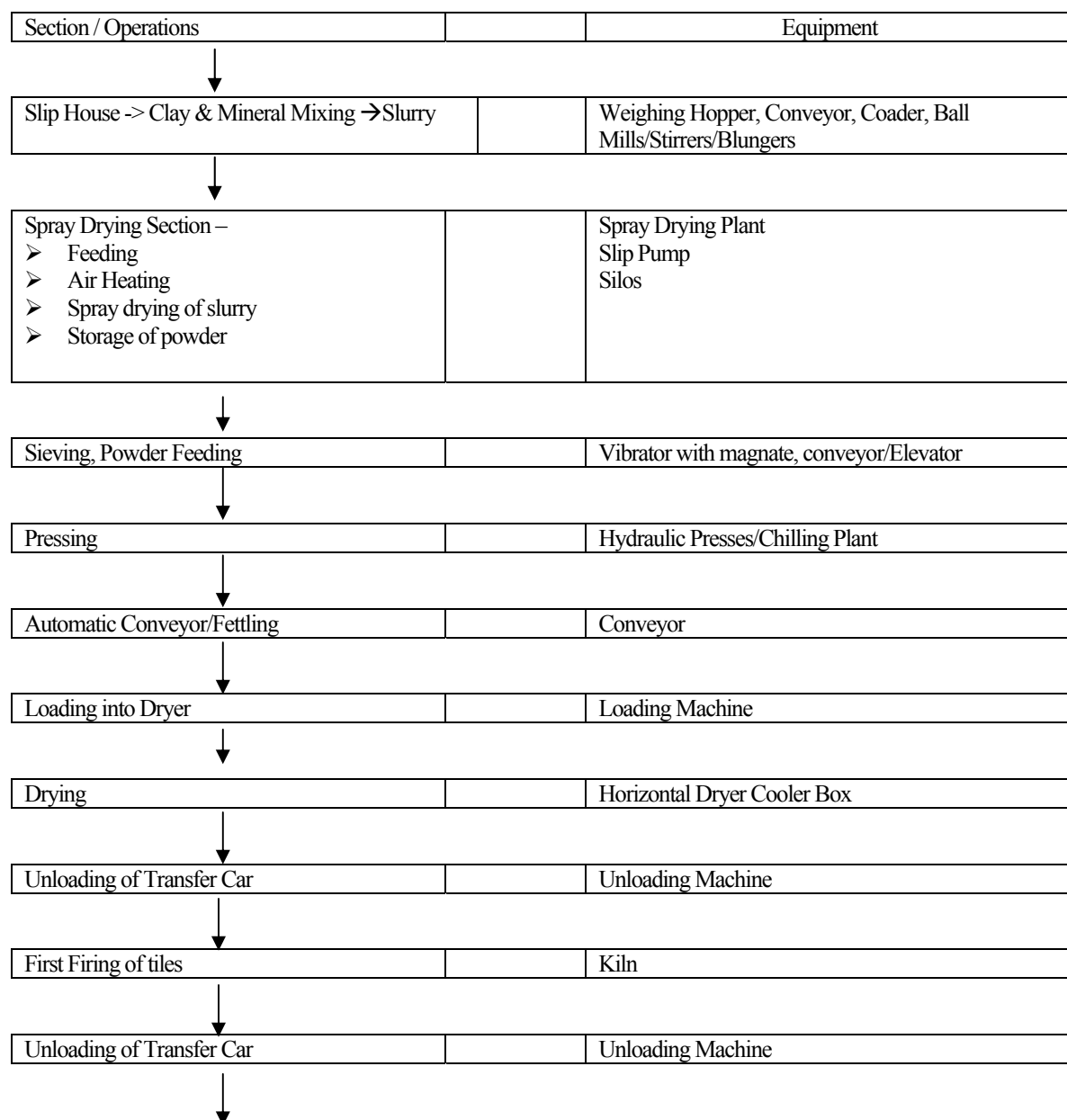
We plan to acquire the double firing technology for the wall tile manufacturing unit and towards this purpose are in negotiations with a few manufacturers including SACMI, Imola, Italy, which has provided us their quotations for the same. We have also received quotations in connection with the import of machinery for the production of wall tiles, although the orders for the machines will be placed at a later stage.

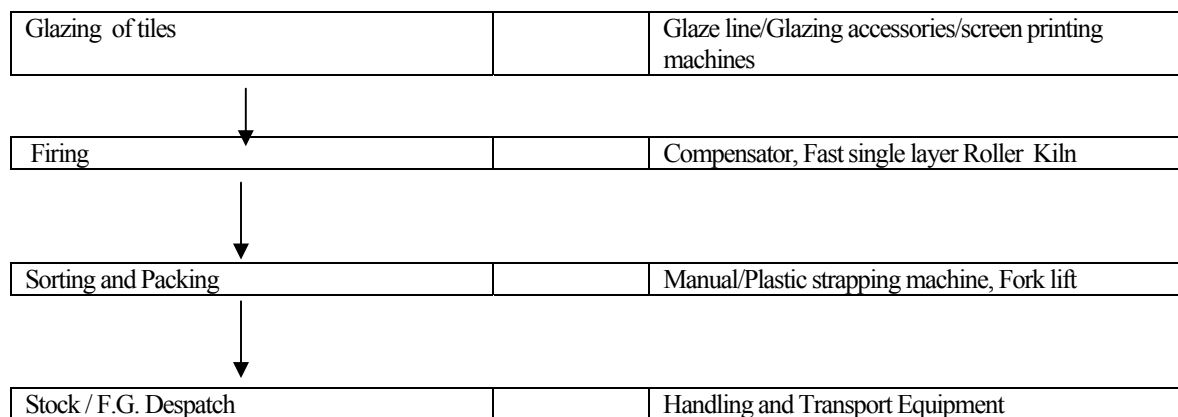
For details of the location of the project, plant and machinery please refer to the section entitled “Objects of the Issue” on page [●] of this Draft Red Herring Prospectus.

Production Process

The process used for ceramic wall tile is double firing technology. The process chart of the wall tiles are as under:

PROCESS FLOW CHART





Raw materials for the body

The main raw materials are , Clay, whose function is primarily to give the humidified mix the plasticity needed to obtain, (through a shaping process), tiles which in their unfired state have the physical properties that will allow them to be manipulated, transported and moved; quartz sand, whose function is to reduce any size variation that may otherwise occur due to the firing process that glazed tiles undergo; feldspar dspathic and carbonatic (in powder form), whose function is mainly to facilitate a glossy finish on tiles.

The preparation of the mixture

The preparation of the mixture consists in a series of operations that homogenize the material, with the appropriate grain size distribution so as to be relatively fine, and with enough water for the subsequent molding process. At the end of this phase, the mixture may consist of a powder with a 4-7% water content (for pressure molding), or, a 15-20% water content (for extrusion molding). In both cases, the basic operations of this production phase are: grinding, mixing-blending, and regulating the water content.

Shaping

Most ceramic tiles produced are moulded by 'dust pressing'. During the dust pressing process, the mixture — a powder with an average humidity of 4-7%- is compressed between two surfaces, with an average pressure between 200 and 400 kg/cm² that causes the reorganization and partial deformation of the grains, so as to produce a sufficiently dense and resistant tile.

Some products, (terracotta and clinker tiles), are moulded by the 'plastic method', starting with a mixture whose humidity content ranges from 15 to 20%, depending on the type of product. A continuous ribbon of material is emitted by the extrusion machine, which is then cut as required.

First Firing

Drying and removing water after the moulding process is critical to the integrity of the product. The most commonly used first firing in the ceramic tile industry today is hot air rapid dryer. These are used in such a way as to both heat the material (to draw the water from the interior to the exterior) and evaporate and remove the water from the surface of the tiles.

Glazing

Glazes are mixtures of different minerals and composites (frit, which is prefabricated glass, kaolin, silicious sand, various oxides, coloring pigments) that are applied to the surface of the tile and then fused to it. During the subsequent cooling phase, the fused layer hardens to form a layer of glass, which gives the tile surface the specific properties noted above.

Second Firing

Tiles emerge from the second firing process with the physical properties required for their various specific uses. The firing takes place in continuous ovens consisting of tunnels where the tiles are moved along on special transportation systems, which lead them to be first preheated and then brought to firing temperature, (which ranges from about 900°C to over 1250°C (depending on the required qualities of the product). The firing binds all the particles firmly together and provides the required attributes of the final product, (impermeability, hardness etc.).

The tiles are kept at firing temperature for some time, after which they are gradually cooled, (while still inside the oven), to temperatures that allow them to be safely removed from the oven.

The firing process has greatly evolved in the last ten to fifteen years. Toward the end of the 70s, the single-layer rapid firing method was introduced, where the material to be fired is loaded in a single layer and moved on rolls. The firing cycles for rapid firing range from 40 to 70 minutes, depending on the type of product, with further basic benefits regarding energy conservation, evenness of firing, temperature regulation, consistency, flexibility and automation.

Sorting

The firing is the concluding technical phase of the production cycle of a ceramic tile. The material that emerges from the oven is the final product, with the exception of specific surface treatments for some types of products, like the polishing of porcelain tiles. Before they are sent to be packed and stored, tiles undergo a careful selection.

The sorting process seeks to, (i) eliminate defective pieces, and (ii) grade the tiles depending on the quality achieved.

Our Infrastructure Facilities

Fuel

While in the past we used liquefied petroleum gas (“LPG”) and coal, we have recently commenced using LNG and coal for our fuel requirements. Replacing LPG with LNG has led to substantial reduction in fuel costs since one Kg of LPG which produces 11500 K cal. of energy costs about Rs. 35/- per KG, whereas one cubic meter of LNG produces 8350 K.Cal. and costs about Rs.20.25 per cubic meter. Coal is sourced locally, while our LNG requirements are catered to by the Gujarat State Petroleum Corporation Limited (“GSPC”) pursuant to an agreement dated May 6, 2006. This LNG reaches us through a pipeline that was installed in July 2006. LNG is primarily used for heating the roller kilns in order to fire the tiles, while in combination with coal it is used for spray drying of slurry.

We also require other fuels such as LDO, kerosene oil etc which are procured from the refineries and other sources. With the availability of LNG through pipeline, these fuel materials have limited application mainly the R & D department. However, in case of any adversity these can be used as alternate source of fuel material for running of our facilities.

Power

Our daily requirement of power at our plant is 3,500 KVA which is sourced through an electricity connection of 2,400 KVA from Gujarat Electricity Board pursuant to an agreement dated August 18, 2003 and the remaining electricity requirement is met through our four diesel generator sets of 500 KVA each. These generators are also used as standby arrangements. The same arrangement is sufficient for our modernisation cum expansion programme.

However, for the proposed wall tile plant, our total electricity requirement will increase from the current 3,500 KVA to 4,800 KVA of electricity. We have, recently, identified Uttar Gujarat Vij Company Limited to set up a 66 KV sub-station at our factory premises. The power line will be sourced from their sub-station at Hajipur. However, we are still in negotiations with the said company and various alternatives are being considered.

Water

Currently, our daily requirement of water is 250 KL which also includes domestic use by the staff in their quarters. The above requirement is met from our three bore wells which are sufficient for our needs and our proposed project as described in the section entitled “Objects of the Issue” on page [●] of this Draft Red Herring Prospectus.

Our Production Facilities

Our existing production facilities for manufacturing of vitrified tiles are located at block no. 161, village Dalpur, Taluka Prantij, district Sabarkantha (Himmatnagar) in the state of Gujarat which is 60 Kms away from Ahmedabad towards Udaipur on National Highway No. 8.

Our Property

Land

Our existing facility is located at block no. 160, 161 & 166, village Dalpur, Taluka-Prantij, district Sabarkantha. We have acquired 65,688 square meters for setting up of the existing vitrified tile plant which was purchased from the previous owners in 2002 for a consideration of Rs 1.02 million. We propose to carry out the proposed modernization cum expansion activity on this land.

For the proposed wall tile plant and for future expansion requirements we have purchased a total of 167,565 square meters of land at a cost of Rs. 10.67 million comprising of 99,780 square meters land from our Promoters namely Mr. Kamleshbhai Patel, Mr. Hasmukhbhai Patel, Mr. Mukeshbhai Patel and Mr. Rameshbhai Patel and the balance of 67,785 square meters of land from others. The same is detailed as under:

Sl. No.	Area of Land (square meters)	Name of the Vendor and Address	Occupation	Relationship with the Company	Nature of Title	Cost of Purchase (Rs. In Million)
1.	99,780	Mr. Kamleshbhai Patel C/o Uma Clinic, Idar 383430 Gujarat	Business	Promoter	Unencumbered	8.32
		Mr. Hasmukhbhai Patel Rampur Ganthiol, Sabarkantha, Idar – 383410 Gujarat.	Business	Promoter		
		Mr. Mukeshbhai Patel At Lalpur, Taluka- Idar, Dist. Sabarkantha 383410. Gujarat	Business	Promoter		
		Mr. Rameshbhai Patel 423, Elking Nagar, Motipura, Himmatnagar - 383001. Gujarat.	Business	Promoter		
2.	10,623	Mr. Keshabhai Patel At P.O. Dalpur, Taluka Prantij, Dist Sabarkantha, Gujarat	Agriculturist	Outsider	Unencumbered	0.03
3.	27,316	Shree Prabhudas Patel At P.O. Dalpur, Taluka Prantij, Dist Sabarkantha, Gujarat	Agriculturist	Outsider	Unencumbered	0.05
4.	29,846	Mr. Sevantilal Gandhi At P.O. Sonasan, Taluka Prantij, Dist Sabarkantha, Gujarat	Agriculturist	Outsider	Unencumbered	2.27
		Mr. Nihil Gandhi At P.O. Sanasan, Taluka Prantij, Dist Sabarkantha, Gujarat	Agriculturist	Outsider		
	167,565					10.67

Further for site development and leveling of the land we propose to incur an expenditure of Rs.11.18 million as detailed in the section entitled “Objects of the Issue” on page [●] of this Draft Red Herring Prospectus.

Building

We have already constructed a factory building for our existing plant which includes a factory shed, office premises, staff quarters, etc. However, for the proposed wall tile plant we propose to construct a building on 35,084.20 square meters at a cost of Rs.72.29 million as detailed in the section entitled “Objects of the Issue” on page [●] of this Draft Red Herring Prospectus.

Intellectual Property Rights

Following are the Intellectual Property Rights available with the Company:

S.No.	Type of Intellectual	Trademark/Copyright	Trademark/Copyright No.	Class	Date of Registration	Valid till
1.	Trademark	asiyana tiles	1206179	19	June 13, 2003	June 12, 2013
2.	Copyright	ASIAN TILES with artistic design	A-76437/2006	NA	May 16,2006	NA
3.	Copyright	ASIAN VITRIFIED TILES with artistic design	A-76434/2006	NA	May 15,2006	NA
4.	Copyright	ASIAN GRANITO with artistic design	A-72474/2005	NA	May 03,2005	NA

Applications of tiles

Based on the usage of tiles, they can be classified into two broad categories, viz. residential and commercial.

Residential: Applications mainly in places like living/ bed rooms, bathrooms, toilets, kitchens, swimming pools, verandahs etc.

Commercial : Applications mainly in places like airports, hotels, hospitals, offices, supermarkets, restaurants,malls,pavements etc.

Export Obligation

We have to fulfil our export obligation amounting to USD 1,125,617.55 under the EPCG Scheme (equivalent to Rs. 51.10 million. 1 USD = 45.40 INR) against the EPCG Licence No.0830000336 dated June 18, 2003, for import of a fast single layer roller kiln machine, capital goods purchased. This obligation has to be fulfilled by June 17, 2011.

Competition

The tile manufacturing industry is highly unorganised with approximately 15 manufacturers in the organised sector. Even as recently as 2003, there were only five companies in the organised sector manufacturing vitrified tiles in India.. We set up our unit in 2003 after which some more players have entered the industry. The market share of the organized sector is approximately 56%.

(Source: ICCTAS).

Some of the major manufacturers in the vitrified tiles segment include H&R Johnson (India) Limited, Murudeshwar Ceramics Limited, Bell Granito Ceramica Limited and Euro Ceramics Limited.

We propose to set up a wall tile unit which will be capable of manufacturing tiles up to the size of 450mm X 900mm. We propose to source the machinery for this unit from the M/s. Sacmi Imola, Italy, although we are in negotiations with other suppliers. Currently, tiles of this size are mainly imported and only certain organized sector manufacturers propose to set up facilities to manufacture these tiles. We believe our competition in this segment would be mainly from the players in the organized sector.

For wall tiles the major players are H&R Johnson (India) Limited, Murudeshwar Ceramics Limited, Bell Granito Ceramica Limited and Euro Ceramics Limited.

Production

For details on the past production by the industry please refer to the section entitled “Industry Overview” on page [●] of this Draft Red Herring Prospectus.

Our Capacities

We commenced the commercial production of vitrified tiles in October 2003. The Company’s existing production capacities and capacity utilization are given below:

Month Year	Expansion (square meters per day)	Installed capacity (square meters per day)	Installed capacity (million square meters per annum)
October 2003	-	4000	1.46
January 2005	5000	9000	3.29
August 2006	5000	14000	5.11

Capacity Utilization

The following table gives the capacity utilization figures for the past three years:

(Sq. Meters . in Million)

	2005-06	2004-05	2003-04
Installed Capacity (in million sq. meters)	3.29	3.29 *	1.46 #
Actual Production (in million sq. meters)	3.12	1.41	0.41
Capacity Utilization (%)	94.83%	79.21%	63.27%

The plant has commenced commercial production from October 20, 2003. Therefore, the capacity utilization has been calculated after annualizing the actual production.

* Installed capacity of the plant has been estimated on the basis of standard size of Ceramic Tiles of 605mm x 605mm and on an annualized basis. However, the capacity of the plant was increased from 4,000 square meters to 9,000 square

meters from January 27, 2005. Therefore, the capacity utilization has been calculated after annualizing the actual production.

Proposed Expansion

Company's proposed capacities and capacity utilization for vitrified tiles and wall tiles units are as under:

Proposed Capacities

(In million square meters. per annum)

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Vitrified Tiles @	5.11	5.84	5.84
Wall Tiles #	N.A.	3.40	3.40

@ Capacity of the vitrified tile plant is for the size 605mm X 605mm. The plant capacity will vary as per size viz. 500mm x 500mm, 905mm x 905mm and 1200mm x 800mm

Capacity of the ceramic wall tile plant is for size 300mm x 600mm. The plant capacity will vary as per size viz. 300mm x 330 mm, 250mm x 330mm, 450mm x 450mm and 450mm x 900mm.

Proposed Capacity Utilizations

(In million sq meters per annum)

	Fiscal 2007	Fiscal 2008	Fiscal 2009
Vitrified Tiles:			
Installed Capacity (In mn sq. meters)	5.11 *	5.84 **	5.84
Actual Production (In mn sq. meters)	4.05	5.18	5.55
Capacity Utilization (%)	90 %	92.50 %	95 %
Wall Tiles:			
Installed Capacity (In mn sq. meters)	N.A.	3.40 ***	3.40
Actual Production (In mn sq. meters)	N.A.	1.19	2.55
Capacity Utilization (%)	N.A.	70 %	75 %

* Capacity of the vitrified tiles has been increased to 5.11 million sq. meters per annum from August 2006.

** The capacity of the vitrified tiles plant will be increased to 5.84 million sq. meters from July 2007.

*** The wall tile plant is proposed to commence from October 2007.

Marketing and Selling Network

We have our headquarters located at the factory site and have a regional office each at Ahmedabad, Mumbai and Delhi. In addition to three regional offices, we have 17 depots across the country. We have already opened display centres at Ahmedabad, Himmatnagar, New Delhi, Chennai, Cochin, Mumbai and Pune and are in the process of opening more. Our marketing team

comprises 163 personnel, which is headed by Mr. Kamleshbhai Patel, our Chairman. Further, we have more than 250 distributors / dealers and more than 3000 Business Associates across the country who help us in promoting and selling our range of products to the consumers. Our marketing offices which are located in all the metros and major cities across the country, service the dealer network in their respective regions.

- **Marketing Personnel**

The sales and marketing team comprises, 141 personnel in the sales department, 10 in the business approval – mainly handling large upcoming projects and 12 in the brand promotion department. The regional heads monitor the targets for the sales people. The annual increments under the sales incentives scheme are based purely on performance which is judged on a quarterly basis.

- **Customer Care Department**

To provide after sales service and to understand our customer better we have opened various customer care centers all over the country where our customers can come and present their claims and grievances and also provide suggestions. Our customer care department also acts as a control on our dealers.

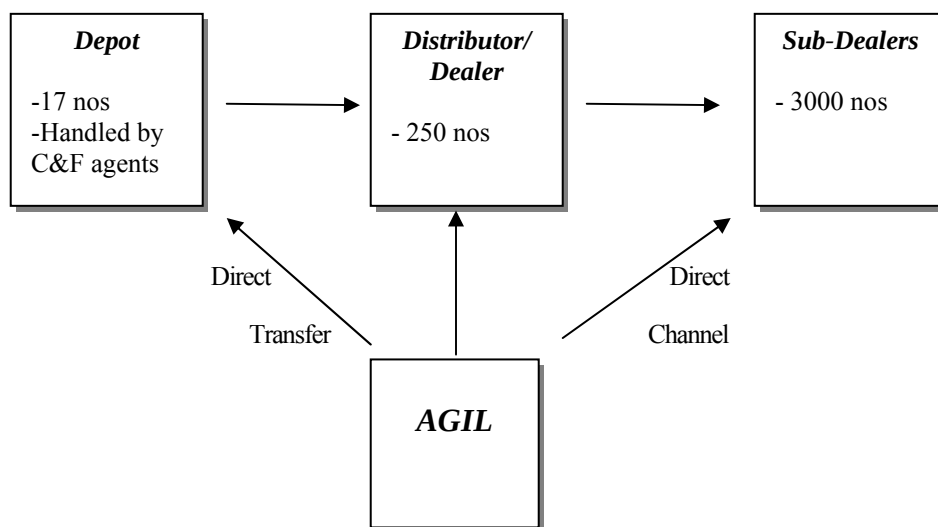
- **Institutional Sales**

Under the users of our products, the institutional sales constitute more than 50% of our total sales. Within institutional sales, the break-up of sales amongst the commercial and residential categories is in the ratio of 20:80. We sell our products to large institutional players such as Ansal Properties & Infrastructure Limited, Gaursins India Limited, Hindustan Petroleum Corporation Limited, ING Vysya Life Insurance Co. Limited, Kalptaru Constructions, Mc Donalds, Nagarjun Construction Company Limited, Omaxe Constructions Limited, Raj Multiplex, Suzuki Motorcycles, Unitech Limited and other several large corporate, banks and financial institutions etc. on a regular basis. We have a dedicated team for servicing institutional clients.

- **Retail Sales**

Under the users of our products, the retail sales constitute the balance of our sales. The dealer maintains a stock of our products based on its demand estimation, based on its stock level. A dealer sends his requirement for the month, which is dispatched based on the availability of the stocks at our depot / factory. We also hold an inventory of our finished products at our factory as also at our depots in all major cities. This makes the products available to customer / dealer at short notice.

- **Sales network of the Company**



Human Resources

The success of our Company also depends on our ability to retain our employees. We have formulated a HR policy which helps us in reviewing and adequately remunerating the performance of each and every employee. All of our employees are remunerated with basic salary and other perquisites based their individual performance and the same is at par with industry standards.

As part of our strategy to improve operational efficiency, we regularly organize in-house and external training programs for our employees.

Insurance Coverage

We have adequate insurance coverage which covers all standard industry risks associated with the operations of our business. Our insurance covers the entire plant and machinery and stock at all our locations as well as goods in transit. We believe that the current levels of insurance coverage are in line with industry norms in India.

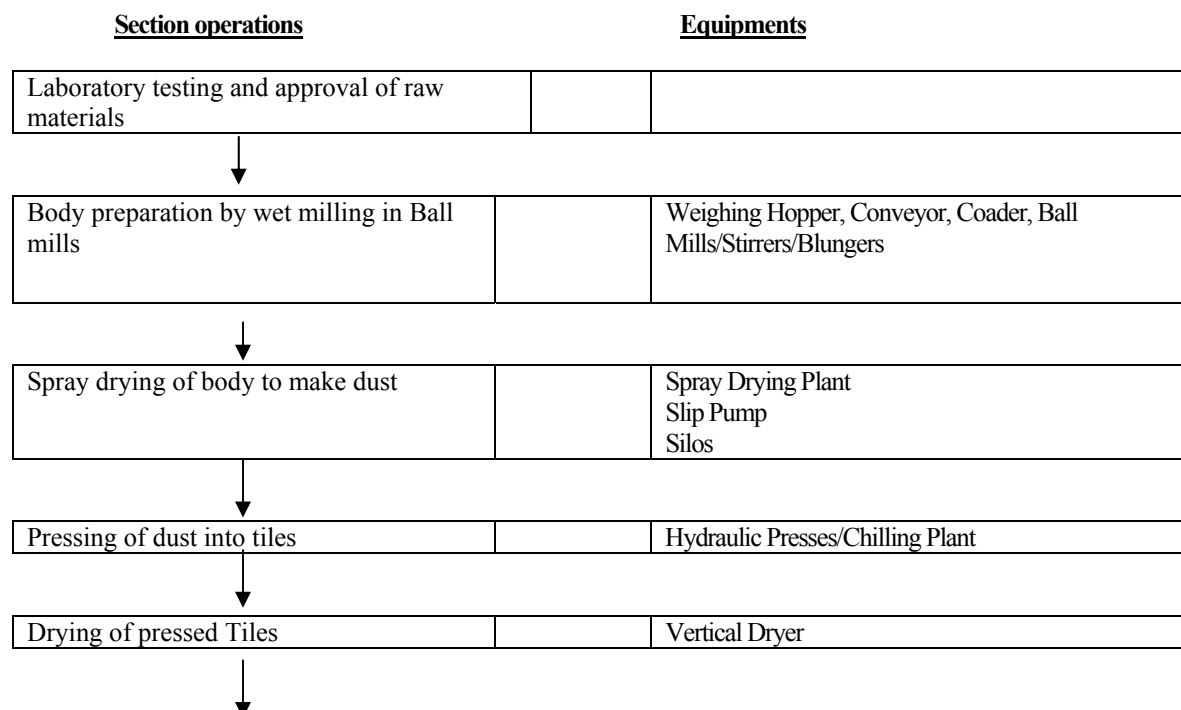
Asian Tiles Limited

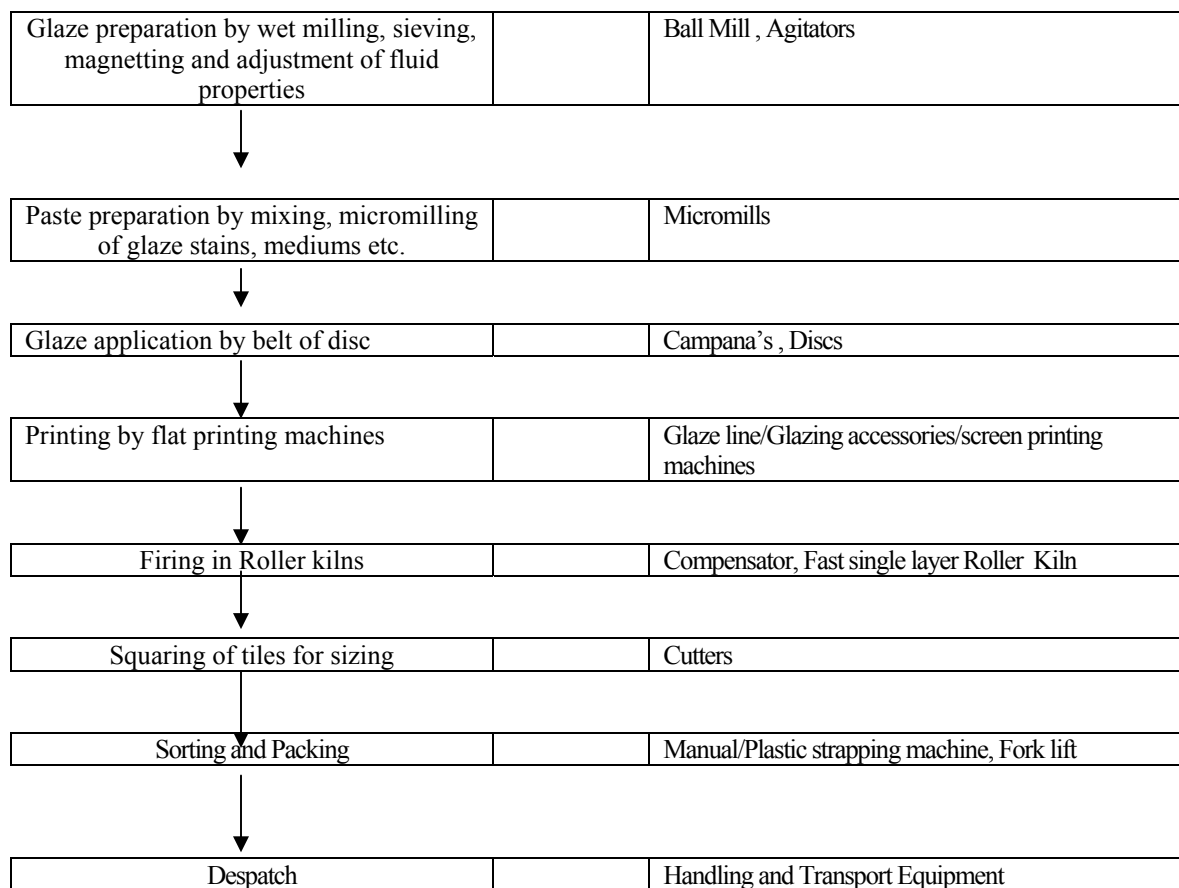
The products manufactured by our Subsidiary are as set out below:

Ceramic Floor Tiles

Ceramic floor tiles are manufactured at the facility of our subsidiary Asian Tiles Limited. This facility is located at survey no.16, Jawanpura, near Sardar Plant, Idar, Sabarkantha, Gujarat and has a capacity to manufacture 7,000 square meters of tiles per day. These tiles are mainly used for floor tiling in houses, offices, temples, showrooms etc. Floor tiles produced at this plant are glazed tiles where a thin layer of glassy material is applied on the surface of these tiles. This layer reduces the porosity and increases the stain resistance of these tiles. These tiles are manufactured by Monocottura process which means that this is a single fire process where body and glaze are fired together.

PROCESS FLOW CHART FOR FLOOR TILES





Raw Materials

Main raw materials used is ball clay, to provide required plasticity and strength in the unfired stage of the tile to enable them to be moved, handled and printed on without causing breakage. Other major raw material is silica which provides a rigidity and strength in the body of the tile.

The preparation of the mixture

The preparation of the mixture consists of a series of operations that homogenize the mixture used for tile making to attain appropriate grain size distribution so as to be able to retain the correct quantity of water. At the end of this phase, the mixture may consist of a powder with 4 -7% water content (for pressing). The basic operations of this production phase are: grinding, mixing-blending, regulating the water content and spray drying.

Shaping

Most ceramic tiles produced are moulded by 'dust pressing'. During the dust pressing process, the mixture a powder obtained in the previous stage is compressed between two surfaces, with an average specific pressure between 200 and 400 kg/cm² that causes the reorganization and partial deformation of the grains, so as to produce a sufficiently dense tile.

Dryer

Drying and removing water after the moulding process is critical to the integrity of the product. The most commonly used fast dryers in the ceramic tile industry today are hot air rapid dryers. These are used in such a way as to both heat the material (to draw the water from the interior to the exterior), and to evaporate and remove the water from the surface of the tiles.

Glazing

Glazes are mixtures of different minerals and composites (frit, which is prefabricated glass, kaolin, silicious sand, various oxides, coloring pigments) that are applied to the surface of the tile and then fused to it. During the subsequent cooling phase, the fused layer hardens to form a layer of glass.

Firing

Tiles emerge from the firing process with the physical properties required for their various specific uses. The firing takes place in continuous furnaces consisting of tunnels where the tiles are moved along on special transportation systems, which lead them to be first preheated and then brought to firing temperature, (which may range from about 900°C to over 1250°C (depending on the required qualities of the product). The firing binds all the particles firmly together and provides the required attributes of the final product.

The tiles are kept at firing temperature for some time, after which they are gradually cooled, (while still inside the oven), to temperatures that allow them to be safely removed from the oven. The firing process has greatly evolved in the last ten to fifteen years. Towards the latter part of the 1970s, the single-layer rapid firing method was introduced, where the material to be fired is loaded in a single layer and moved on rolls. The firing cycles for rapid firing range from 40 to 70 minutes, depending on the type of product, with further benefits like energy conservation, evenness of firing, temperature regulation, consistency, flexibility and automation.

Sorting

The firing is the concluding technical phase of the production cycle of a ceramic tile. The material that emerges from the oven is the final product, with the exception of specific surface treatments for some types of products, like the polishing of porcelain tiles. Before they are sent to be packed and stored, tiles undergo a careful selection. The sorting process seeks to, (i) eliminate defective pieces, and (ii) grade the tiles depending on the quality achieved.

Squaring

Tiles are cut to required sizes by diamond based cutter in order to get uniform dimensions.

Regulations and Policies

The tiles industry, being a part of the unorganized sector, is largely an unregulated industry and there are no specific statues, rules or regulations governing the same. However, the laws relating to the raw materials used in the manufacture of tiles would have an impact on the industry.

The chief raw materials that are used in the manufacture of tiles are various types of clay (such as Ukraine clay, China clay, ball clay, ash-body clay, etc.), feldspar, quartz, soluble salts, zirconium silicate, kota, soda, soap-stone talcum and certain polishing abrasives.

The primary legislation dealing with minerals is the Mines and Minerals (Regulation and Development) Act, 1957 (the “MMRDA”) and the Mineral Concession Rules, 1960 framed thereunder. The object of the MMRDA and the rules made thereunder is the conservation of important minerals and the efficient and economic working of mines in the national interest. Restrictions are imposed controlling the price of basic minerals needed for industrial development. The relevant state governments are empowered under the MMRDA to make rules for regulating the grant of quarry leases, mining leases or other mineral concessions in respect of minor minerals and other purposes connected therewith. Thus any change made in the rules and regulations governing the procurement of the above minerals would have an impact on the tiles industry.

Import of Vitrified Tiles

Pursuant to complaints received from domestic manufacturers of porcelain / vitrified, the Designated Authority in the Commerce Ministry *vide* Notification No. 37/1/2001-DGAD dated February 4, 2003, in the interest of the domestic industry and to promote open and fair competition, imposed anti-dumping duties on all imports of vitrified / porcelain tiles from China and UAE.

However, on a case by case basis, the relevant authorities have exempted certain foreign producers from the imposition of anti-dumping duty where after an investigation, the authorities have concluded that the export price of the tiles was above its normal value.

Environment Regulation

Manufacturing projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 (“WPA”), the Air (Prevention and Control of Pollution) Act, 1981 (“APA”) and the Environment Protection Act, 1986 (“EPA”).

The WPA aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the WPA are also to perform functions as per the APA for the prevention and control of air pollution. The APA aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

The EPA has been enacted for the protection and improvement of the environment. The Act empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

History and Corporate Structure

Our History

We were incorporated on August 8, 1995, as Karnavati Fincap Private Limited, for carrying on the business of a non-banking financial company, by Mr. Satish Panchariya and Mr. Arun Panchariya. On August 29, 1995, we became a public limited company and were renamed Karnavati Fincap Limited. Thereafter, our line of business changed from finance to trading in cloth and on March 18, 1999, we were accordingly renamed Panchariya Textile Industries Limited. Subsequently, on July 28, 2000, we were renamed Vasudev Textile Industries Limited. Pursuant to an acquisition by Mr. Kamleshbhai Patel, Mr. Hasmukhbhai Patel and Mr. Mukeshbhai Patel, the promoters of Asian Tiles Limited, we received a fresh certificate of incorporation on November 25, 2002, resulting in a change of our name to Asian Granito India Limited. Our Company was incorporated with its registered office at 14, Amar Chambers, 1st floor, Reid Road, Railwaypura, Ahmedabad – 380 002. It was further changed to 704 A/B, Sahajanand, Shahibaug Road, Shahibaug, Ahmedabad – 380 004 and back to 14, Amar Chambers, 1st floor, Reid Road, Railwaypura, Ahmedabad – 380 002. On change of name to Asian Granito India Limited, the registered office was shifted to 3rd floor, Empire Tower, B/H. Associate Petrol Pump, Panchwati, Ellise Bridge, Ahmedabad – 380 006 and then to 2nd Floor, Beside Rajpath Club, Sarkhej – Gandhinagar Highway Road, Ahmedabad – 380 054.

In September 2002, the promoters of Asian Tiles Limited, a ceramic floor tiles manufacturing unit in Idar, Gujarat, set up in 2000, took over the management of our Company from our erstwhile promoters Mr. Ratnaram Rabari, Mr. Vijay Mehta and Mr. Harish Jarmanwala by taking over our entire shareholding, for setting up a new industrial undertaking for manufacturing vitrified tiles at Dalpur village, Sabarkantha district, Gujarat.

In the Financial Year 2002-03, our Promoters decided to set up a plant at Sabarkantha district. The said district was notified as a backward district of Class ‘B’ under the Income Tax Act at the time and thus the plant was entitled to a deduction of 100% of profits and gains under section 80-IB of the Income Tax Act for the first three years and 30% of profit for the next five years. As the Promoters already had considerable experience in the manufacture of ceramic floor tiles under the brand ‘ASIAN TILES’, our name was changed to Asian Granito India Limited.

We set up our first facility for manufacturing vitrified tiles with a production capacity of 4000 square meters per day (33,580 metric tonnes per annum) and started commercial production from October 2003. As we reached optimum capacity utilization within a period of nine to ten months, we expanded the production facility by installing a second manufacturing line. Towards the end of January 2005, we commenced commercial production from the second line. After installation of this second line the capacity of our plant increased to 9000 square meters per day (75,500 metric tonnes per annum). We were amongst the first manufacturers in India to produce slab vitrified tiles of 905mm x 905mm. By October 2005, we again reached optimum capacity utilization and planned to install a third manufacturing line. We commenced commercial production from the third line in July 2006. Thus, after this expansion, the installed capacity of the plant has become 14,000 square meters per day (117,500 metric tonnes per annum).

In March 2006, we acquired approximately 100% equity shares of our Subsidiary, Asian Tiles Limited, to make it a wholly owned subsidiary.

Main Object of the Company

Our main objects, as set forth in our Memorandum of Association, are:

1. To carry on in India or elsewhere in the world with or without collaboration the business to manufacture, prepare, process, crush, cut, clean, blend, mix, excavate, pack, repack, design, store, paint, sell, purchase, trade, market, import, export, to act as manufacturer representatives and otherwise deal in tiles, glaze tiles, ceramic tiles, mosaic tiles, floor tiles, marble tiles, cement tiles, wall tiles, granite tiles, skirtings, china tiles and ceramic products.
2. To establish, own, run, maintain, generate, accumulate, receive, produce, improve, promote, develop, operate, employ, convert, transmit, distribute, handle, protect, buy, sell, re-sell, acquire, use, supply, lease

and to act as agent, broker, distributor, supplier, representative, consultant, collaborator, vendor, buyer, seller, exporter, importer or otherwise to deal in electric / wind power or any other energy in all its branches or such place or places as may be permitted by appropriate authorities by the establishment of wind power plants, wind mills, wind and tidal waves, wind turbine generators, thermal power plants, hydraulic power plants, atomic power plants, solar power plants and other power plants based on conventional / non-conventional and any other source of energy.

Major Events

The chronology of key events of our Company since incorporation is set out below:

Calendar year	Events
1995	Incorporation and commencement of business
1999	Change in the management of our Company and thereby change in the nature of our business from finance and investment activities to trading in textiles
2000	Change in the management of our Company
2002	Take over of the management by our Promoters and consequent change in our business to manufacture of vitrified tiles
2003	Setting up of the vitrified tiles plant at Himmatnagar
2004	Receipt of ISO 9001:2000 certificate
2005	Increase in capacity of our plant by 5000 square meter per day taking the capacity to 9000 square meter per day
2006	• Receipt of registration of trademark “asiyana Tiles” • Increase in capacity by 5000 square meter per day taking the capacity to 14000 square meters per day • We acquired approximately 100% shares of Asian Tiles Limited making it our wholly owned subsidiary

The shareholding pattern of the Company as on January 6, 2006 was as follows:

Name of Shareholder	No. of Equity Shares	% Holding
Promoters:		
Kamleshbhai Patel	1,888,768	13.43
Hasmukhbhai Patel	274,469	1.95
Mukeshbhai Patel	1,850,960	13.17
Rameshbhai Patel	270,115	1.92
Sub Total	4,284,312	30.47
Promoter Group:		
Individual/HUF	3,086,883	21.95
Sub Total	3,086,883	21.95
Others:		
Corporate holding	1,953,154	13.89
Individual/HUF including employees	4,736,942	33.69
Sub Total	6,690,096	47.58
Total	14,061,291	100.00

The details of the capital raised by us are provided in the section entitled “Capital Structure” on page [●] of this Draft Red Herring Prospectus.

Our Corporate Structure

Details of our corporate structure are given in the section entitled “Our Management” on page [●] of this Draft Red Herring Prospectus.

Changes to the Memorandum of Association

Since incorporation, the following changes have been made to our Memorandum of Association:

Date of shareholder approval	Changes
August 12, 1995	Change of name from Karnavati Fincap Private Limited to Karnavati Fincap Limited
September 4, 1995	Increase of authorized share capital from Rs. 0.5 million to Rs. 20 million
September 20, 1995	Increase of authorized share capital from Rs. 20 million to Rs. 90 million
March 16, 1998	Change in the main objects
January 8, 1999	Change of our name from Karnavati Fincap Limited to Panchariya Textile Industries Limited
July 1, 2000	Change of our name from Panchariya Textile Industries Limited to Vasudev Textile Industries Limited
September 30, 2002	Alteration of object clause
October 29, 2002	Change of name from Vasudev Textile Industries Limited to Asian Granito India Limited
December 10, 2004	Increase of authorised share capital from Rs. 90 million to Rs.100 million
March 20, 2006	Increase of authorised share capital from Rs. 100 million to Rs.250 million
August 10, 2006	Alteration of object clause by adding a new object

Acquisition made by the Company

In March 2006, we acquired approximately 100% equity shares of our Subsidiary to make it a wholly owned subsidiary by issue of our own shares to the shareholders of the Subsidiary in the ratio of 1:1. The main objective behind this was to achieve and benefit from economies of scale by using the resources of both the companies as one force. This also helped us in presenting to our customers a wide range of tiling solutions as Asian Tiles Limited is engaged in the manufacture of ceramic floor tiles.

Subsidiary

We have only one Subsidiary, for details please see the section entitled “Our Subsidiary” on page [●] of this Draft Red Herring Prospectus.

Our Management

Board of Directors

We currently have eight directors. The following table sets out details regarding our Board of Directors as at January 25, 2007:

Name, Designation, Father's Name, Address, Occupation and Term	Age (years)	Nationality	Other Directorships
Mr. Kamleshbhai Patel Designation: Whole Time Director Status: Chairman cum Managing Director (Son of Shri Bhagubhai Patel) Address: Uma Clinic, Idar, 383430 Gujarat Occupation: Business Liable to retire by rotation	36	Indian	Asian Tiles Limited Indian Council of Ceramic Tiles and Sanitaryware (ICCTAS)
Mr. Hasmukhbhai Patel Designation: Whole Time Director Status: Managing Director (Son of Shri Danjibhai Patel) Address: At. Rampur Nava, Taluka Idar, District S.K. Idar – 383410, Gujarat Occupation: Business Liable to retire by rotation	43	Indian	Asian Tiles Limited Indian Council of Ceramic Tiles and Sanitaryware (ICCTAS)
Mr. Rameshbhai Patel Designation: Whole Time Director (Son of Shri Bhikhabhai Patel) Address: 423, Elking Nagar, Motipura, Himmatnagar – 383001 Gujarat Occupation: Business Liable to retire by rotation	39	Indian	Nil
Mr. Mukeshbhai Patel Designation: Director (Son of Shri Jivabhai Patel)	38	Indian	Asian Tiles Limited

Address: Lalpur, Taluka Idar, Dist S K, Himmatnagar 383410 Occupation: Business Liable to retire by rotation			
Mr. Maganlal Prajapati Designation : Director Status: Independent Director (Son of Shri Jotabhai Prajapati) Address: Shrinagar, at Idar, Himmatnagar-343430 Occupation: Service Liable to retire by rotation	60	Indian	Asian Tiles Limited
Mr. Mahesh Chandra Julka Designation: Director Status: Independent Director (Son of Shri Mulkhraj Julka) Address: B-104, Sagar Tower, Premchand Nagar, Ahmedabad 380015 Occupation: Banker (retired) Liable to retire by rotation	62	Indian	Nil
Mr. Rajaram Sohanlal Shah Designation: Additional Director Status: Independent Director (Son of Shri Sohanlal Shah) Address: B/5, “Srujan” , Hariom Society Mahavir Nagar, Himmatnagar-383001 Occupation: Consultant Liable to retire by rotation	41	Indian	Sabar Industrial ParkPrivate Limited

Mr. Hitesh Mehta Designation: Director Status: Independent Director (Son of Shri Jasvantray) Address: 201, Sur Residency, Panchwati 2 nd Lane, Panchwati, Ahmedabad – 380006 Occupation: Consultant Liable to retire by rotation	47	Indian	Incorp Consultant Private Limited Radhe Krishna Amusement Private. Ltd.
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Brief biography of the Directors

Mr. Kamleshbhai Patel

Mr. Kamleshbhai Patel, a bachelor in business administration from Sardar Patel University, is the Chairman and Managing Director of our Company and has more than ten years of experience in the tile industry. He started his career with Kedia Cera Tile Private Limited in the year 1993 as a director. In 1996, he promoted Kedia Industries, a partnership concern involved in the manufacturing of wall tiles. Subsequently, in 1999, he promoted Asian Tiles Limited with the other promoters. In 2003, he along with our other Promoters foresaw an untapped opportunity in the business of vitrified tiles which prompted them to set up a plant at Himmatnagar for manufacturing of the same. He is also in-charge of the marketing division of our Company comprising of a marketing network of 18 depots, more than 250 dealers and over 3000 business associates. He was appointed on our Board as Chairman cum Managing Director from January 1, 2004.

Mr. Hasmukhbhai Patel

Mr. Hasmukhbhai Patel, a LLB from Gujarat University, is the Managing Director of our Company and has more than ten years of experience in the tile industry. He started his career, as a Purchase Officer in Sardar Patel Kapasia Plant Co-operative Limited in 1984. In 1990, he ventured into the field of pharmaceuticals by forming Suyog Pharmaceuticals, a partnership firm. Subsequently, in 1999, he promoted Asian Tiles Limited with the other promoters. In 2003, he along with our other Promoters foresaw an untapped opportunity in the business of vitrified tiles which prompted them to set up a plant at Himmatnagar for manufacturing of the same. He is also in-charge of the finance and administration department of our Company. He was appointed on our Board as Managing Director from January 1, 2004.

Mr. Hasmukhbhai Patel is the Vice President of the Indian Council of Ceramic Tiles Industry, New Delhi (ICCTAS). He is also the President of the Sabarkantha Ceramic Manufacturers Association, Himmatnagar and a member of the Advisory Committee of the Central Glass & Ceramic Research Institute.

Mr. Rameshbhai Patel

Mr. Rameshbhai Patel, a bachelor of commerce from Gujarat University, is a Wholtime Director of our Company. He has more than fifteen years experience in the ceramics industry. His past experience includes working in his family business of manufacturing crockery. He was also a partner at Satya Pulse Mill and also traded in glaze frit glass. In 1999, he started Sundaram Ceramics, a partnership firm, engaged in the business of crockery. In 2003, he along with our other Promoters foresaw an untapped opportunity in the business of vitrified tiles which prompted them to set up a plant at Himmatnagar for manufacturing of the same. He oversees the marketing and brand promotion activities of our Company. He was appointed on our Board as Wholtime Director from January 1, 2004.

Mr. Mukeshbhai Patel

Mr. Mukeshbhai Patel is a Wholetime Director of our Company and has more than a decade of experience in the ceramics industry. He started his career with Kedia Cera Tile Private Ltd in 1993 as director. In 1996, he promoted Kedia Industries, a partnership concern involved in the manufacturing of wall tiles. Subsequently, in 1999, he promoted Asian Tiles Limited with the other promoters. In 2003, he along with our other Promoters foresaw an untapped opportunity in the business of vitrified tiles which prompted them to set up a plant at Himmatnagar for manufacturing of the same. He heads the production department of our Company. He was appointed on our Board as Wholetime Director from January 1, 2004.

Mr. Maganlal Prajapati

Mr. Maganlal Prajapati, is a master of science in statistics from the Sardar Patel University and a M. Phil in statistics from South Gujarat University. He is a professor of statistics and is the Principal of M. C. Shah Commerce College, Ahmedabad. He has a teaching experience of more than 35 years. In 1971, he started his career as a lecturer of statistics in Arts & Commerce College, Himmatnagar. Subsequently, he has been associated with Sir K.P. College of Commerce, Surat, T & T.V. Sarvajanic High School, Surat, Arts & Commerce College, Idar and Arts & Commerce College, Talod as a lecturer in statistics. He also worked as a social worker at various levels and has been involved with the National Cadet Corps. He was appointed on our Board on August 2, 2005.

Mr. Maheshchandra Julka

Mr. Maheshchandra Julka, a bachelor of commerce, is a retired General Manager from Central Bank of India, which he joined in 1964. During his tenure with the bank, he was awarded the Best Zonal Manager of the bank for 2003. He was appointed on our Board on May 1, 2006.

Mr. Rajaram Sohanlal Shah

Mr. Rajaram Sohanlal Shah is a B.E. (civil) from South Gujarat University and a L.L.B. from North Gujarat University. He has been practicing as a consulting engineer since 1987 and has been practicing as an approved valuer since 1992. During the period 1987 to 1994, he was also associated with the Gujarat government's construction work subsequent to which he was engaged with private construction work and as a real estate developer. He was appointed on our Board on January 5, 2007.

Mr. Hitesh Mehta

Mr. Hitesh Mehta is a master of commerce from Mumbai University and is also a Chartered Accountant. He started his career with Vijay Fire Protection Private Limited, Mumbai in 1986. In 1988, he joined Radhakishan Cement Limited, Ahmedabad as Finance Manager. He started his own practice as a Chartered Accountant in the year 1990. In 1993, he joined Anil Shah Securities and Finance Limited, a member of the Ahmedabad Stock Exchange as Chief Dealer and subsequently became a wholetime director of the company. Since 1997, he is associated with Vivro Group as a Consultant and is handling various projects relating to different industries like infrastructure, pharmaceuticals, plastics, Hdpe/ PP industry, paper, ceramic, textiles, entertainment – resorts, water park, mining and minerals, etc. He was appointed on our Board on January 18, 2007.

Borrowing Powers of our Board

Our Articles, subject to the provisions of the Companies Act, authorise our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of our Company. Our members have, pursuant to a resolution passed at the EGM dated June 4, 2005, authorised our Board to borrow monies together with monies already borrowed by us, in excess of the aggregate of the paid up capital of our Company and its free reserves, not exceeding Rs.1, 000 million at any time.

Compensation of the Directors

Details of the compensation of Mr. Kamleshbhai Patel, Chairman, Mr. Hasmukhbhai Patel, Managing Director, Mr. Rameshbhai Patel, Wholetime Director, and Mr. Mukeshbhai Patel, Wholetime Director, are as provided below. Our non-executive directors are entitled to sitting fees and actual expenses for attending the Board/ committee meetings.

Mr. Kamleshbhai Patel

The remuneration payable to Mr. Kamleshbhai Patel, Chairman cum Managing Director with effect from April 1, 2006, is as follows:

1. *Salary*: Presently, Rs. 100,000 per month subject to a ceiling of Rs. 2,72,000/- per month.
2. *Perquisites*: Mr. Kamleshbhai Patel, shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof together with reimbursement of expenses for utilisation of gas, electricity, water, reimbursement of ordinary medical expenses, leave travel concession for self and their family including dependents, children education allowance, club fees, premium towards personal accident insurance and mediclaim and all other payments in nature of perquisites and allowance subject to a ceiling of 10% of annual salary.

“Family” covers the spouse, the dependent children, dependent parents of Chairman-cum-Managing Director.

3. *Other terms*:
 - (a) Apart from the remuneration, Chairman-cum-Managing Director shall be entitled to:
 - Free use of the Company’s car with driver for the business of the Company.
 - Free telephone at the residence
 - Reimbursement of all actual expenses including entertainment and traveling incurred in course of Company’s business.
 - (b) Company’s contribution to provident fund and the pension fund as per the Company’s rules provided the Company’s contribution to the provident fund and pension fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity shall be paid as per Company’s rule and will not be included in the computation of the ceiling on perquisites.
 - (c) Encashment of leave at the end of tenure.

Further, where in any Financial Year during the tenure of his appointment the Company has no profits or its profits are inadequate, the enhanced remuneration may, with the approval of Central Government, or otherwise remuneration by way of salary, perquisites and other allowances not exceeding the ceiling limit as specified under section II of part II of schedule XIII to the Companies Act, 1956, as amended for the time being in force be paid to Mr. Kamleshbhai Patel.

Mr. Hasmukhbhai Patel

The remuneration payable to Mr. Hasmukhbhai Patel, Managing Director with effect from April 1, 2006, is as follows:

1. *Salary*: Presently, Rs. 95,000 per month subject to a ceiling of Rs. 2,72,000/- per month.
2. *Perquisites*: Mr. Hasmukhbhai Patel, shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof together with reimbursement of expenses for utilisation of gas, electricity, water, reimbursement of ordinary medical expenses, leave travel concession for self and their family including dependents, children education allowance, club fees, premium towards personal accident insurance

and mediclaim and all other payments in nature of perquisites and allowance subject to a ceiling of 10% of annual salary.

“Family” covers the spouse, the dependent children and dependent parents.

3. *Other terms:*

- (a) Apart from the remuneration, Managing Director shall be entitled to:
 - Free use of the Company’s car with driver for the business of the Company.
 - Free telephone at the residence
 - Reimbursement of all actual expenses including entertainment and traveling incurred in course of Company’s business.
- (b) Company’s contribution to provident fund and the pension fund as per the Company’s rules provided the Company’s contribution to the provident fund and pension fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity shall be paid as per Company’s rule and will not be included in the computation of the ceiling on perquisites.
- (c) Encashment of leave at the end of tenure.

Further, where in any Financial Year during the tenure of his appointment the Company has no profits or its profits are inadequate, the enhanced remuneration may, with the approval of Central Government, or otherwise remuneration by way of salary, perquisites and other allowances not exceeding the ceiling limit as specified under section II of part II of schedule XIII to the Companies Act, 1956, as amended for the time being in force be paid to Mr. Hasmukhbhai Patel.

Mr. Rameshbhai Patel

The remuneration payable to Mr. Rameshbhai Patel, Wholetime Director with effect from April 1, 2006, is as follows:

1. *Salary:* Presently, Rs. 95,000 per month subject to a ceiling of Rs. 2,72,000/- per month.
2. *Perquisites:* Mr. Rameshbhai Patel, shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof together with reimbursement of expenses for utilisation of gas, electricity, water, reimbursement of ordinary medical expenses, leave travel concession for self and their family including dependents, children education allowance, club fees, premium towards personal accident insurance and mediclaim and all other payments in nature of perquisites and allowance subject to a ceiling of 10% of annual salary.

“Family” covers the spouse, the dependent children and dependent parents.

3. *Other terms:*

- a) Apart from the remuneration, the Wholetime Director shall be entitled to:
 - Free use of the Company’s car with driver for the business of the Company.
 - Free telephone at the residence
 - Reimbursement of all actual expenses including entertainment and traveling incurred in course of Company’s business.
- b) Company’s contribution to provident fund and the pension fund as per the Company’s rules provided the Company’s contribution to the provident fund and pension fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity shall be paid as per Company’s rule and will not be included in the computation of the ceiling on perquisites.
- c) Encashment of leave at the end of tenure.

Further, where in any Financial Year during the tenure of his appointment the Company has no profits or its profits are inadequate, the enhanced remuneration may, with the approval of Central Government, or otherwise

remuneration by way of salary, perquisites and other allowances not exceeding the ceiling limit as specified under section II of part II of schedule XIII to the Companies Act, 1956, as amended for the time being in force be paid to Mr. Rameshbhai Patel.

Mr. Mukeshbhai Patel

The remuneration payable to Mr. Mukeshbhai Patel, Wholetime Director with effect from April 1, 2006, is as follows:

1. *Salary*: Presently, Rs. 95,000 per month subject to a ceiling of Rs. 2,72,000/- per month.
2. *Perquisites*: Mr. Mukeshbhai Patel, shall be entitled to perquisites like furnished accommodation or house rent allowance in lieu thereof together with reimbursement of expenses for utilisation of gas, electricity, water, reimbursement of ordinary medical expenses, leave travel concession for self and their family including dependents, children education allowance, club fees, premium towards personal accident insurance and mediclaim and all other payments in nature of perquisites and allowance subject to a ceiling of 10% of annual salary.

“Family” covers the spouse, the dependent children and dependent parents.

3. *Other terms*:
 - a) Apart from the remuneration, the Wholetime Director shall be entitled to:
 - Free use of the Company’s car with driver for the business of the Company.
 - Free telephone at the residence
 - Reimbursement of all actual expenses including entertainment and traveling incurred in course of Company’s business.
 - b) Company’s contribution to provident fund and the pension fund as per the Company’s rules provided the Company’s contribution to the provident fund and pension fund will not be included in the computation of ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act. Gratuity shall be paid as per Company’s rule and will not be included in the computation of the ceiling on perquisites.
 - c) Encashment of leave at the end of tenure.

Further, where in any Financial Year during the tenure of his appointment the Company has no profits or its profits are inadequate, the enhanced remuneration may, with the approval of Central Government, or otherwise remuneration by way of salary, perquisites and other allowances not exceeding the ceiling limit as specified under section II of part II of schedule XIII to the Companies Act, 1956, as amended for the time being in force be paid to Mr. Mukeshbhai Patel.

Shareholdings of the Directors in the Company

Name of Director	No. of equity shares held (Rs. 10 each) (as on January 25, 2007)	% holding
Mr. Kamleshbhai Patel	1,888,768	13.43%
Mr. Hansmukhbhai Patel	274,469	1.95 %
Mr. Rameshbhai Patel	270,115	1.92 %
Mr. Mukeshbhai Patel	1,850,960	13.16%

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees and other perquisites, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses, if any, payable to them under our Articles of Association, and to the extent of remuneration, if any, paid to them for services rendered as an officer or employee of our Company.

Our Directors may be deemed to be interested to the extent of Equity Shares held and the Equity Shares that may be allotted to them in future, and also to the extent of any dividend payable to them & other distribution in respect of their holding of the Equity Shares.

All the independent Directors may be deemed to be interested to the extent of fees and expenses, if any, payable to them for attending meetings of the Board or a committee thereof. They may also be deemed to be interested to the extent of Equity Shares that may be allotted to them in future.

Except as disclosed in the section entitled “Our Business” on page [●] of this Draft Red Herring Prospectus, our Directors have no interest in any property acquired by our Company within two years of the date of this Draft Red Herring Prospectus or proposed to be acquired by our Company.

For further details regarding Equity Shares held by the Directors, please refer to the section entitled “Capital Structure” on page [●] of this Draft Red Herring Prospectus.

We have neither entered into any contracts in the last two years prior to the date of this Draft Red Herring Prospectus, in which our Directors are parties, directly or indirectly, nor have payments been made to them in respect of any such contracts, nor is it proposed to make payments to them other than as described in hereinabove.

Change in Board of Directors in Last Three Years

Name	Date of Appointment	Date of Cessation	Reason
Mr. Maganlal Prajapati	August 2, 2005	-	Appointed as an additional Director
Mr. Manilal Patel	August 2, 2005	August 16, 2006	Resignation
Mr. Mahesh Chander Julka	May 1, 2006	-	Appointed as an additional Director
Mr. Rajaram Sohanlal Shah	January 5, 2007	-	Appointed as an additional Director
Mr. Hitesh Mehta	January 18, 2007	-	Appointed as an additional Director

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We are in compliance with the corporate governance requirements, including with respect to the appointment of independent directors to our Board and the constitution of the various statutory committees in accordance with the corporate governance code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to listing.

Currently, our Board has 8 Directors, of which four directors are executive Directors, and in compliance with the requirements of Clause 49 of the listing agreement, we have four non-executive Directors who are independent directors.

In accordance with Clause 49 of the listing agreement (to be entered into with the Stock Exchanges), the Company has already constituted/proposes to constitute the following committees:

Audit Committee

The audit committee consists of three directors, all of whom are independent directors. The committee currently comprises of Mr. Hitesh Mehta (Independent Director), Mr. Maganlal Prajapati (Independent Director) and Mr. Mahesh Chander Julka (Independent Director). Mr. Hitesh Mehta is the chairman of our audit committee and our company secretary is also the secretary of the audit committee. The powers, roles and review of the audit committee are in accordance with section 292A of the Companies Act and listing agreements to be entered into with the Stock Exchanges. The audit committee oversees our financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible. Its recommendations on any matter relating to financial management shall be binding on the Board (if the Board does not accept the audit committee's decision, it must record the reasons in the minutes of the Board Meeting and communicate the same to the shareholders).

The terms of reference of the audit committee are as follows:

- a) To oversee the Company's financial reporting process and disclosures of its financial information.
- b) To review financial statements and pre-publication announcements before submission to the Board.
- c) To recommend the appointment of statutory auditor and fixation of their remuneration, to review and discuss with the auditors about internal control system, the scope of audit including observations of auditors, major accounting entries, practice and policies, compliance with accounting standards & listing agreement, related party transactions.
- d) To review the Company's risk management policies and discussion with auditors about any significant findings and follow up thereon.
- e) To investigate into any matter as may be referred to it by the Board.

Remuneration/ Compensation Committee

The remuneration/ compensation committee is constituted for the purpose of determining & evaluating the structure of remuneration payable to the executive directors & senior management. The committee will also make recommendations to the Board on establishment of a formal and transparent procedure regarding development of policy on terms and conditions including the remuneration payable to executive Directors of the Company. Other terms of reference of this committee include ensuring that affordable, fair and effective compensation philosophy and policies are implemented, review and approve the overall budgetary increment proposals for annual increase of compensation and benefits for the employees and review and approve any disclosures in the annual report or elsewhere in respect of compensation policies or Director's compensation

The committee comprises of Mr. Hitesh Mehta (Independent Director), Mr. Maganlal Prajapati (Independent Director) and Mr. Mahesh Chander Julka (Independent Director). Mr. Hitesh Mehta is the chairman of this committee. The secretary of the Company will act as secretary of the remuneration committee. The terms of reference of the compensation committee also include administration of ESOPs.

Investors/ Shareholders' Grievances Committee

The investor/ shareholders' grievances committee comprises of Mr. Maganlal Prajapati (Independent Director), Mr. Hitesh Mehta (Independent Director) and Mr. Hasmukhbhai Patel (Managing Director). Mr. Maganlal Prajapati is the chairman of this committee and our company secretary will act as secretary of the remuneration committee.

The terms of reference of the shareholders and investors grievance committee are as follows:

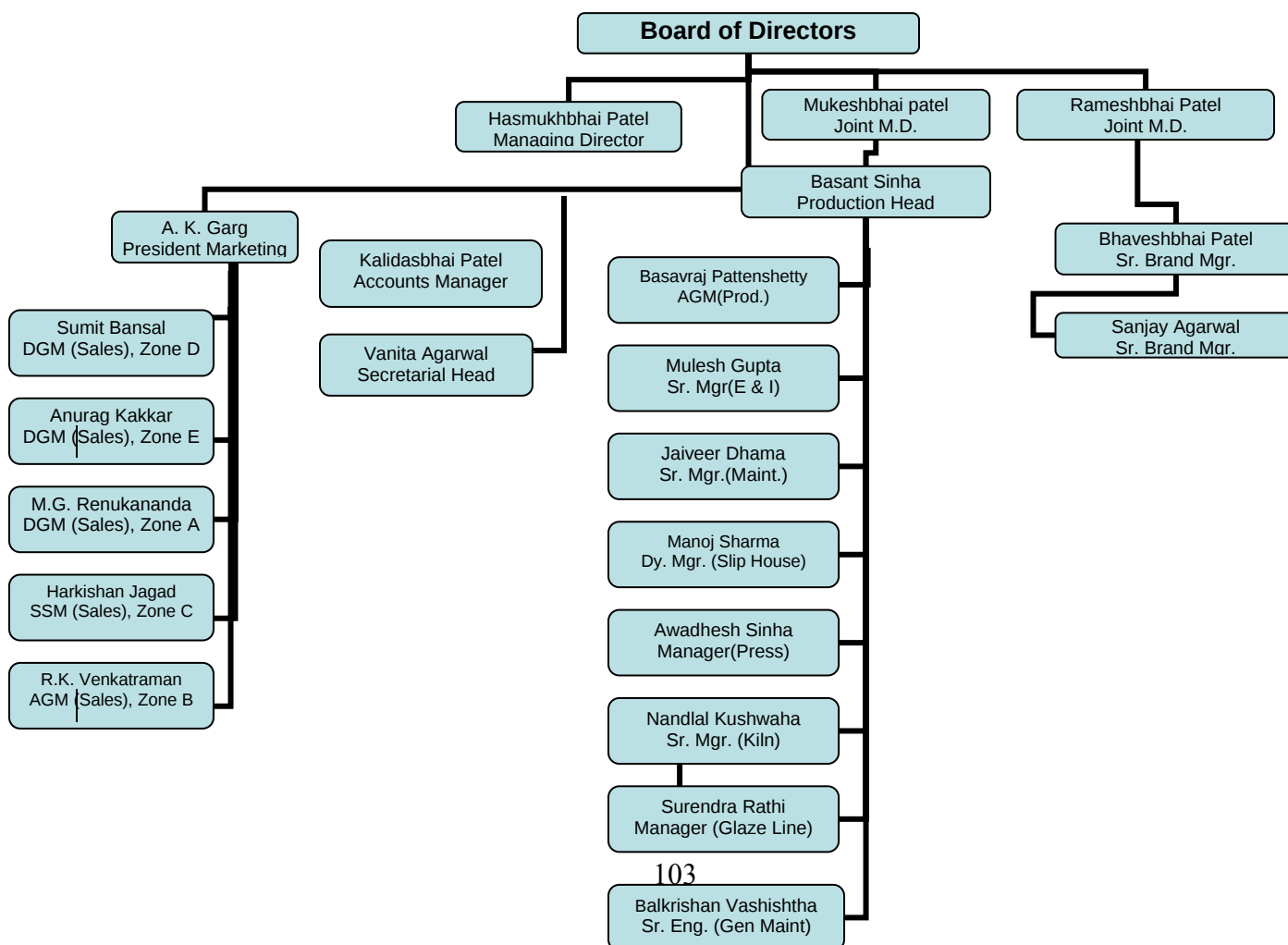
1. Investor relations and redressal of shareholders grievances in general and relating to non-receipt of dividends, interest, non- receipt of balance sheet etc.
2. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee

IPO Committee

The IPO Committee comprises Mr. Kamleshbhai B. Patel, Chairman cum Managing Director, Mr. Hasmukhbhai Patel, Managing Director, Mr. Mukeshbhai Patel, Wholetime Director and Mr. Rameshbhai Patel, Wholetime Director of our Company . This committee is constituted to do all such acts, deeds, matters and things as may be necessary in connection with the initial public offering of our Company, including approving the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus for filing with the Securities and Exchange Board of India and/ or the Registrar of Companies, approving/ incorporating the modifications/ amendments to the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus as required by Securities and Exchange Board of India and/ or the Stock Exchanges, approving the listing of the Equity Shares/ instruments on one or more Stock Exchanges.

Management Organization Structure

Our management organization structure is as follows:



Key Management Personnel

Mr. Avadhesh Kumar Garg, aged 46, is a post graduate in business administration from Rajasthan. Mr. Garg started his career with J. K. Corps Limited in 1980 as a Sales Officer. He was part of the launch of J.K. Lakshmi Cement. In 1988, he joined Grasim Industries Limited and was a part of the launch of Birla White Cement. Subsequently, in 1992, he joined J.K. White Cement Works Limited. In 1993, he entered the ceramic industry by joining Spartek Ceramics Limited. In 1994, he joined Kajaria Ceramics Limited and in 2001 he joined Sun Earth Ceramics Limited as Vice President. He joined us in January 2004 and is presently serving us as President (Marketing) and looks after the marketing channel across the country. His remuneration as at March 31, 2006, was Rs. 2.67 million per annum.

Mr. Basantkumar Sinha, aged 57, is a B. Tech from IIT Kanpur. He has an experience of almost 36 years in the ceramic industry. He started his career with Hindustan Sanitary Ware & Ind. Limited in 1970. Then after a long tenure of 25 years in sanitary ware, he joined Orient Ceramics Limited in 1994. In 1995, he joined SPL Limited as General Manager Production. Finally in 2001 he joined Asian Tiles Limited (our Subsidiary) as in-charge of the production department. He played a key role in the setting up of our plant at Himmatnagar and in its further development. Presently, he heads a team of both skilled and unskilled staff who look after our production department. He has also travelled to UK, France, Italy, & China under technical exchange and technology transfer programmes. His remuneration as at March 31, 2006, was Rs. 0.38 million per annum.

Mr. Sanjay Agarwal, aged 35, is a B. Com from Shri Ram College of Commerce, New Delhi and has obtained an Executive Master's degree in International Business from Indian Institute of foreign Trade. He started his career in 1995 with Alps Limited where he went on to become the Territory Manager. In 1999, he joined the ceramic industry after joining Kajaria Ceramics Limited as Area Manager. In 2001, he joined Bell Granito Ceramica Limited as Area Sales Manager, in-charge of sales in North India. Finally, he joined us in 2004 and is presently a Senior Brand Manager. His remuneration as at March 31, 2006, was Rs. 0.60 million per annum.

Mr. Sumit Bansal, aged 39, has obtained a post graduate diploma in business administration in marketing from Annamalai University, Annamalai and a B.Tech (chemical engineering) from HBTI, Kanpur. Mr. Bansal started his career with Modipon Fibres Company Limited as an officer in June 1988. Then he joined Indian Rayon Industries Limited, New Delhi as Marketing Officer in September 1990. He went on to join Hi Tech Coatings, New Delhi in September 1992 as Manager (Production & Sales). Subsequently, he joined Sun Earth Ceramics Limited, New Delhi in April 2001. He joined us in January 2004 and is presently Deputy General Manager (Sales). His remuneration as at March 31, 2006, was Rs. 0.60 million per annum.

Mr. Anurag Kakkar, aged 42, is a B. Sc. from Agra University. He started his career with Kajaria Ceramics Limited in 1990 as Sales Representative and was promoted to Marketing Executive. In 1999 he started his own business of tiles and sanitary ware. In May 2002, he joined Sun Earth Ceramics Limited. In January 2004, he joined us as Assistant General Manager (Sales). He is presently the Deputy General Manager (Sales). His remuneration as at March 31, 2006, was Rs. 0.49 million per annum.

Mr. Harkishan Jagad, aged 31, is a B. Com and has obtained a post graduate diploma in business management. He started his career with Smruti Ceramics, Thangadh. He joined Berger Paint (I) Limited in 1998 and after working there for two years, he joined Kajaria Ceramics Limited in 2000. Subsequently, he joined Mrudeshwara Ceramics Limited in 2001 and two years down the line he joined Eurocon Tiles Company. In February 2004, he joined us as Regional Sales Manager and is now serving us as Senior Sale Manager since September 2006. His remuneration as at March 31, 2006, was Rs. 0.41 million per annum.

Mr. Mathada G. Renukananda, aged 45, is a M.B.A. from Mangalore University. He started his career with Mysore Cement Limited as Assistant Regional Marketing Officer in the state of Karnataka and over a period of ten years rose to the position of Deputy Manager (Marketing). Thereafter, he joined Bell Granito Ceramica Limited as Area Manager and grew to the position of Assistant General Manager Sales for the company's Southern operations. He joined Restile Ceramis Limited for one year as Deputy General Manager Sales and Marketing. In May 2006, he joined us as Deputy General Manager (Sales). Presently, he is in-charge of our Company's southern operations.

Mr. R. K. Venkatraman, aged 44, is a B. Sc. from R J College, Mumbai University. He started his career with Modistone Tyres as a Quality Control Inspector in 1983. Subsequently, in 1985, he joined Jenson & Nicholson

Limited as Sales Executive. In 1992, he joined Terraco India Private Limited as Sales Manager. In 1998, he entered the ceramic industry by joining Spartek Ceramics India Limited as Regional Sales Manager. He shifted to Eurocon Tiles as Regional Sales Manager in 2001. He joined us in December 2005. Presently, he is an Assistant General Manager. His remuneration as at March 31, 2006, was Rs. 0.66 million per annum.

Mr. Basavaraj Pattenshetty, aged 37, is a B.E. (Ceramics and Cement Tech.) from Gulbarga University, Karnataka. He started his career with Murudeshwara Ceramics Limited as Ceramic Engineer in 1992. He then joined Bell Cermica in 1995 as Senior Engineer (Quality Control). In 1997, he served at Alkhaleej Ceramics, UAE for two years subsequent to which he came back to India and joined Nitco Tiles Limited in 1999. Presently, he is working with us as Assistant General Manager (Production). His remuneration as at March 31, 2006, was Rs. 0.28 million per annum.

Mr. Mulesh Gupta, aged 37, is a B. Sc. from Jivaji University, Gwalior and has obtained a diploma in electronic and communication from the Board of Technical Education, Madhya Pradesh. He started his career in 1989 with Kajaria Ceramics Limited as Senior Engineer (E & I). After an experience of about eleven years he joined our Subsidiary and since inception he has been working with us as Senior Engineer (E & I). His remuneration as at March 31, 2006, was Rs. 0.20 million per annum.

Mr. Jaiveer Dhama, aged 45, has obtained a diploma in mechanical from Anna University. He has been in the ceramic industry for almost 23 years. He started his career as a trainee with Ramnagar Fertilizers Limited in 1983. Then, in 1987, he joined Kajaria Ceramics as Mechanical in-Charge. In 2000, he joined our Subsidiary as the Head of Department (Maintenance). Since 2003 he has been serving us as Senior Manager (Maintenance). His remuneration as at March 31, 2006, was Rs. 0.25 million per annum.

Mr. Manoj Sharma, aged 34, is a B.A. from Chaudhary Charan Singh University, Meerut. He started his career with Kajaria Ceramics Limited in 1990. In 1993, he joined Osho Ceramics Limited. He then joined Skylark Ceramics as Production In-Charge in 1995. In 1998, he re-joined Kajaria Ceramics to look after their Bhivandi division. He served there for about five years. In 2003, he joined Monno Ceramics Industries Limited, Bangladesh. Finally, he joined us as Deputy Manager (Slip House) in April 2005. Presently, he is working in the same capacity. His remuneration as at March 31, 2006, was Rs. 0.14 million per annum.

Mr. Awadhesh Kumar Sinha, aged 35, is a B.E. (Mechanical) from Bangalore University. He started his career with Orient Ceramics & Industries Limited as Assistant Engineer (Press) in 1995. In 2000, he joined SPL Limited and in 2003 he joined us as Manager (Press) and is thus in charge of the press which is responsible for giving the basic structure to a tile. His remuneration as at March 31, 2006, was Rs. 0.19 million per annum.

Mr. Nandlal Kushwaha, aged 43, is a B.A. from Chaudhary Charan Singh University, Meerut. He started his career in 1983 with Swastik Sanitary Ware Limited as Kiln Supervisor. Then, in 1987, he joined Madhusudan Tiles Limited. In 1989, he joined Kajaria Ceramics Limited. In 2001, he joined our Subsidiary to look after the Kiln Department. In October 2003, he joined us and is presently working as Senior Manager (kiln) and thus is in-charge of our Kiln Department. His remuneration as at March 31, 2006, was Rs. 0.25 million per annum.

Mr. Surendra Rathi, aged 37, is a B.A. from Chaudhary Charan Singh University, Meerut. He started his career in 1989 with Kajaria Ceramics Limited as a Supervisor. In 2000, he joined our Subsidiary as Incharge (Glazing Line) and in December 2003 he joined us as Manager (Glaze line) and is presently working in the same capacity. His remuneration as at March 31, 2006, was Rs. 0.18 million per annum.

Mr. Kalidas Patel, aged 37, is a B. Com from North Gujarat University. He started his career with Kedia Ceramics Limited in 1993 as Accounts Manager. He later joined our Subsidiary in 2000 and also worked as Accounts Manager. In October 2003, he joined us as Accounts Manager. He is the Chief Financial Officer of our Company. His remuneration as at March 31, 2006, was Rs. 0.45 million per annum.

Ms. Vanita Agarwal, aged 27, is a Company Secretary from ICSI, M. Com from Gujarat University and has obtained a L.L.B from Gujarat University. She did her company secretary training with Gujarat Ambuja Exports Limited. After finishing her training she joined Veer Plastics Private Limited in April 2002, as a Company Secretary. Subsequently, in August 2003, she joined Ms. Shalini Deen Dayal, a practicing company secretary based

in Hyderabad. In November 2004, she joined Kedia Vanaspati Limited, Hyderabad. Finally, in March 2006, she joined us as company secretary and is presently looking after all our secretarial issues. His remuneration as at March 31, 2006, was Rs. 0.24 million per annum.

Mr. Balkrishna Vashishth, aged 44, has obtained an ITI from UP Technical Education Board, Lucknow. He started his career in 1986 with Surya Limited. In 1989, he joined ECE Lamp. Subsequently, in 1992, he joined Friend Auto Lamp, Noida. He further worked with Hariyana Glass Limited for 2 years. He has also worked with Kajariya Ceramics, Bhawadi for 6 years. Presently he is working as Senior Engineer (General Maintenance) since August 2004. His remuneration as at March 31, 2006, was Rs. 0.1million per annum.

Mr. Bhaveshbhai Patel, aged 26, is a bachelor of computer applications and has obtained a post graduate diploma in computer application. He started his career in 2002 with Asian Tiles Limited. Subsequently, in 2003 he joined us and is now a Senior Brand Promotion Manager. His remuneration as at March 31, 2006 was Rs. 0.45 million.

All of the above key management personnel are permanent employees of our Company.

Shareholding of the Key Managerial Personnel

Name of Key Managerial Personnel	No. of equity shares held (Rs. 10 each)
Kalidas Patel	93,099
Bhavesh Patel	1,82,340

Bonus or Profit Sharing Plan for the Key Managerial Personnel

We have a performance pay policy that is based on achieving financial parameters.

Changes in the key managerial personnel in the last three years have been given below:

Name of Employee	Date of Appointment/ Resignation	Designation	Reason for Change
Financial Year 2003-04			
Basavaraj Pattanshetty	July 1, 2003	AGM (Production)	Appointed
Basavaraj Pattanshetty	July 1, 2003	AGM (Production)	Appointed
Basantkumar Sinha	July 1, 2003	Sr. VP (Production)	Appointed
Awadhesh Kumar Sinha	September 25, 2003	Manager Press	Appointed
Kalidas Patel	October 1, 2003	Manager (Accounts)	Appointed
Bhavesh Patel	October 1, 2003	Sr. Brand Promotion Manager	Appointed
Nandlal Kushwaha	October 1, 2003	Sr. Manager (kiln)	Appointed
Mulesh Gupta	October 1, 2003	Sr. Manager (E & I)	Appointed
Surendra Rathi	December 1, 2003	Manager (Glaze Line)	Appointed
Sanjay Agarwal	January 1, 2004	Dy. General Manager (Business Development)	Appointed
Sumit Bansal	January 1, 2004	Dy. General Manager (Sales)	Appointed
Anurag Kakkar	January 3, 2004	Dy. General Manager (Sales)	Appointed
Harkishan Jagad	February 2, 2004	Sr. Sales Manager	Appointed
Financial Year 2004-05			
Avadheshkumar Garg	April 1, 2004	President (Marketing)	Appointed
Jaiveer Dhama	April 1, 2004	Sr. Manager (Main)	Appointed

<u>Name of Employee</u>	<u>Date of Appointment/ Resignation</u>	<u>Designation</u>	<u>Reason for Change</u>
Balkrishan Vashishth	August 11, 2004	Sr. Eng. (General Maintenance)	Appointed
<i>Financial Year 2005-06</i>			
Manoj Sharma	April 22, 2005	Dy. Manager (Slip House)	Appointed
G. Sheshadri	November 30, 2005	Area Regional Manager	Resigned
Ajith Singh	November 30, 2005	AGM (South)	Resigned
R.K. Venkatraman	December 8, 2005	Dy. General Manager (Sales)	Appointed
Mukesh Avasthi	January 18, 2006	Dy. Regional Sales Manager	Appointed
Srinwas	February 20, 2006	Dy. Regional Sales Manager	Resigned
Vanita Agrawal	March 29, 2006	Company Secretary	Appointed
S.S. Patel	March 31, 2006	V.P. (Marketing)	Resigned
<i>Financial Year 2006-07</i>			
Methada G. Renukananda	May 3, 2006	Dy. General Manager (Sales)	Appointed

Our Subsidiary

Asian Tiles Limited

M/s Asian Tiles Limited, a closely held public limited company was incorporated on December 28, 1999, by Mr. Kamleshbhai Patel, Mr. Hasmukhbhai Patel, Mr. Mukeshbhai Patel, Mr. Vinodbhai Patel, Mr. Jayanthibhai Patel, Mr. Bhogilal Patel and Mr. Kanubhai Patel, the first three being our Directors. The company was incorporated with an object of dealing in ceramic tiles. Accordingly, the company set up a plant for manufacturing of ceramic tiles at Survey no.16 (paiki), Jawanpura, Near Sardar Plant, Idar, Sabarkantha with a capacity of 2500 square meters per day. The company brought about various expansion and modernisation activities and increased its capacity to 7000 square meters per day.

Asian Tiles Limited has its registered office located behind Sardar Plant, Post Idar, Sabarkantha District, Gujarat

The board of directors of Asian Tiles Limited is comprised as under:

1. Mr. Kamleshbhai Patel
2. Mr. Hasmukhbhai Patel
3. Mr. Mukeshbhai Patel
4. Mr. Vinodbhai Patel
5. Mr. Bhogilal Patel
6. Mr. Jayanthibhai Patel
7. Mr. Kanubhai Patel
8. Mr. Maganlal Prajapati

Brief financial details of Asian Tiles Limited* as extracted from the audited accounts for the past three years are as follows:

(in Rs. million, except per share data)

Particulars	As at and for the year ended March 31, 2004	As at and for the year ended March 31, 2005	As at and for the year ended March 31, 2006
Sales and other income	82.90	158.71	285.72
Profit after tax	7.61	22.05	22.10
Equity capital	40.61	40.61	40.61
Reserves ⁽¹⁾	9.54	31.59	54.04
EPS (Rs)	1.87	5.44	5.43
Book value/share (Rs)	12.30	17.74	25.69

* For details of the September 30, 2006 financial performance please see section entitled "Financial Statement" beginning on page [●] of this Draft Red Herring Prospectus.

⁽¹⁾ Net of Revaluation Reserve, inclusive of deferred tax.

(Source: Audited Financial Statements)

The shareholding pattern of Asian Tiles Limited as on January 25, 2007 is as under:

S. No	Name of Share Holder	Percentage of holding
1.	Promoters	0.00017
2.	Holding Company i.e. Asian Granito India Limited	99.99983
3.	Banks, FIs, Mutual Funds and FIIs	NIL
4.	Private Corporate Bodies	NIL
5.	Resident Individuals	NIL
6.	NRIs/ OCBs	NIL
7.	Others	NIL
	Total	100.00

The directors of Asian Tiles Limited hold the following shares in our Company:

Particulars	Number of Shares
Mr. Kamleshbhai Patel	1,888,768
Mr. Hasmukhbhai Patel	274,469
Mr. Mukeshbhai Patel	1,850,960
Mr. Vinodbhai Patel	505,889
Mr. Kanubhai Patel	153,299
Mr. Jayanthibhai Patel	510,739
Mr. Bhogilal Patel	207,299

Our Promoters are:



Our Promoters

Mr. Kamleshbhai Patel

His passport number is A8401553

He does not have a voter's identification card.

He does not have a driver's license.

For further details, see "Our Management - Biographies of our Directors" on page [●] of this Draft Red Herring Prospectus.



Mr. Hasmukhbhai Patel

His passport number is F1689096

His voter's identification card number is 1487602.

He does not have a driver's license.

For further details, see "Our Management - Biographies of our Directors" on page [●] of this Draft Red Herring Prospectus.



Mr. Mukeshbhai Patel

His passport number is F4449317

His voter's identification card number is GJ/15/104/414627

His driver's license number is GJ09/000078/02.

For further details, see "Our Management - Biographies of our Directors" on page [●] of this Draft Red Herring Prospectus.



Mr. Rameshbhai Patel

His passport number is E4063492

He does not have a voter's identification card.

He does not have a driver's license.

For further details, see "Our Management - Biographies of our Directors" on page [●] of this Draft Red Herring Prospectus.

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

Promoter Group

Our Promoter Group comprises:

Sundaram Ceramics

M/s Sundaram Ceramics, a partnership firm was constituted on September 11, 1991, by Smt. Gitaben Rameshbhai Patel, Shree Rameshbhai Mohanbhai Patel, Shree Bhogibhai Bhikhabhai Patel, Smt. Kokilaben Bharatbhai Patel, Smt. Punjiben Ramanbhai Patel and Smt. Bhanuben Arvindkumar Patel. However on April 1, 2002, the firm was reconstituted due to the retirement of Shree Rameshbhai Mohanbhai Patel, Shree Bhogibhai Bhikhabhai Patel, Smt. Kokilaben Bharatbhai Patel, Smt. Punjiben Ramanbhai Patel and Smt. Bhanuben Arvindkumar Patel and the induction of Shree Rameshbhai Bhikhabhai Patel, Shree Bhikhabhai Kodarbhai Patel and Smt. Kodiben Bhikhabhai Patel along with Mrs. Gitaben Rameshbhai Patel. On April 1, 2006, the firm was once again reconstituted due to the retirement of Smt. Gitaben Rameshbhai Patel, Shree Bhikhabhai Kodarbhai Patel and Smt. Kodiben Bhikhabhai Patel and the induction of Shree Bhogibhai Bhikhabhai Patel and Shree Vitthalbhai Joitabhai Patel alongwith Shree Rameshbhai Bhikhabhai Patel.

M/s Sundaram Ceramics has its office opposite Sahkari Jeen, National Highway No. 8, Shamlaji Road, Kankrol, Himmatnagar – 383001

The firm carries on the business of manufacturing ceramic products in the city of Himmatnagar.

The present partners of the firm thus include the following persons:

1. Mr. Rameshbhai Patel
2. Mr. Bhogibhai Patel
3. Mr. Vitthalbhai Patel

Brief financial details of the firm as extracted from their books of account for the past three years are as follows:

(in Rs. million, except per share data)

Particulars	As at and for the year ended March 31, 2004	As at and for the year ended March 31, 2005	As at and for the year ended March 31, 2006
Sales and other income	1.73	2.59	1.56
Profit after tax	0.21	0.26	0.27
Partners capital	1.49	1.51	1.49
EPS (Rs)	NA	NA	NA
Book value/share (Rs)	NA	NA	NA

⁽¹⁾ Net of Revaluation Reserve, inclusive of deferred tax
(Source: Annual Financial Statements)

The profit sharing ratio of the partners is as under:

S. No	Name of the Partner	Percentage of holding
1.	Mr. Rameshbhai Patel	44.00
2.	Mr. Bhogibhai Patel	44.00
3.	Mr. Vitthalbhai Patel	12.00
	Total	100.00

Share Quotation:

M/s Sundaram Ceramics being a partnership concern, the stock exchanges data is not applicable.

M/s Sundaram Ceramics is not a sick industrial unit within the meaning of clause (O) of subsection (1) of the section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and is not in the process of winding up.

M/s Sundaram Ceramics has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

The partners of M/s Sundaram ceramics hold the following shares in our company:

Particulars	Number of Shares
Mr. Rameshbhai Patel	1,888,768
Mr. Bhoghibhai Patel	274,469
Mr. Vitthalbhai Patel	1,850,960

Disclosure on Capital Issue

Not Applicable

Details of the last public/ rights issue made

Not Applicable

Promise vs. Performance

Not applicable

Mechanism for redressal of investor grievance

Not Applicable

Related Party Transactions

For details of related party transactions please refer to the section entitled “Financial Statements” on page [●] of this Draft Red Herring Prospectus.

Dividend Policy

The declaration and payments of dividend will be recommended by our Board and approved by our shareholders at their discretion except interim dividend which will be declared by our Board only. The declaration of dividend depend on a number of factors, including but not limited to our result of operations, cash flows, business requirements, future payouts, capital expenditures and our overall financial condition. We will also be subject to certain covenants put by our bankers.

SECTION 5: FINANCIAL INFORMATION

Financial Statements

To
The Board of Directors
Asian Granito India Ltd
Ahmedabad

Dear Sirs,

As required by Part II of Schedule II of the Companies Act, 1956 and the Guidelines titled “Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000” (the ‘Guidelines’) issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the request dated 11th November 2006 received from the Company, we have examined the financial information contained in the statements duly approved by the Board of Directors and annexed to this report which is proposed to be included in the Prospectus of Asian Granito India Limited (“the Company”) in connection with the proposed issue of shares and we report thereon as follows:

1. We have examined the ‘Statement of Adjusted Profits and Losses’ of the Asian Granito India Ltd. (formerly known as Vasudev Textile Industries Limited Upto November 25, 2002) for each of the financial years ended 31st March, 2002, 2003, 2004, 2005 and 2006, and also for six months ended 30th September 2006, the ‘Statement of Adjusted Assets and Liabilities’ as at those dates and Cash Flow Statements as on 31st March 2003, 2004, 2005 and 2006 and also for six months ended 30th September 2006 as per enclosed **ANNEXURES I, II and III**, respectively to this report and confirm that:

- a. These statements reflect the Adjusted profits and losses and the Adjusted assets and liabilities of the Company for each of the financial years as extracted from the Profit and Loss Account for the financial years ended 31st March, 2002 audited by Bhaidas M Mehta & Co., Chartered Accountant and as extracted from the Profit and Loss Account for the financial years ended 31st March, 2003 audited by Sunil Poddar & Co, Chartered Accountants and for the financial years ended on 31st March 2004, 2005 and 2006 and six months ended 30th September 2006 audited by us and the Balance Sheets as at 31st March 2002 and 2003 audited by Sunil Poddar & Co, Chartered Accountants, and Balance sheet as at 31st March 2004, 2005, 2006 and as at 30th September 2006 audited by us, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Guidelines.
- b. The Significant Accounting Policies adopted by the Company and the Notes to the “Statement of Adjusted Profit & Loss Account” and ‘Statement of Adjusted Assets and Liabilities’ are enclosed as **ANNEXURE IV**.

2. We have also examined the Statements of Adjusted Profits and Losses of Asian Tiles Limited, which became almost 100% Subsidiary of the Company with effect from 27/03/2006 as extracted from the Profit and Loss Account for the half year ended 30th September 2006 audited by us and enclosed in **Annexure V**. Statement of Adjusted Assets and Liabilities of the Subsidiary as on 31/03/2006 and 30/09/2006 as extracted from balance sheet as on those dates audited by us and enclosed in **Annexure VI** and Cash Flow Statement for six months ended 30th September 2006 are enclosed in **Annexure VII** and confirmed that these Statements reflect the Adjusted Profits and Losses and Adjusted Assets and Liabilities of the Subsidiary for each of the relevant year after making the relevant changes in that relevant year. The notes thereof has been mentioned in **Annexure VIII**.

3. We have also examined the Statement of Consolidated Profits and Losses for the half year ended 30th September 2006, the Statement of Consolidated Assets and Liabilities as on 31/03/2006 and 30/09/2006 and the Consolidated Cash Flow Statement for six months ended 30th September 2006 of Asian Granito India Limited and its subsidiary are enclosed in **ANNEXURES IX, X and XI** respectively to this report. The notes to the consolidation of financial statement is mentioned in **Annexure XII**.

4. We have examined the 'Statement of Accounting Ratios' of the Company for each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and half year ended 30th September 2006 enclosed as **ANNEXURE XIII** to this report and confirm that they have been correctly computed from the figures as stated in the 'Statement of Adjusted Profits and Losses' and 'Statement of Adjusted Assets and Liabilities' of the Company referred to in paragraph 1 above.

5. We have examined the accompanying 'Statement of Related Party Disclosure' for each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and half year ended 30th September 2006, enclosed as **ANNEXURE XIV** to this report and confirm that the relationships and transactions between the Company referred to in paragraph 1 above and its related parties have been appropriately reported in accordance with 'AS – 18 Related Party Disclosures' issued by The Institute of Chartered Accountants of India.

6. We have examined the 'Statement of Dividend Paid' by the Company referred to in paragraph 1 above in respect of each of the financial years ended 31st March, 2002, 2003, 2004, 2005, 2006 and half year ended 30th September 2006 on the shares of the Company and its Subsidiary and confirm that neither the company nor its subsidiary have declared any dividend since inception.

7. We have examined the 'Statement of Tax Shelter' for each of the financial years of the company referred to in paragraph 1 above ended 31st March, 2002, 2003, 2004, 2005, 2006 and half year ended 30/09/2006 which are enclosed as **ANNEXURE XV** to this report and report that, in our opinion, it correctly reflects the 'Tax Shelter' for each of these years.

8. We have examined the 'Capitalization Statement' of the company referred to in paragraph 1 above enclosed as **ANNEXURE XVI** to this report and report that it correctly records the matters stated therein.

9. We have also examined the 'Statement of Other Income', 'Statement of Sundry Debtors', 'Statement of Loans and Advances', 'Statement of Secured Loans', 'Statement of Unsecured Loans' enclosed as **ANNEXURE XVII**, **ANNEXURE XVIII**, **ANNEXURE XIX**, **ANNEXURE XX** and **ANNEXURE XXI** to this report and report that it correctly records the matters stated therein. We further report that the information mentioned in the items 4 to 7 above has been correctly computed from the figures as stated in the Statements of Adjusted Profits and Losses and Adjusted Assets and Liabilities referred to in paragraph 1 above.

This report is intended solely for your information for inclusion in the Prospectus in connection with the proposed Public Issue of the Company's shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,
For Deepak R. Soni & Co.,
Chartered Accountants

(D. R. Soni)
Proprietor
(Membership No. 35177
Himmatnagar, 383001
Date :09/01/2007

ASIAN GRANITO INDIA LIMITED

STATEMENT OF ADJUSTED PROFITS & LOSSES : ANNEXURE I

(Rs. In Million)

	For the Six Months Ended September	FOR THE FISCAL YEAR ENDED				
PARTICULARS	30, 2006	2006	2005	2004	2003	2002
INCOME						
Sales (Manufacturing)						
Export Sales	0.10	1.76	0.00	0.00	0.00	0.00
Domestic Sales	743.52	1094.79	633.82	108.58	0.00	0.00
Trading Sales (Domestic)	15.19	30.06	1.43	0.00	2.40	71.52
Less : Excise, Sales Tax	83.88	118.18	75.84	14.13	0.00	0.00
SUB TOTAL	674.93	1008.43	559.41	94.45	2.40	71.52
Increase/(Decrease) in Stock	31.73	85.37	83.48	38.52	0.00	0.00
Other Income	0.24	1.01	0.07	0.47	0.52	0.19
TOTAL	706.90	1094.81	642.96	133.44	2.92	71.71
EXPENDITURE						
Trading Purchases	13.30	42.16	3.59	0.00	1.69	70.76
Raw Material Consumed	177.42	275.38	176.06	30.45	0.00	0.00
Other Manufacturing Expenses	290.68	449.20	243.90	44.25	0.00	0.00
Employees' Emoluments	25.58	34.85	24.45	2.95	0.24	0.26
Selling Expenses	22.46	31.13	34.95	9.76	0.00	0.00
Administrative & Other Expenses	25.48	27.33	26.80	2.66	0.42	0.15
Depreciation	17.82	28.88	15.48	6.10	0.06	0.12
Financial Charges	20.20	31.70	17.66	5.94	0.62	0.40
Miscellaneous Expenditure W/off	0.00	0.00	0.03	0.03	0.03	0.03
TOTAL	592.94	920.63	542.92	102.14	3.06	71.72
Net Adjusted Profit before Tax and Extraordinary Items	113.96	174.18	100.04	31.30	-0.14	-0.01
Provision for Tax - Current Tax	12.76	14.66	7.80	2.41	0.07	0.00
- Deferred Tax	6.85	9.22	14.05	8.79	0.00	0.00
- Fringe Benefit Tax	0.38	0.59	0.00	0.00	0.00	0.00
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
Net Profit after Tax And Extraordinary Items	93.97	149.71	78.19	20.10	-0.21	-0.01
Carried forward Profit from Previous year	159.22	9.51	1.32	0.22	0.43	0.44
Opening Provision for Deferred Tax	0.00	0.00	0.00	0.00	0.00	0.00
Profit available for appropriation	253.19	159.22	79.51	20.32	0.22	0.43
Less: Transfer to General Reserve	0.00	0.00	70.00	19.00	0.00	0.00
Taxation/Depreciation Adjustments of Earlier Year/s	0.00	0.00	0.00	0.00	0.00	0.00

Transfer to Capital Redemption Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Proposed/Interim Dividend on Equity	0.00	0.00	0.00	0.00	0.00	0.00
Proposed/Interim Dividend on Pref.	0.00	0.00	0.00	0.00	0.00	0.00
Corporate Dividend Tax on Equity	0.00	0.00	0.00	0.00	0.00	0.00
Corporate Dividend Tax on Prefer.	0.00	0.00	0.00	0.00	0.00	0.00

ASIAN GRANITO INDIA LIMIED

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES : ANNEXURE II

(Rs. In Million)

PARTICULARS	BALANCE SHEET AS ON					
	30/09/06	31/03/06	31/03/05	31/03/04	31/03/03	31/03/02
A. Fixed Assets						
Gross Block	495.93	331.91	325.25	168.92	2.75	1.59
Less: Depreciation	68.28	50.45	21.58	6.10	0.06	0.73
Net Block	427.65	281.46	303.67	162.82	2.69	0.86
Add: Capital work in progress	0.35	123.00	1.60	0.00	21.24	0.00
Total	428.00	404.46	305.27	162.82	23.93	0.86
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Net Block after adjustment of Revaluation Reserve	428.00	404.46	305.27	162.82	23.93	0.86
B. Investments	41.11	41.11	0.50	0.51	0.51	30.03
C. Current Assets, Loan & Advances						
Inventories	432.57	387.06	203.90	61.03	0.00	1.69
Sundry Debtors	288.25	191.06	91.74	38.15	0.00	36.07
Cash and Bank Balances	31.05	16.43	10.00	5.89	33.64	0.26
Loans and Advances	97.49	58.52	41.56	17.95	23.65	17.12
Total	849.36	653.07	347.20	123.02	57.29	55.14
D. Liabilities and Provisions:						
Secured Loans	490.7	414.41	242.69	97.35	0.00	10.13
Unsecured Loans	24.07	16.04	0.00	7.77	4.77	0.00
Current Liabilities and Provisions	252.58	219.27	137.05	53.70	40.87	39.26
Deferred Tax Liabilities	38.91	32.06	22.84	8.79	0.00	0.00
Total	806.26	681.78	402.58	167.61	45.64	49.39
E. Net Worth (A+B+C-D)*	512.21	416.86	250.39	118.74	36.09	36.64
F. Represented by						
Paid-up Share Capital:						
-Equity Shares	140.61	140.61	100.00	42.52	36.30	36.30
-Preference Shares	0	0.00	0.00	0.00	0.00	0.00
-Reserves and Surplus	398.12	304.15	154.44	76.25	0.22	0.43
Less:- Revaluation Reserve	0	0.00	0.00	0.00	0.00	0.00
Reserves and Surplus after adjustment of Revaluation Reserve	398.12	304.15	154.44	76.25	0.22	0.43
Total	538.73	444.76	254.44	118.77	36.52	36.73

G. MISC. EXPENDITURE UPTO THE extent not w/off	26.52	27.90	4.05	0.03	0.43	0.09
H. Net Worth (F-G)*	512.21	416.86	250.39	118.74	36.09	36.64

ASIAN GRANITO INDIA LIMITED

CASH FLOW STATEMENTS : ANNEXURE III

(Rs. In Million)

	CASH FLOW STATEMENT AS ON				
PARTICULARS	30/09/06	31/03/06	31/03/05	31/03/04	31/03/03
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit after tax and Extra-ordinary items	93.97	149.71	78.19	20.10	-0.21
Adjustment:					
Depreciation.....	17.82	28.88	15.48	6.10	0.06
Deferred Revenue Expenditure written off.....	3.25	4.05	4.05	0.00	0.00
Preliminary Expenses Amortised.....	0.00	0.00	0.03	0.03	0.03
Loss on sale of Assets Written off.....	0.00	0.00	0.00	0.00	0.27
Deferred Tax Liability.....	6.85	9.22	14.05	8.79	0.00
Operating Profit before working Capital changes..	121.89	191.86	111.80	35.02	0.15
Adjustment for					
Trade and other Receivables.....	-97.19	-99.32	-53.59	-38.15	36.07
Loans and advances.....	-38.97	-16.96	-23.61	5.70	-6.53
Inventories.....	-45.51	-183.16	-142.87	-61.03	1.69
Trade Payables.....	33.31	82.22	83.35	12.83	1.61
CASH FROM OPERATING ACTIVITIES (A)	-26.47	-25.36	-24.92	-45.63	32.99
B. CASH FLOW FROM INVESTMENT ACTIVITIES					
Purchase of Fixed Assets.....	-41.37	-128.06	-157.93	-144.62	-23.40
Increase/Decrease in Investments.....	0.00	-40.61	0.01	0.00	29.52
Miscellaneous Expenditure.....	-1.86	-27.91	-8.10	0.00	-0.37
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	-43.23	-196.58	-166.02	-144.62	5.75
C. CASH FLOW FROM FINANCING ACTIVITIES :					
Proceeds from Share Capital.....	0.00	40.61	57.48	6.22	0.00
Share Premium Receipt.....	0.00	0.00	0.00	55.93	0.00
Proceeds from Secured Loans.....	76.29	171.72	145.34	97.35	-10.13
Proceeds from Unsecured Loans.....	8.03	16.04	-7.77	3.00	4.77
CASH FROM FINANCING ACTIVITIES (C)	84.32	228.37	195.05	162.50	-5.36
NET INCREASE IN CASH AND CASH EQUIVALENTS	14.62	6.43	4.11	-27.75	33.38
[A +B+C]					
Cash and Cash Equivalents (Opening)	16.43	10.00	5.89	33.64	0.26
Cash and Cash Equivalents (Closing)	31.05	16.43	10.00	5.89	33.64

ASIAN GRANITO INDIA LIMITED

SIGNIFICANT ACCOUNTING POLICES & NOTES TO THE STATEMENT OF ADJUSTED PROFITS & LOSSES AND ASSETS & LIABILITIES : ANNEXURE IV

01. The Significant accounting policies to the extent applicable the company are as under::

(i) **System of Accounting :-**

The Financial statements are prepared on historical cost basis and on the accounting principles of going concern in accordance with generally accepted accounting principles comprising of the mandatory accounting standards referred to in sub section (3c) of section 211 of the companies Act., 1956 and guidance notes, etc. issued by Institute of chartered Accountants of India and the other provisions of the companies Act, 1956.

(ii) **Revenue Recognition :-**

All known income and expenditure quantifiable till the date of finalization of accounts are accounted on accrual basis when virtual certainty is established.

Sales revenue is recognized when property in the goods with all risk rewards and effective control of goods usually associated with ownership are transferred to buyer at price and includes excise duty, sales tax, insurance, freight etc. but excludes sales return if any.

The presentation of financial statements require estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

(iii) **Fixed Asset :**

Cost of Fixed assets comprises of its purchase price including import duties and other non refundable taxes or levies, expenditure incurred in the course of construction or acquisition and any directly attributable costs of bringing the asset to its working condition for the purpose of use for the business.

Cenvat Credit available on Capital goods has been reduced from cost of purchases of fixed assets and depreciation thereon has been calculated on the balance amount net off cenvat credit available.

Capital Work in progress comprises of cost of capital expenditure incurred for the proposed expansion of the project which is yet to be commenced. It includes cost of relevant borrowing cost and other non refundable taxes or levies, expenditure incurred in the course of construction or acquisition and any directly attributable costs.

(iv) **Depreciation:**

Depreciation has been provided on straight line method in accordance with the provision of section 205(2) (b) of Companies Act, 1956 at the rates prescribed in Schedule XIV of the companies Act, 1956 on prorata basis with reference to the date of acquisition/ installation and date of put to use.

(v) **Investments:**

Investments are shown at their cost plus incidental expenses if any. All the investments made are in long-term nature. Provision for diminution in the value of long-term investment is made only if such decline is other than temporary.

(v) **Valuation of Inventories:**

- Raw Materials – At cost
- Finished Goods - At cost or net realizable value whichever is less.
- Stores & Spares – At cost
- Fuel and Packing materials- At cost.

- Work-in-progress – At Cost of production

The cost of inventory is determined on FIFO cost formula method on relevant categories of inventories after providing for obsolete, slow moving and defective inventories where ever necessary.

Cenvat Credit :

Cenvat Credit available on stores and spares reduced from cost of purchases and balance has been shown in 'Loans & Advances" under Current Assets in the Balance Sheet.

The excise duty payable on the finished goods is accounted on the clearance of goods from factory premises.

(v) **Provisions and Contingent liabilities:**

Contingent liabilities are disclosed after careful evaluation of facts and legal aspects of the matter involved.

Provisions and contingent liability are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(v) **Retirement Benefits.**

Provision for Leave encashment liability is not accounted as the company do not have any policy for ascertaining any leave encashment liability.

As no employee has completed five years of continuous service with the company , there is no liability to provide for Gratuity by the Company.

Contributions to Provident fund are made on due basis.

(ix) **Impairment of Fixed Assets.**

Factors giving rise to any indication of impairment of the carrying amounts of the Company's Assets are appraised at each Balance Sheet date to determine and provide/reverse an impairment loss. There is no impairment in the carrying amounts of Company's Assets.

(x) **Foreign currency transaction:**

Transactions in foreign Currency are recorded in rupees by applying the exchange rate at the date of the transaction. Gains or Losses on settlement of the transactions are recognized under the head currency rate difference in the Profit and loss account.

(xi) **Miscellaneous Expenditure :-**

In accordance with the provisions of section 35D of Income Tax Act 1961, the company has written off one- fifth of expenses.

(xii) **Provision for current and Deferred Tax:**

The tax expense comprises of current tax & deferred tax charged or credited to the profit and loss account for the year. Current tax is calculated in accordance with the tax laws applicable to the current financial year. The deferred tax charge or credit is recognized using the tax rates applicable as on the date of balance sheet. Deferred tax assets are recognized only if there is virtual certainty of realization of such assets. At balance sheet date, recognized and unrecognized deferred tax assets are reviewed.

(xiii) **Borrowing Cost :**

Borrowing cost directly attributable and/or funds borrowed generally and used for the purpose of acquisition/construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized, at its capitalization rate to expenditure on that assets, for the period, until all activities necessary to prepare qualifying assets for its intended use are complete.

(xiv) **Deferred Revenue Expenditure :-**

Deferred Revenue Expenses includes Advertisement expenditure incurred for Brand Promotion, exhibition and mega event show, display charges are amortized over a period of five years .It also includes bank prepayment charges which are amortized over a period of five years.

02. NOTES ON ACCOUNT

1. During the fiscal year 2006 the company has changed the method of charging depreciation from the written down value method to straight line method as provided under section 205 (2)(b) of the companies Act, 1956 on the assets for better presentation of financial data. Accordingly the necessary adjustments have been made while preparing the adjusted statement of accounts for the fiscal year 2003, 2004, and 2005
2. Prior to fiscal year 2003 the company was led by another management with different objective and with different name. All their assets were sold before the new management came into picture and so no effect of change in method of charging depreciation has been given for year prior to 2003.
3. During the fiscal year 2006 the company has changed the method of valuation for inventory from weighted average method to FIFO method for better presentation of financial data. Accordingly the necessary adjustments have been made while preparing the adjusted statement of accounts prior to fiscal year 2006 wherever it was required.
4. Accounting for deferred taxes has been made in the books since the fiscal year 2006, however for the better understanding of the financial statement, the effect of deferred taxes in the adjusted financial statements are given since the financial year 2003-04 when it materially affected. Deferred tax liability is calculated without considering deduction U/S. 80IB of Income Tax Act , 1961.
5. The prior period expenses or income is debited or credited to the year to which it relates to.
6. The excess/short provisioning of income tax has been debited/credited to the year to which it relates to.
7. Excise deducted from Gross sales is inclusive of excise charged on goods transferred to branches remain unsold.
8. Provision for taxation for fiscal years 2004,2005 & 2006 were made in the accounts considering minimum alternate tax on the book profit in view of eligibility of the company for deduction u/s. 80IB @ 100 % of its income. For the half year ended 30th September 2006, the taxes have been provided as per the income computed under the provisions of Income Tax Act, 1961 after considering deduction u/s 80IB @ 30% of income and also deducting the credits available as per section 115JAA (MAT TAX CREDIT) of the Income Tax Act, 1961.
9. The quantity of inventories is based upon physical verification by the management and the valuation is also based on details of cost and realizable value (wherever applicable) considering the quality & other relevant factors ascertained by management. The quantities of inventories, sales and purchases are taken on the basis of details worked out form the bills and the stock records maintained by the company (wherever applicable).
10. In the opinion of the Board of Directors,
 - i. Current Assets, Loans & Advances are realizable in the ordinary course of business, at the value at which they are stated.
 - ii. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
 - iii. No personal expenses have been charged to revenue accounts.

11. Balance of Sundry creditors, debtors, debit/credit balance of loans and advances are subject to confirmation from the respective parties.
12. Figures of the earlier years have been regrouped / rearranged /adjusted wherever necessary to make them comparable with the current year figures.
13. We are unable to categories the dues to Small Scale Industries (SSI) separately due to lack of information regard to the status of the creditors for goods outstanding above 30 days as on the balance sheet date.
14. We have verified the vouchers and documentary evidences wherever made available. Where no documentary evidences were available, we relied on the authentication given by the management.
15. Mainly during fiscal year 2006 & half year ended 30.09.2006 company has made certain practical changes in technical parameters of the product / process which has resulted in reduction of consumption of certain items and consequently reduction in cost of production.

03. **DISCLOSURES:**

01. **Segment Reporting : (AS-17)**

Based on the guiding principle given in Accounting standard on “Segment Reporting” (AS-17) issued by the ICAI, the Company’s primary business is manufacturing of Tiles, the tiles business of the company incorporate product groups i.e Ceramic Tiles which mainly have similar risk and returns, accordingly there are no separable segment,

The operation of the Company is in India and all Assets and Liabilities are located in India. And analysis of the sales by Geographical market is given below.

(Rs. In Million)

Sr No.	Particulars	For the Half Year Ended September 30, 2006	For the Fiscal Year Ended				
			2006	2005	2004	2003	2002
1	Out side India	0.10	1.76	0.00	0.00	0.00	0.00
2	India	758.71	1124.85	635.25	108.58	2.40	71.52

02. **Contingent Liabilities : (AS-29)**

In view of the Accounting Standard issued by ICAI “Provisions and Contingent Liabilities (AS-29)”, following contingent liabilities have been identified which have not been provided for in the books of accounts.

(Rs. In Million)

Sr No.	Particulars	For the Half Year Ended September 30, 2006	For the Fiscal Year Ended				
			2006	2005	2004	2003	2002
1	Bank Guarantee	21.68	1.73				
2	Corporate B.G.	112.20	112.20				
3	Custom Duty**	6.73	6.73				

** The Company has saved custom duty of Rs.67, 32,600/- on purchase of Plant & Machinery imported in fiscal year 2005 under condition that Company is under obligation to export its product worth US \$ 1125617.55 within a period of eight years from the date of licence i.e.18-06-2003. If the said export is not

made within stipulated time period, the Company is required to pay the said saved custom duty together with interest @ 15% P.A.

Further, Bank of Baroda, Corporate banking branch, Ahmedabad has given Guarantee of Rs.16,85,000/- effective from 23.06-2003 to 23.06-2011 to secure above contingent liability.

The company has given corporate bank guarantee to Bank of Baroda on behalf of its subsidiary Co. Asian Tiles Limited for loan availed of Rs. 1122 lacs.

During the period ended on 30th September,2006, the Company has given Bank Guarantee to State Bank of India on behalf of GSPCL for New Gas pipe line connection availed of Rs.200 lacs.

ASIAN TILES LIMITED
STATEMENT OF ADJUSTED PROFITS AND LOSSES ACCOUNT : ANNEXURE V
(Rs. In Million)

	For the Six Months Ended September
PARTICULARS	30, 2006
INCOME	
Sales : (Manufacturing)	
Export Sales	0.00
Domestic Sales	134.44
Less : Excise, Sales Tax	16.96
SUB TOTAL	117.48
Increase/(Decrease) in Stock	4.28
Other Income	0.15
TOTAL	121.91
EXPENDITURE	
Trading Purchases	0.00
Manufacturing Expenses	87.02
Employees' Emoluments	3.20
Administrative & Other Expenses	3.98
Depreciation	6.13
Financial Charges	5.14
Miscellaneous Expenditure W/off	0.02
TOTAL	105.49
Adjusted Profit before Tax and	16.42
Extraordinary Items	
Provision for Tax - Current Tax	1.84
- Deferred Tax	4.45
- Fringe Benefit Tax	0.03
Adjusted Profit Before Extraordinary items	10.10
Extraordinary Income (net of tax)	0.00
Net profit after Extraordinary items	10.10
Carried forward Profit from Previous year	38.21
Opening Provision for Deferred Tax Liability	
Profit available for appropriation	48.31
Less: Transfer to General Reserve	0.00
Taxation/Depreciation Adjustments of Earlier Year/s	NA
Transfer to Capital Redemption Reserve	0.00
Proposed/Interim Dividend on Equity	0.00
Proposed/Interim Dividend on Preference	0.00
Corporate Dividend Tax on Equity	0.00
Corporate Dividend Tax on Preference	0.00

Note :- The above company became almost 100% subsidiary of Asian Granito India Limited w.e.f. March 27, 2006. During Accounting Year 2005-06 it became subsidiary only for 4/5 days hence adjusted Profit & Loss A/c for the year ended 31/03/2006 is not annexed.

ASIAN TILES LIMITED

STATEMENT OF ADJUSTED ASSETS AND LIABILITIES : ANNEXURE VI

(Rs. In Million)

	BALANCE SHEET AS ON	
PARTICULARS	30/09/06	31/03/06
A. Fixed Assets		
Gross Block	179.72	176.91
Less: Depreciation	33.80	27.67
Net Block	145.92	149.24
Add: Capital work in progress	0.00	0.00
Total	145.92	149.24
Less: Revaluation Reserve	0.00	0.00
Net Block after adjustment of Revaluation Reserve	145.92	149.24
B. Investments	0.00	0.00
C. Current Assets, Loan & Advances		
Inventories	59.76	54.58
Sundry Debtors	76.22	58.35
Cash and Bank Balances	3.49	3.59
Loans and Advances	9.50	9.40
Total	148.97	125.92
D. Liabilities and Provisions:		
Secured Loans	92.49	93.89
Unsecured Loans	15.17	9.95
Current Liabilities and Provisions	68.21	67.34
Deferred Tax Liabilities	25.17	20.72
Total	201.04	191.90
E. Net Worth (A+B+C-D)*	93.85	83.26
F. Represented by		
Paid-up Share Capital:		
-Equity Shares	40.61	40.61
-Preference Shares	0.00	0.00
-Reserves and Surplus	53.83	43.73
Less:- Revaluation Reserve	0.00	0.00
Reserves and Surplus after adjustment of Revaluation Reserve	53.83	43.73
Total	94.44	84.34
G. MISC. EXPENDITURE TO THE extent not w/off	0.59	1.08
H. Net Worth (F-G)*	93.85	83.26

ASIAN TILES LIMITED

CASH FLOW STATEMENTS : ANNEXURE VII

(Rs. In Million)

PARTICULARS	Cash Flow Statement For Half Year Ended on September 30, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit after tax and Extra-ordinary items	10.10
Adjustment:	
Depreciation.....	6.13
Deferred Revenue Expenditure written off.....	0.47
Preliminary Expenses Amortised.....	0.02
Loss/(Profit) Written off.....	0.00
Deferred Tax Liability.....	4.45
Operating Profit before working Capital changes..	21.17
Adjustment for	
Trade and other Receivables.....	-17.87
Loans and advances.....	-0.10
Inventories.....	-5.18
Trade Payables.....	0.87
CASH FROM OPERATING ACTIVITIES (A)	-1.11
B. CASH FLOW FROM INVESTMENT ACTIVITIES	
Purchase of Fixed Assets.....	-2.81
Increase/Decrease in Investments.....	0.00
Miscellaneous Expenditure.....	0.00
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	-2.81
C. CASH FLOW FROM FINANCING ACTIVITIES :	
Proceeds from Share Capital.....	0.00
Share Premium Receipt.....	0.00
Proceeds from Secured Loans.....	-1.40
Proceeds from Unsecured Loans.....	5.22
CASH FROM FINANCING ACTIVITIES (C)	3.82
INCREASE IN CASH AND CASH EQUIVALENTS [A+B+C]	-0.10
Cash and Cash Equivalents (Opening)	3.59
Cash and Cash Equivalents (Closing)	3.49

ASIAN TILES LIMITED

SIGNIFICANT ACCOUNTING POLICES AND NOTES ON ACCOUNTS TO THE STATEMENT OF ADJUSTED PROFITS & LOSSES AND ASSETS & LIABILITIES : ANNEXURE VIII

01. SIGNIFICANT ACCOUNTING POLICES:

The Significant accounting policies to the extent applicable the company are as under::

(i) System of Accounting :-

The Financial statements are prepared on historical cost basis and on the accounting principles of going concern in accordance with generally accepted accounting principles comprising of the mandatory accounting standards referred to in sub section (3c) of section 211 of the companies Act., 1956 and guidance notes, etc. issued by Institute of chartered Accountants of India and the other provisions of the companies Act, 1956.

(ii) Revenue Recognition :-

All known income and expenditure quantifiable till the date of finalization of accounts are accounted on accrual basis when virtual certainty is established.

Sales revenue is recognized when property in the goods with all risk rewards and effective control of goods usually associated with ownership are transferred to buyer at price and includes excise duty, sales tax, insurance, freight etc. but excludes sales return if any.

The presentation of financial statements require estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

(iii) Fixed Asset :

Cost of Fixed assets comprises of its purchase price including import duties and other non refundable taxes or levies, expenditure incurred in the course of construction or acquisition and any directly attributable costs of bringing the asset to its working condition for the purpose of use for the business.

Cenvat Credit available on Capital goods has been reduced from cost of purchases of fixed assets and depreciation thereon has been calculated on the balance amount net off cenvat credit available.

(iv) Depreciation:

Depreciation has been provided on straight line method in accordance with the provision of section 205(2) (b) of Companies Act, 1956 at the rates prescribed in Schedule XIV of the companies Act, 1956 on prorata basis with reference to the date of acquisition/ installation.

(v) Valuation of Inventories:

- Raw Materials – At cost
- Finished Goods - At cost or net realizable value whichever is less.
- Stores & Spares – At cost
- Fuel and Packing materials- At cost.
- Work-in-progress – At Cost of production

The cost of inventory is determined on FIFO cost formula method on relevant categories of inventories after providing for obsolete, slow moving and defective inventories where ever necessary.

Cenvat Credit :

Cenvat Credit available on stores and spares reduced from cost of purchases and balance has been shown in ‘Loans & Advances’ under Current Assets in the Balance Sheet. The excise duty payable on the finished goods is accounted on the clearance of goods from factory premises.

(vi) Retirement Benefits.

Provision for Leave encashment liability is made by the company as per policy adopted by the management. Provision for gratuity has not been made however in absence of details the amount could not be ascertained. Contributions to Provident fund are made on due basis as on 31st March, 2006.

(vii) Impairment of Fixed Assets.

Factors giving rise to any indication of impairment of the carrying amounts of the Company’s Assets are appraised at each Balance Sheet date to determine and provide/reverse an impairment loss. There is no impairment in the carrying amounts of Company’s Assets.

(viii) Foreign currency transaction:

Transactions in foreign Currency are recorded in rupees by applying the exchange rate at the date of the transaction. Gains or Losses on settlement of the transactions are recognized under the head currency rate difference in the Profit and loss account.

(ix) Miscellaneous Expenditure :-

In accordance with the provisions of section 35D of Income Tax Act 1961, the company has written off one- tenth of expenses.

(x) Provision for current and Deferred Tax:

The tax expense comprises of current tax & deferred tax charged or credited to the profit and loss account for the year. Current tax is calculated in accordance with the tax laws applicable to the current financial year. The deferred tax charge or credit is recognized using the tax rates applicable as on the date of balance sheet. Deferred tax assets are recognized only if there is virtual certainty of realization of such assets. At balance sheet date, recognized and unrecognized deferred tax assets are reviewed.

(xi) Borrowing Cost :

Borrowing cost directly attributable and/or funds borrowed generally and used for the purpose of acquisition/construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized, at its capitalization rate to expenditure on that assets, for the period, until all activities necessary to prepare qualifying assets for its intended use are complete.

(xii) Deferred Revenue Expenditure :-

Deferred Revenue Expenses includes Advertisement expenditure incurred for Brand Promotion, exhibition and mega event show, display charges are amortized over a period of two years

NOTES TO THE ACCOUNTS

1. All the significant accounting policies of the company has been made in alignment with the accounting policies of the Holding Company.

2. The profit & Loss Account and the Balance Sheet thereof has been adjusted in accordance with SEBI guidelines and has provided thereof.
3. During the fiscal year 2006 the company has changed the method of valuation for inventory from weighted average method to FIFO method for better presentation of financial data and to align with the accounting policies of the holding company. Accordingly the necessary adjustments have been made while preparing the adjusted statement of accounts, wherever it was required.
4. Accounting for deferred taxes has been made in the books since the fiscal year 2006, however for the better understanding of the financial statement and to align with the statement of accounts of holding company, the effect of deferred taxes in the adjusted financial statements are given since it is applicable. .
5. The excess/short provisioning of income tax has been debited/credited to the year to which it relates to.
6. The quantity of inventories is based upon physical verification by the management and the valuation is also based on details of cost and realizable value (wherever applicable) considering the quality & other relevant factors ascertained by management. The quantities of inventories, sales and purchases are taken on the basis of details worked out from the bills and the stock records maintained by the company (wherever applicable).
7. In the opinion of the Board of Directors,
 - i. Current Assets, Loans & Advances are realizable in the ordinary course of business, at the value at which they are stated.
 - ii. The provision for all known liabilities is adequate and not in excess of the amount reasonably necessary.
 - iii. No personal expenses have been charged to revenue accounts.
 - iv. Provision for taxation is made in the accounts considering minimum alternate tax on the book profits
8. Balance of Sundry creditors, debtors, debit/credit balance of loans and advances are subject to confirmation from the respective parties.
9. Figures of the previous year have been regrouped / rearranged wherever necessary to make them comparable with the current year figures.
10. We have verified the vouchers and documentary evidences wherever made available. Where no documentary evidences were available, we relied on the authentication given by the management.
11. We are unable to categorize the dues to Small Scale Industries (SSI) separately due to lack of information regard to the status of the creditors for goods outstanding above 30 days as on the balance sheet date.

CONSOLIDATED PROFITS AND LOSSES ACCOUNT : ANNEXURE IX
(Rs. In Millions)

	For the Six Months Ended September
PARTICULARS	30,09.2006
INCOME	
Sales (Manufacturing)	
Export Sales	0.10
Domestic Sales	864.66
Trading Sales (Domestic)	15.19
Less : Excise, Sales Tax, Return & Sales Capitalized	100.84
SUB TOTAL	779.11
Increase/(Decrease) in Stock	36.01
Other Income	0.39
TOTAL	815.51
EXPENDITURE	
Trading Purchases	0.00
Manufacturing Expenses	555.12
Employees' Emoluments	28.78
Administrative & Other Expenses	51.92
Depreciation	23.95
Financial Charges	25.34
Miscellaneous Expenditure W/off	0.02
TOTAL	685.13
Adjusted Profit before Tax and Extraordinary items	130.38
Provision for Tax - Current Tax	14.60
- Deferred Tax	11.30
- Fringe Benefit Tax	0.41
Adjusted Profit before extraordinary Items	104.07
Extraordinary Income(net of tax)	0.00
Net Profit after extraordinary items	104.07
Less : Minority Interest	0.00
Adjusted Profit after Minority Interest	104.07
Carried forward Profit from Previous year	197.43
Opening Provision for Deferred Tax Liability	0.00
Profit available for appropriation	301.50
Less : Pre Holding Profit tr. To Goodwill/Capital Reserve	0.00
Profit after Consolidation	301.50
Less: Transfer to General Reserve	0.00
Taxation/Depreciation Adjustments of Earlier Year/s	NA

STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES : ANNEXURE X

BALANCE SHEET AS ON

PARTICULARS	30/09/06	31/03/06
A. Fixed Assets		
Gross Block	675.65	508.82
Less: Depreciation	102.08	78.12
Net Block	573.57	430.70
Add: Capital work in progress	0.35	123.00
Total	573.92	553.70
Less: Revaluation Reserve	0.00	0.00
Net Block after adjustment of Revaluation Reserve	573.92	553.70
B. Investments	0.50	0.50
C. Current Assets, Loan & Advances		
Inventories	492.33	441.64
Sundry Debtors	364.47	249.41
Cash and Bank Balances	34.54	20.02
Loans and Advances	105.63	67.92
Total	996.97	778.99
D. Liabilities and Provisions:		
Secured Loans	583.19	508.30
Unsecured Loans	39.24	25.99
Current Liabilities and Provisions	319.43	286.61
Deferred Tax Liabilities	64.08	52.78
Minotiry Interest	0.00	0.00
Total	1005.94	873.68
E. Net Worth (A+B+C-D)*	565.45	459.51
F. Represented by		
Paid-up Share Capital:		
-Equity Shares	140.61	140.61
-Preference Shares	0.00	0.00
-Capital Reserve	37.91	37.91
-Reserves and Surplus	414.04	309.97
Less:- Revaluation Reserve	0.00	0.00
Reserves and Surplus after adjustment of Revaluation Reserve	414.04	309.97
Total	592.56	488.49
G. MISC. EXPENDITURE UPTO THE extent not w/off	27.11	28.98
H. Net Worth (F-G)*	565.45	459.51

CONSOLIDATED CASH FLOW STATEMENT : ANNEXURE XI

	Cash Flow Statement For Half Year Ended On
PARTICULARS	30/09/06
A. CASH FLOW FROM OPERATING ACTIVITIES	
Net Profit after tax and Extra-ordinary items	104.07
Adjustment:	
Depreciation.....	23.95
Deferred Revenue Expenditure written off.....	3.72
Preliminary Expenses Amortised.....	0.02
Loss Written off.....	0.00
Deferred Tax Liability.....	11.30
Operating Profit before working Capital changes..	143.06
Adjustment for	
Trade and other Receivables.....	-115.06
Loans and advances.....	-39.07
Inventories.....	-50.69
Trade Payables.....	34.18
CASH FROM OPERATING ACTIVITIES (A)	-27.58
B. CASH FLOW FROM INVESTMENT ACTIVITIES	
Purchase of Fixed Assets.....	-44.18
Increase/Decrease in Investments.....	0.00
Miscellaneous Expenditure.....	-1.86
CASH FLOW FROM INVESTMENT ACTIVITIES (B)	-46.04
C. CASH FLOW FROM FINANCING ACTIVITIES :	
Proceeds from Share Capital.....	0.00
Share Premium Receipt.....	0.00
Proceeds from Secured Loans.....	74.89
Proceeds from Unsecured Loans.....	13.25
CASH FROM FINANCING ACTIVITIES (C)	88.14
INCREASE IN CASH AND CASH EQUIVALENTS	14.52
[A +B+C]	
Cash and Cash Equivalents (Opening)	20.02
Cash and Cash Equivalents (Closing)	34.54

ANNEXURE XII
NOTES ON ACCOUNT TO THE CONSOLIDATED FINANCIAL STATEMENT

1. The Company “Asian Tiles Limited” became subsidiary of “Asian Granito India Limited” w.e.f. 27th March,2006 which means it is subsidiary for negligible period of 4 to 5 days in the financial year 2005-2006. Hence adjusted Profit & Loss account for the year ended on 31st March,2006 is not annexed and consequently consolidated cash flow statement for the year ended 31.03.2006 also is not annexed.

2. Basis for preparation of accounts:

The accompanying Consolidated Financial Statements of Asian Granito India Limited referred to as the Holding Company and Asian Tiles Limited referred to as the Subsidiary Company are prepared on historical cost basis and on the accounting principles of going concern in accordance with generally accepted accounting principles comprising of the mandatory accounting standards referred to in sub section (3c) of section 211 of the companies Act., 1956 and guidance notes, etc. issued by Institute of chartered Accountants of India and the other provisions of the companies Act,1956.

3. Principles of consolidation:

The financial statements of the holding company and its subsidiary have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income, expenses, after eliminating intra - group transactions in accordance with the Accounting Standard - 21 (AS 21) on "Consolidated Financial Statements" issued by the ICAI.

The financial statements of the holding company and its subsidiaries have been consolidated using uniform accounting policies for like transaction and other events in similar circumstances.

As almost 100% shares of the subsidiary company has been taken over by the Holding company, there is no minority interest reflected in the consolidated statement of account.

4. Segment Reporting:

Based on the guiding principle given in Accounting standard on “Segment Reporting” issued by the ICAI, the Company’s primary business is manufacturing of Tiles, the tiles business of the company incorporate product groups i.e. Ceramic Tiles and vitrified tiles which mainly have similar risk and returns, accordingly there are no separateble segment,

The operation of the Company is in India and all Assets and Liabilities are located in India and analysis of the sales by Geographical market is given below.

Sr No.	Location	(Rs. In Million)
		For the Half Year Ended September 30, 2006
1	Out side India	0.10
2	India	879.85

ANNEXURE XIII

Statement of Accounting Ratios

	For the Six Months Ended September	FOR THE FISCAL YEAR ENDED				
PARTICULARS	30, 2006	2006	2005	2004	2003	2002
Adjusted Net Profit attributable to Equity Shareholders (A)	93.97	149.71	78.19	20.10	-0.21	-0.01
Weighted average number of shares outstanding during the year (B)	7030646	10055634	5602281	4106449	3630408	3630408
Number of equity shares outstanding at the end of the year (c)	14061291	14061291	10000000	4251881	3630408	3630408
Net worth	512.21	416.86	250.39	118.74	36.09	36.64
Less: Revaluation Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted Net Worth: (D)	512.21	416.86	250.39	118.74	36.09	36.64
Accounting Ratios :						
Earning per share (A) / (B)	13.37	14.89	13.96	4.89	-0.06	0.00
Net Assets value per share (D) / (C)	36.43	29.65	25.04	27.93	9.94	10.09
Return on Net Worth (%) (A) / (D)	18.35	35.91	31.23	16.93	-0.58	-0.03
Return on Net Worth (%) (Annualised)	36.70	35.91	31.23	16.93	-0.58	-0.03

Earnings Per Share (Rs.) = $\frac{\text{Adjusted Net Profit (Loss)}}{\text{Weighted Average No of Shares}}$

Net Asset Value Per Share (Rs.)= $\frac{\text{Adjusted Net Worth}}{\text{No. of Equity Shares O/s at the end of the year}}$

Return on Net Worth (%)= $\frac{\text{Adjusted Net Profit (Loss)}}{\text{Adjusted Net Worth}}$

ANNEXURE – XIV

ASIAN GRANITO INDIA LIMITED

Related Party Transactions

The Company has entered into the following related party transactions. Such parties and transactions have been identified as per Accounting Standard 18 “Related Party Disclosure” issued by the Institute of Chartered Accountants of India.

(Rs. In Million)

Description	Relation	For the Half Year Ended September 30, 2006		
		30, 2006	2006	2005
Sales of Goods	Associate Concerns & Subsidiaries		11.88	8.40
Purchases	Associate Concerns & Subsidiaries	13.30	38.21	3.59
Loans received	Key Management Personnel	18.84	8.28	16.28
Loans paid	Key Management Personnel	19.83	1.96	5.24
Investment in Shares	Subsidiaries	40.61	40.61	
Sample Expenses	Relatives of Key Management Personnel			0.14
Show Room Rent	Relatives of Key Management Personnel	0.17	0.32	
Sales Commission	Relatives of Key Management Personnel		0.23	0.05
Salary	Relatives of Key Management Personnel		0.30	
Car Rent	Relatives of Key Management Personnel		0.11	0.12
Interest paid	Associates, Relatives of Key Management Personnel, Management Personnel		0.73	
Directors' Remuneration	Management Personnel	2.31	2.04	1.58
Outstanding Payables	Associates, Relatives of Key Management Personnel, Key Management Personnel	35.48	31.17	10.97
Outstanding Receivables	Associates, Relatives of Key Management Personnel, Key Management Personnel	6.97	8.88	3.10

ANNEXURE – XV

ASIAN GRANITO INDIA LIMITED

Statement of Tax Shelters

(Rs. In Million)

PARTICULARS	For the Half Year ended September	For the fiscal year				
	30, 2006	2006	2005	2004	2003	2002
Adjusted Profit / (Loss) before tax as per books (A)	113.96	174.18	100.04	31.30	-0.14	-0.01
Tax rate						
Normal Rate	33.66%	33.66%	36.59%	35.87%	36.75%	35.70%
MAT	8.42%	8.42%	7.84%	7.69%		
Tax on adjusted profits at applicable Rate	12.76	14.66	7.84	2.41	0.07	NIL
Adjustments						
Permanent Differences						
Export Profits:						
- u/s. 10 B	NIL	NIL	NIL	NIL	NIL	NIL
- u/s. 80 HHC	NIL	NIL	NIL	NIL	NIL	NIL
Dividend u/s. 10(33)	NIL	NIL	NIL	NIL	NIL	NIL
-u/s. 80 IB	28.48	140.19	58.93	9.86	Nil	Nil
Other Adjustments	-0.26	-0.02	-0.64	Nil		
Total Permanent Differences (B)	28.22	140.17	58.29	9.86	Nil	Nil
Timing Difference						
Difference between tax depreciation and Book Depreciation	22.53	6.11	37.70	21.44		
Provision for Gratuity	NIL	NIL	NIL	NIL	NIL	NIL
Provision for doubtful debts	NIL	NIL	NIL	NIL	NIL	NIL
Others(Deferred Rev Exps.)	-3.25	27.90	4.05	NIL	NIL	NIL
Total Timing Difference (C)	19.28	34.01	41.75	21.44	NIL	NIL
Net Adjustments (B + C)	47.50	174.18	100.04	31.30	NIL	NIL
Profit / (Loss) before tax as Income Tax (D) = (A-B-C)	66.46	0.00	0.00	0.00	-0.14	-0.01
Taxable Income as per MAT	113.96	174.18	100.04	31.30	-0.14	-0.01
Tax as per return	12.76	14.66	7.84	2.41	0.07	NIL

ANNEXURE – XVI

ASIAN GRANITO INDIA LIMITED

Statement of Capitalization

Particulars	(Rs. In mn)	
	Pre issue as on September 30, 2006	Post Issue *
Debt		
Short Term Debt(A)	299.64	
Long Term Debt (A)	191.06	
Total Debt	490.70	
Equity Share Holder Funds		
Equity Share Capital	140.61	
Reserves and Surplus	397.78	
Total Share Holders Funds	538.39	
Long Term Debt / Total Share Holders Funds Ratio	0.36	
Total Debt / Net Worth	0.91	

* Shareholder's funds post issue can be calculated only on the conclusion of the book-building process

ANNEXURE - XVII

Statement of Other Income

(In Rs. million)							
	For the Half Year Ended September	For the Fiscal Year					
	30, 2006	2006	2005	2004	2003	2002	
Interest received	0.15	0.27	0.06	0.00	0.52	0.19	Recurring
Miscellaneous Receipts of Income	0.00	0.38	0.00	0.47	0.00	0.00	Recurring
Discount Received	0.09	0.36	0.01	0.00	0.00	0.00	Recurring
TOTAL	0.24	1.01	0.07	0.47	0.52	0.19	

ANNEXURE - XVIII

Statement of Sundry Debtors

PARTICULARS	For the Half Year ended September	(Rs.in Mn)				
		For the fiscal year				
		2006	2005	2004	2003	2002
More than Six Months	38.46	17.77	5.59	0.00	0.00	0.00
Others	249.80	173.30	86.15	38.15	0.00	36.07
Total	288.26	191.07	91.74	38.15	0.00	36.07

ANNEXURE - XIX

ASIAN GRANITO INDIA LIMITED

Break up of Loans and Advances

(Rs.in Mn)

	For the Half Year ended September	For the fiscal year				
	30, 2006	2006	2005	2004	2003	2002
Amt. recoverable in Cash on in kind for value	45.45	20.39	13.92	14.77	19.93	13.84
Adv. Income tax and tax deducted at source	22.55	12.37	5.74	0.12	0.00	0.00
Deposit with Govt. & Semi Govt.	29.49	25.99	21.90	3.06	3.73	3.28
TOTAL :	97.49	58.75	41.56	17.95	23.66	17.12

ANNEXURE – XX

Secured Loans

<u>Particulars</u>	For the Half Year ended September	For the fiscal year					<u>Terms of repayment of Outstanding Loans</u>
	30, 2006	2006	2005	2004	2003	2002	
State Bank Of India – Term Loan	188.90	221.49	0.00	0.00	0.00	0.00	Term Loan –III of Rs.43.5 Million repayable in 20 quarterly installments Commencing from January 01, 2006 With Interest rate being 1.50% below SBI PLR Term Loan –I of Rs.62.8 Million repayable in 72 monthly installments w.e.f. July 18, 2004 With Interest rate being 1.50% below SBI PLR Term Loan –II of Rs.101.2 Million is

							repayable in 20 quarterly installments Commencing from July 31, 2005. With Interest rate 1.50% below SBI PLR
State Bank of India Working Capital Loan	299.64	190.12	18.82	0.00	0.00	0.00	With Interest rate 0.50% below SBI PLR . Minimum 10.25% p.a. with monthly rests.
Bank of Baroda Term Loan	0.00	0.00	174.00	89.70	0.00	0.00	--
Bank of Baroda Cash Credit	0.00	0.00	48.33	7.65	0.00	0.00	---
Kuber Co-operative Bank C/c & B/D	0.00	0.00	0.00	0.00	0.00	10.13	---
HDFC Bank Ltd. Auto Loan A/c	0.11	0.16	0.25	0.00	0.00	0.00	Repayable in 35 monthly installments of Rs.9,150/- with effect from November 7, 2004, at an interest rate of 4.90% p.a.
ICICI Bank Limited Auto Loan A/c	1.10	1.43	1.30	0.00	0.00	0.00	1. Repayable in 36 monthly installments of Rs.18,120/-with effect from March 5, 2006 at an interest rate of 5.83% per annum 2. Repayable in 36 monthly installments of Rs.27,778/- with effect from December 7, 2004 3. Repayable in 36 monthly installments of Rs.13,400/- with effect from May 1, 2005 at an interest rate of 4.84% per annum
Kotak Mahindra Bank Ltd Loan A/c	0.65	0.84	NIL	0.00	0.00	0.00	Repayable in 35 monthly installments of Rs.36,700/-with effect from June 10, 2005 at an interest rate of 6.33% per annum
Tata Motors Ltd. Auto Loan A/c	0.30	0.37	NIL	0.00	0.00	0.00	Repayable in 35 monthly installments of Rs. 12,600/-with

							effect from April 1, 2006 at an interest rate of 6.5% per annum
Total	490.70	414.41	242.70	97.35	0.00	10.13	

ANNEXURE – XXI

Unsecured Loans

<u>Particulars</u>	For the Half Year ended September	For the fiscal year					<u>Terms of repayment of Outstanding Loans</u>
		30, 2006	2006	2005	2004	2003	2002
From Promoters	13.31	7.42	0.00	-	-	0.00	Repayable On Demand with interest @ 6% p.a.
From Others	10.76	8.62		7.77	4.77		
Total	24.07	16.04	0.00	7.77	4.77	0.00	

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations as per our Indian GAAP financial statements for the fiscal years ended March 31, 2003, 2004, 2005 and 2006 and also for the half year ended September 30, 2006, including the notes thereto, which have been restated in accordance with the SEBI Guidelines and appear elsewhere in this Draft Red Herring Prospectus. Our Financial Year ends on March 31 of each year, so all references to a particular Financial Year are to the twelve-month period ended March 31 of that year. However as per SEBI Guidelines the audited restated results for six months ended September 30, 2006 have been provided for herein and elsewhere in the Draft Red Herring Prospectus.

Overview

We are in the business of manufacturing vitrified tiles. We cater to a wide spectrum of consumers through a vast range of products at various price points. Our products include glazed, unglazed, rustic, matte, homogenous and non-homogeneous body, tiles manufactured through water jet cutting, tailor-made designs or customized according to the clients requirement. These products are manufactured at our plant in the Ceramics Zone - Dalpur, Himmatnagar, District. Sabarkantha, Gujarat.

We are one of the leading manufacturers of vitrified tiles in India with the ability to provide most of the major tiling solutions under a single roof. We started our operations in October 2003 by setting up a new manufacturing unit for vitrified tiles with a capacity of 4,000 sq. mtrs per day. The capacity of our plant was increased by 5,000 square meters per day in January 2005 and a further 5,000 square meters per day from July 2006. After the recent expansion in July 2006, our total manufacturing capacity has increased to 14,000 square metres of vitrified tiles per day. After the proposed expansion as described under the section entitled 'Objects of the Issue', the total vitrified tile manufacturing capacity will be increased to 16,000 square metres per day.

We cater to a broad spectrum of the urban and rural population through a nationwide distribution network. Currently, we and our Subsidiary offer ceramic and vitrified tiles across the country through more than 250 dealers and distributors and more than 3,000 Business Associates. The geographical break-up of the sales of our products is set forth below:

- northern zone - 26%;
- eastern zone - 7%;
- southern zone - 22%; and
- western zone - 45%.

Our Promoters, Mr. Kamleshbhai Patel and Mr. Mukeshbhai Patel along with Mr Vinodbhai Patel started ceramic tile manufacturing facility under the name of M/s Kedia Cera Tiles Pvt. Ltd in 1993. The capacity of the plant was 500 square meters per day.

In September 2002, Mr. Kamleshbhai Patel, Mr. Hashmukhbhai Patel, Mr. Mukeshbhai Patel and Mr. Rameshbhai Patel took over the management of M/s Vasudev Textile Industries Limited by taking over 100 % controlling interest of the company. After the change in the management of the company, the name of the company was changed to M/s Asian Granito India Limited and a new manufacturing unit for vitrified tiles with a capacity of 4000 square metres per day was set up. Commercial production commenced from October 2003.

Our Subsidiary, M/s Asian Tiles Limited, set up its first unit for the manufacturing of ceramic tiles and commenced its commercial production in December 2000 with an installed capacity of 2500 square meters per day. This company was incorporated by our Promoters Mr. Kamleshbhai Patel, Mr. Mukeshbhai Patel and Mr. Hashmukhbhai Patel along with Mr. Vinodbhai Patel and others in 1999.

FACTORS AFFECTING RESULT OF OUR OPERATION

Our results of operations are affected by a number of factors and following are some of the important factors which affect our business operations the most:

Supply of Raw Materials

For the manufacture of our vitrified tiles we use both imported as well as indigenous raw materials. The imported raw materials we use include Ukraine clay, soluble salts, colours and chemicals. The supply of Ukraine clay is restricted during the winter, especially in January and February, on account of heavy snow fall witnessed in the

region. However, we maintain an inventory of upto six months in order to ensure that the said shortage of supply does not affect our production.

Amongst the indigenous raw materials we use white clay, zirconium silicate, pota feldspar, soda feldspar, etc. Thus the basic raw material for manufacture of vitrified tiles is clay which is obtained from mining which in turn is regulated by the Government and any adverse change in regulation or control thereof may affect our operational activity accordingly.

Although the prices of raw materials have not varied significantly, we have witnessed a wide fluctuation in the cost of transportation of raw materials. This may affect our results of operation to a great extent.

Cost of Power and Fuel

Cost of power and fuel constitutes about 26.98% of our total operational income according to the adjusted profit & loss a/c for the Fiscal 2006 and thus this plays a significant role. Till July 2006 we were using LPG as fuel and due to instability of crude prices in the international market, the prices of LPG also fluctuated. Now we have entered into an agreement with Sabarmati Gas Company Limited for supply of LNG the cost of which in comparison to LPG is lower by approximately 20-25%. This has enabled us to lower our cost of production and bring stability in our cost structure.

Also, in some of our processes we use a gassifier, which converts coal into gaseous fuel which is used in firing. Coal prices controlled by the Government agencies have in the last few years increased sharply in keeping with the upward trend across the globe.

Foreign Exchange fluctuation

Most of our equipments and machinery have been imported from various countries including Italy and China. Some of our raw materials and various spare parts have also been sourced from outside India. During the first half of the year the rupee has weakened as against the US dollar and the Euro prices. As our export constitutes a very small amount and as we are an importer, any further weakening of the rupee may affect our results of operation. However, since the last two months rupee has appreciated considerably particularly against the US dollar.

Hardening of Interest rates:

In the last few months the Reserve Bank of India is giving the signals of increase in interest rates by increasing the repo rates and creating a money crunch in the market. Recently RBI has announced an increase of 50 basis points in the cash reserve ratio to be carried out in two phases. Accordingly some of the banks have already announced increase in both lending and the deposit rates and the other banks are going on the same line. Since we are utilizing cash credit limits and had taken several term loans from various financial institutions and banks, any increase in PLR rates may have an adverse effect on our profitability.

Also the country is witnessing a boom in the housing sector since last few years due to softer rate of interest however with the increase in interest rate it may affect the construction activity.

Growth in Economy

Our business is directly affected by the economic condition and the development in the infrastructure of the country. Presently Indian economy is witnessing the rising trend and is expected to achieve the target of 8% GDP growth for the current Fiscal. With the surge in economy the infrastructure activity has gained momentum and has created demand for our product in the last few years. Any deterioration in the rating of Indian economy may have an adverse impact on the profitability of our Company.

Government Duties, Levies and Taxation

The Government from time to time has introduced changes in tax income. The Government has announced various tax concessions for development of infrastructure in the country particularly the tax concessions we are enjoying from setting up our unit in a backward area. Also, for the benefit of indigenous manufacturers the Government has introduced anti dumping duty on vitrified tiles. The excise duty has also been reduced from 55% in Fiscal 1993 to 8% currently. Further, subsequent to the introduction of VAT in the state of Gujarat, our effective VAT rates have reduced to about 4-5% as compared to 8% in pre-VAT regime.

Thus, whilst the Government has been provided certain tax benefits for the infrastructure sector any withdrawal of such benefits may adversely affect the profitability of our Company.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies bear an important role in the presentation of the financial data. Our significant accounting policies are discussed in detail as notes to our auditors report on section entitled “Financial Statements” on page [●] of this Draft Red Herring Prospectus. The policies which affect our result of operation the most are discussed as under:

(i) System of Accounting :-

The Financial statements are prepared on historical cost basis and on the accounting principles of going concern in accordance with generally accepted accounting principles comprising of the mandatory accounting standards referred to in sub section (3c) of section 211 of the companies Act., 1956 and guidance notes, etc. issued by Institute of chartered Accountants of India and the other provisions of the companies Act, 1956.

(ii) Revenue Recognition :-

All known income and expenditure quantifiable till the date of finalization of accounts are accounted on accrual basis when virtual certainty is established.

Sales revenue is recognized when property in the goods with all risk rewards and effective control of goods usually associated with ownership are transferred to buyer at price and includes excise duty, sales tax, insurance, freight etc. but excludes sales return if any.

The presentation of financial statements require estimates and assumptions to be made that effect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

(iii) Fixed Asset :

Cost of Fixed assets comprises of its purchase price including import duties and other non refundable taxes or levies, expenditure incurred in the course of construction or acquisition and any directly attributable costs of bringing the asset to its working condition for the purpose of use for the business.

Cenvat Credit available on Capital goods has been reduced from cost of purchases of fixed assets and depreciation thereon has been calculated on the balance amount net off cenvat credit available.

Capital Work in progress comprises of cost of capital expenditure incurred for the proposed expansion of the project which is yet to be commenced. It includes cost of relevant borrowing cost and other non refundable taxes or levies, expenditure incurred in the course of construction or acquisition and any directly attributable costs.

(iv) Depreciation:

Depreciation has been provided on straight line method in accordance with the provision of section 205(2) (b) of Companies Act, 1956 at the rates prescribed in Schedule XIV of the companies Act, 1956 on prorated basis with reference to the date of acquisition/ installation.

(v) Investments:

Investments are shown at their cost plus incidental expenses if any. All the investments were made are of long-term nature. Provision for diminution in the value of long-term investment is made only if such decline is other than temporary.

(vi) Valuation of Inventories:

- Raw Materials – At cost

- Finished Goods - At cost or net realizable value whichever is less.
- Stores & Spares – At cost
- Fuel and Packing materials- At cost.
- Work-in-progress – At Cost of production

The cost of inventory is determined on FIFO cost formula method on relevant categories of inventories after providing for obsolete, slow moving and defective inventories where ever necessary.

Cenvat Credit :

Cenvat Credit available on stores and spares reduced from cost of purchases and balance has been shown in ‘Loans & Advances’ under Current Assets in the Balance Sheet.

The excise duty payable on the finished goods is accounted on the clearance of goods from factory premises.

(vii) Provisions and Contingent liabilities:

Contingent liabilities are disclosed after careful evaluation of facts and legal aspects of the matter involved.

Provisions and contingent liability are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(viii) Retirement Benefits.

The company follows “pay as you go” and does not provide for any retirement benefits.

(ix) Impairment of Fixed Assets.

Factors giving rise to any indication of impairment of the carrying amounts of the Company’s Assets are appraised at each Balance Sheet date to determine and provide/reverse an impairment loss. There is no impairment in the carrying amounts of Company’s Assets.

(x) Foreign currency transaction:

Transactions in foreign Currency are recorded in rupees by applying the exchange rate at the date of the transaction. Gains or Losses on settlement of the transactions are recognized under the head currency rate difference in the Profit and loss account.

(xi) Miscellaneous Expenditure :-

In accordance with the provisions of section 35D of Income Tax Act 1961, the company has written off one- fifth of expenses.

(xii) Provision for current and Deferred Tax:

The tax expense comprises of current tax & deferred tax charged or credited to the profit and loss account for the year. Current tax is calculated in accordance with the tax laws applicable to the current financial year. The deferred tax charge or credit is recognized using the tax rates applicable as on the date of balance sheet. Deferred tax assets are recognized only if there is virtual certainty of realization of such assets. At balance sheet date, recognized and unrecognized deferred tax assets are reviewed.

(xiii) Borrowing Cost :

Borrowing cost directly attributable and/or funds borrowed generally and used for the purpose of acquisition/construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized, at its capitalization rate to expenditure on that assets, for the period, until all activities necessary to prepare qualifying assets for its intended use are complete.

(xiv) Deferred Revenue Expenditure :-

Deferred Revenue Expenses includes advertisement expenditure incurred for Brand Promotion, exhibition and mega event show, display charges are amortized over a period of five years or for the period till when the benefit is availed, whichever is lower.

COMPARISON OF RESULT OF OPERATION

(Rs. In Million)

	FOR THE SIX MONTHS ENDED SEPTEMBER	FOR THE FISCAL YEAR ENDED				
PARTICULARS	30, 2006	2006	2005	2004	2003	2002
INCOME						
Sales (Manufacturing)						
Net Sales	674.93	1008.43	559.41	94.45	2.40	71.52
Increase/(Decrease) in Stock	31.73	85.37	83.48	38.52	0.00	0.00
OPERATIONAL INCOME	706.66	1093.80	642.89	132.97	2.40	71.52
EXPENSES						
Raw Material Consumed including Trading Purchases	190.72	317.54	179.65	30.45	1.69	70.76
Other Manufacturing Expenses	290.68	449.20	243.90	44.25	0.00	0.00
Employees' Emoluments	25.58	34.85	24.45	2.95	0.24	0.26
Total Manufacturing Expenses	506.98	801.59	448.00	77.65	1.93	71.02
Administrative & Other Expenses	25.48	27.33	26.80	2.66	0.42	0.15
Selling Expenses	22.46	31.13	34.95	9.76	0.00	0.00
Miscellaneous Expenditure W/off	0.00	0.00	0.03	0.03	0.03	0.03
OPERATIONAL EXPENSES	554.92	860.05	509.78	90.10	2.38	71.20
NET OPERATIONAL INCOME	151.74	233.75	133.11	42.87	0.02	0.32
Other Income	0.24	1.01	0.07	0.47	0.52	0.19
EBDIT	151.98	234.76	133.18	43.34	0.54	0.51
Depreciation	17.82	28.88	15.48	6.10	0.06	0.12
EBIT	134.16	205.88	117.70	37.24	0.48	0.39
Financial Charges	20.20	31.70	17.66	5.94	0.62	0.40
EARNING BEFORE TAXES	113.96	174.18	100.04	31.30	-0.14	-0.01
Provision for Tax - Current Tax	12.76	14.66	7.80	2.41	0.07	0.00
- Deferred Tax	6.85	9.22	14.05	8.79	0.00	0.00
- Fringe Benefit Tax	0.38	0.59	0.00	0.00	0.00	0.00
EARNING AFTER TAXES	93.97	149.71	78.19	20.10	-0.21	-0.01

SUMMARY OF FISCAL YEAR 2006 AS COMPARED TO FISCAL YEAR 2005

(Rs.in Million)

	FOR THE FISCAL YEAR ENDED			
PARTICULARS	2006	% of Total	2005	% of Total
INCOME				
Sales (Manufacturing)				
Net Sales	1008.43	92.20%	559.41	87.01%
Increase/(Decrease) in Stock	85.37	7.80%	83.48	12.99%
OPERATIONAL INCOME	1093.80	100.00%	642.89	100.00%
EXPENSES				

Raw Material Consumed incl. Trading Purchase	317.54	29.03%	179.65	27.94%
Other Manufacturing Expenses	449.20	41.07%	243.90	37.94%
Employees' Emoluments	34.85	3.19%	24.45	3.80%
Total Manufacturing Expenses	801.59	73.28%	448.00	69.69%
Administrative & Other Expenses	27.33	2.50%	26.80	4.17%
Selling Expenses	31.13	2.85%	34.95	5.44%
Miscellaneous Expenditure W/off	0.00	0.00%	0.03	0.00%
OPERATIONAL EXPENSES	860.05	78.63%	509.78	79.30%
NET OPERATIONAL INCOME	233.75	21.37%	133.11	20.70%
Other Income	1.01	0.09%	0.07	0.01%
EBDIT	234.76	21.46%	133.18	20.72%
Depreciation	28.88	2.64%	15.48	2.41%
EBIT	205.88	18.82%	117.70	18.31%
Financial Charges	31.70	2.90%	17.66	2.75%
EARNING BEFORE TAXES	174.18	15.92%	100.04	15.56%
Provision for Tax - Current Tax	14.66	1.34%	7.80	1.21%
- Deferred Tax	9.22	0.84%	14.05	2.19%
- Fringe Benefit Tax	0.59	0.05%	0.00	0.00%
EARNING AFTER TAXES	149.71	13.69%	78.19	12.16%

Sales

We derive our revenues principally from sale of Vitrified floor Tiles and the sales as stated above comprises mainly of sale of vitrified floor tiles. In some cases Ceramic Tiles purchased from the subsidiary are also sold by the company to facilitate the customer which forms a very negligible part of sales of the company. For the fiscal year 2006 we achieved gross sales of Rs.1126.61 million as compared to Rs.635.25 million, a rise of about 77.35% as compared to the previous year. During the fiscal year 2005 we have raised our capacity from 4000 sq. mtr per day to 9000 sq. mtr. per day in January 2005. The company in both the years has been operated at more than 90% of the capacity utilization. This has marked the acceptance of our product in the market. Further to check our place in the International market, we have exported goods worth Rs.1.76 million in the fiscal year 2006. However as far as vitrified floor tiles is concerned we find that we have better margins in the Indian market and are not looking to enter the foreign market at present.

For the further discussion for comparison purpose we will be using operational income which refers to total income excepts other income i.e. total of net sales and Increase/(Decrease) in Stock.

Cost of Production

Cost of production herein refers to the sum total of prime cost and factory overheads including the depreciation and employee cost. The term "Cost of Production" does not appear in our financial statements however we believe identifying the expenses attributable to the cost of production makes more sense in understanding our business and it puts a self control on to us to work accordingly. Accordingly our cost of production comprises of cost of material consumed, manufacturing expenses, depreciation cost, and employee cost. The same are discussed as under:

Cost of raw material consumed herein refers the amount of raw material consumed while producing the referred sales quantity including the trading purchases if any. All the expenses related to purchases of raw material including freight and transportation is attributable to the cost of purchases. The main raw material for manufacturing of vitrified tiles is Ukrain Clay which is imported from U.K. Russia, etc. For the fiscal year 2006 the same constituted about 29.03 % of operational income amounting to Rs.317.54 million as compared to 27.94% in the fiscal year 2005 amounting to Rs.179.65 million..It must be noticed that during the last two years the selling price has been reduced on account of

competition in the market. The company has been able to reduce the cost of raw material consumed by controlling the cost and also taking various R & D activities on hand to come out at the current proportion of raw material.

Our industry mainly being a capital intensive industry, the employee cost constitutes a very small portion. With more the atomization of the plant the share of employee diminishes accordingly. For the fiscal year 2006 the same amounted to Rs.34.85 million as compared to Rs.24.45 million in the fiscal year 2005 showing a rise of 42.54% as compared to the previous year which is inline with the increase in capacity of the plant and increase in turnover.

Manufacturing expenses as stated in the readjusted audited financial statements includes the cost of raw material consumed and refers to all the expenses attributable to manufacturing of the Tiles. After including the trading purchases the manufacturing expenses amounted to Rs.801.59 million for the fiscal year 2006 as compared to Rs.448.00 million for the fiscal year 2005, a rise of about 78.93% as compared to previous year. Thus in all it constitute 73.28% of the operational income in the fiscal year 2006 as compared to 69.69% in the fiscal year 2005. The main reason for the increase in manufacturing expenses is the reduction in selling prices and increase in various uncontrollable overheads such as fuel cost.

Administration Selling and other Expenses

Administration and other expenses include all the administration, selling, legal and other related expenses excluding the financial charges. The same amounts to Rs.58.46 million in the fiscal year as compared 61.78 million in the fiscal year. As per our cost reduction measures we have tried to put a control over other expenses which were not of much importance.

Other Income

Other income includes interest income, discount earned and other miscellaneous receipts. The same forms a very small part of the total income and are customary to the usual working of the company like deposit given to the bank for opening of the letter of credit and interest earned thereon. The same amounts to Rs.1.01 million in the fiscal year 2006 as compared to Rs.0.07 million in the fiscal year 2005.

EBDIT

EBDIT herein refers to our net earning including other income but before providing for depreciation, interest and taxes. Our EBDIT remained at 21.46% amounting to Rs.234.76 million for the fiscal year 2006 as compared to 20.72% amounting to Rs.133.18 million in the fiscal year 2005. It should be noted that in the initial years when the vitrified market was at a very nascent stage, we could fetch a higher profit margin which gradually reduced with the increase in turnover and competition in the market. However now the prices are stabilizing and we now are concentrating more on the cost reduction measures and sales of value product which could well be seen from the fact that we have improved upon the EBDIT as compared to previous year.

Depreciation

Ours being a capital intensive industry, investment in fixed asset plays a crucial role and accordingly the depreciation constitutes significant portion of our cost structure. During the fiscal year 2006 we have changed the method of depreciation from Written down Value Method to Straight Line Method for better presentation of financial statements and writing off the fixed asset over a period of time rather than carry it over for the life time. After revising the depreciation method the same amounted to Rs.28.88 million in the fiscal year 2006 as compared to Rs.15.48 million in the fiscal year 2005.

Financial Charges

Our company has taken various secured as well as unsecured loans from various banks, financial Institutions and others for our short term as well as long term requirements. Thus the financial charges constitute a very significant amount in our cost structure. It amounted to Rs.31.70 million in the fiscal year 2006 constituting about 2.90% of our total operational income as compared to Rs.17.66 million in the fiscal year 2005 constituting about 2.75% in that year.

Tax Liability

Our unit is situated in Sabarkantha district which has been identified as backward area of class "B" by Central board of Direct Taxes and accordingly we were enjoying 100% tax exemption u/s 80(IB) of the Income Tax Act

1956 till the year ended 31st March 2006. For the current year i.e.2006-07 onwards we are entitled to 30% deduction in profits for another five years. Accordingly we were paying minimum alternative tax on the book profit as per the applicable tax rates. Further with the applicability of Fringe Benefit taxes we are liable to pay the same from 2005-06 onwards. Also as per accounting standard 22 we have provided for deferred taxes from 2006 onwards in the books of account. However for the comparison purpose the same has been reflected from the fiscal year 2004 onwards when we took the charge of the company. For the fiscal year 2006 the total tax liability amounts to Rs.24.47 million as compared to 21.85 million in the fiscal year 2005.

Earning after Taxes

Earning after taxes herein refers to profit available for distribution to shareholders. The same remained at 13.69% of the total operational income for the financial year 2005-06 amounting to Rs.149.71 million as compared to 12.16% in the financial year 2004-05 amounting to Rs.78.19 million. It showed a rise of about 91.47% in the net profit as compared to the previous fiscal year. Although with the increase in competition and reduction in selling price, we are looking to keep our profit margin in tact.

SUMMARY OF FISCAL YEAR 2005 AS COMPARED TO FISCAL YEAR 2004

(Rs. In Million)

PARTICULARS	FOR THE FISCAL YEAR ENDED			
	2005	% of Total	2004	% of Total
INCOME				
Sales (Manufacturing)				
Net Sales	559.41	87.01%	94.45	71.03%
Increase/(Decrease) in Stock	83.48	12.99%	38.52	28.97%
OPERATIONAL INCOME	642.89	100.00%	132.97	100.00%
EXPENSES				
Raw Material Consumed incl. Trading Purchase	179.65	27.94%	30.45	22.90%
Other Manufacturing Expenses	243.90	37.94%	44.25	33.28%
Employees' Emoluments	24.45	3.80%	2.95	2.22%
Total Manufacturing Expenses	448.00	69.69%	77.65	58.40%
Administrative & Other Expenses	26.80	4.17%	2.66	2.00%
Selling Expenses	34.95	5.44%	9.76	7.34%
Miscellaneous Expenditure W/off	0.03	0.00%	0.03	0.02%
OPERATIONAL EXPENSES	509.78	79.30%	90.10	67.76%
NET OPERATIONAL INCOME	133.11	20.70%	42.87	32.24%
Other Income	0.07	0.01%	0.47	0.35%
EBDIT	133.18	20.72%	43.34	32.59%
Depreciation	15.48	2.41%	6.10	4.59%
EBIT	117.70	18.31%	37.24	28.01%
Financial Charges	17.66	2.75%	5.94	4.47%
EARNING BEFORE TAXES	100.04	15.56%	31.30	23.54%
Provision for Tax - Current Tax	7.80	1.21%	2.41	1.81%
- Deferred Tax	14.05	2.19%	8.79	6.61%
- Fringe Benefit Tax	0.00	0.00%	0.00	0.00%
EARNING AFTER TAXES	78.19	12.16%	20.10	15.12%

Sales

We commenced the commercial production of Vitrified tiles by October 2003 with a capacity of 4000 sq. mtr per day. With a six months operation in the first year we could achieve a gross sales of Rs.108.58 million. In the first year of operation we had to struggle a lot as the vitrified tiles industry was at the nascent stage. However soon we got our place in the market and we got a good response both from the retail as well as from the institutional buyer. The demand of our product surpassed the supply and we went into the expansion to take the capacity of the plant from 4000 sq. mtr per day to 9000 sq. mtr per day in January 2005. With the same our sales for the year ended 31st March 2005 was increased to 635.25 million, an increase of 485.05% over the previous year.

Cost of Production

Cost of production as detailed above refers to the sum total of prime cost and factory overheads including the depreciation and employee cost which is detailed as under:

Cost of raw material consumed amounted to Rs.179.65 million in the fiscal year 2005 as compared to Rs.30.45 million in the fiscal year 2004 showing a rise of 489.98% as compared to the previous year. However when compared with the total operational income the same constitutes 27.94% as compared to 22.90% in the previous year. During the fiscal year 2004, the Vitrified Tile Industry was in control of very few players and high margins could be attracted which gradually declined with the broadening of the market area.

The employee cost amounted to Rs.24.45 million in the fiscal year 2005 as compared to Rs.2.95 million in the fiscal year 2004, a rise of about 728.81% as compared to previous year. The main reason for the increase is that in the fiscal year 2004 our company had just stepped in the Vitrified Industry and was operational for just six months. Also we have hired various professional and technical persons in the fiscal year 2005 and also expanded the capacity by 5000 sq. mtr per day having a direct impact over the employee cost.

Manufacturing expenses as defined above amounted to Rs.448.00 million in the fiscal year 2005 as compared to Rs.77.65 million in the previous year. The same constitute about 69.69% of operational income as compared 58.40% in the previous year showing the nature of Industry during that period as explained above.

Administration Selling and other Expenses

For the fiscal year 2005, the Administration, Selling and other expenses amounted to Rs.61.78 million as compared to Rs.12.45 million for the fiscal year 2004, showing an increase of about 396.22% as compared to the previous year.

Other Income

Our company has primarily been focused on operational activity only and other income includes interest income, discount earned and other miscellaneous receipts which are ancillary to the operational activity. The same amounted to Rs.0.07 million in the fiscal year 2005 as compared to Rs.0.47 million in the fiscal year 2004. The higher other income in the fiscal year 2004 was mainly on account of sale of fixed assets of previous management.

Earning before Interest, Depreciation and Taxes (EBDIT)

Our EBDIT as defined above stood at 20.72% amounting to Rs.133.18 million in the fiscal year 2005 as compared to 32.59% amounting to Rs. 43.34 million in the fiscal year 2004. Our EBDIT thus increased in absolute terms by 207.29% but it reduced considerably in relative term owing to the nature of Industry. However with the decline which was already expected we have been able to maintain a healthy Margin.

The depreciation amounts to Rs.15.48 million in the fiscal year 2005 as compared to Rs.6.10 million in the fiscal year 2004 after readjusting the same for change in the method of depreciation. Although following the straight line method the increase was mainly on account of our company being operational for just six months in the fiscal year 2004 and in the fiscal year 2005 we have expanded the capacity by 5000 sq. mtr per day from January 2005 having an impact over the overall depreciation cost.

Financial Charges

The financial charges amounted to Rs.17.66 million in the fiscal year 2005 as compared to Rs.5.94 million in the fiscal year 2004, a rise of 197.31% as compared to the previous year. We had taken various fresh loans in that period for our expansion project as well as for our working capital requirement resulting in the increase in finance charges.

Tax Liability

As explained above the total tax liability of the company including deferred taxes and fringe benefit taxes amounted to Rs.21.85 million for the fiscal year 2005 as compared to Rs.11.20 million in the fiscal year 2004, a rise of about 95.09% as compared to the previous year. The same was in line with the increased turnover and increased profits.

Earning after Taxes

Our earnings after taxes as explained above remained at 12.16% for the fiscal year 2005 amounting to Rs.78.19 million as compared to 15.12% in the fiscal year 2004 amounting to Rs.20.10 million. Thus it showed an increase of 289.00% as compared to the previous fiscal year although with a declined profit margin. The main reason as explained above is the decline in the overall profit margin with the increase in competition and decrease in selling price.

SUMMARY OF FISCAL YEAR 2004 AS COMPARED TO FISCAL YEAR 2003

(Rs. In Million)

PARTICULARS	FOR THE FISCAL YEAR ENDED			
	2004	% of Total	2003	% of Total
INCOME				
Sales (Manufacturing)				
Net Sales	94.45	71.03%	2.40	100.00%
Increase/(Decrease) in Stock	38.52	28.97%	0.00	0.00%
OPERATIONAL INCOME	132.97	100.00%	2.40	100.00%
EXPENSES				
Raw Material Consumed incl. Trading Purchase	30.45	22.90%	1.69	70.42%
Other Manufacturing Expenses	44.25	33.28%	0.00	0.00%
Employees' Emoluments	2.95	2.22%	0.24	10.00%
Total Manufacturing Expenses	77.65	58.40%	1.93	80.42%
Administrative & Other Expenses	2.66	2.00%	0.42	17.50%
Selling Expenses	9.76	7.34%	0.00	0.00%
Miscellaneous Expenditure W/off	0.03	0.02%	0.03	1.25%
OPERATIONAL EXPENSES	90.10	67.76%	2.38	99.17%
NET OPERATIONAL INCOME	42.87	32.24%	0.02	0.83%
Other Income	0.47	0.35%	0.52	21.67%
EBDIT	43.34	32.59%	0.54	22.50%
Depreciation	6.10	4.59%	0.06	2.50%
EBIT	37.24	28.01%	0.48	20.00%
Financial Charges	5.94	4.47%	0.62	25.83%
EARNING BEFORE TAXES	31.30	23.54%	-0.14	-5.83%
Provision for Tax - Current Tax	2.41	1.81%	0.07	2.92%
- Deferred Tax	8.79	6.61%	0.00	0.00%
- Fringe Benefit Tax	0.00	0.00%	0.00	0.00%
EARNING AFTER TAXES	20.10	15.12%	-0.21	-8.75%

Sales

We commenced the commercial production of Vitrified tiles by October 2003 with a capacity of 4000 sq. mtr per day. During the fiscal year the company was run by a different management with an object clause of trading in textiles. Thus our sales in the fiscal year 2004 are incomparable with the sales of fiscal year 2003. Moreover we are a manufacturing concern while the previous management was engaged in the trading activity and that too of textiles. However for the fiscal year 2004 our sales amounted to Rs.108.58 million as compared to Rs.2.40 million in the fiscal year 2003.

Cost of Production

As explained in the comment given in sales, the company was into different business in the fiscal year 2004 and in the fiscal year 2003 and hence was incomparable. For the fiscal year 2003, the term cost of production had limited scope constituting mainly the purchases. Thus the cost of production which amounted to Rs.77.65 million in the fiscal year 2004 amounted to be Rs.1.93 million in the fiscal year 2003.

Administration Selling and other Expenses

For the fiscal year 2003, the Administration, Selling and other expenses amounted to Rs.0.45 million in the fiscal year 2003 as compared to Rs.12.45 million in the fiscal year 2004.

Other Income

The other income of the company for the fiscal year 2003 amounted to Rs.0.52 million as compared to fiscal year 2004. The same was mainly on the activities carried out by the previous management and has very less bearing on our managed company.

EBDIT

Our EBDIT remained at 43.34 million for the fiscal year 2004 as compared to 0.54 million for the fiscal year 2003. During the fiscal year 2003, the new promoters had just taken over the charge of the company and were in the process of setting up of the Vitrified plant at Himmatnagar. The EBDIT for the fiscal year 2003 mainly attributes to the activities carried out by the previous management and has less bearing on the current business of our company.

Financial Charges

The financial charges amounted to Rs.0.62 million in the fiscal year 2003 as compared to Rs.5.94 million in the fiscal year 2004.

Tax Liability

For the fiscal year 2003 the deferred tax liability has not been computed for as the company was managed by other management at that time and also all the assets of the earlier management has subsequently sold off and no timing difference had any effect on the future taxation of the company. Taking the same into account the total tax liability of the company for the fiscal year 2003 amounted to Rs.0.07 million as compared to Rs.11.20 million in the fiscal year 2004.

Earning after Taxes

The earning after taxes again for both the fiscal year is incomparable. However the same amounted to a loss of Rs.0.21 million in the fiscal year 2003 as compared to a profit of Rs.20.10 million in the fiscal year 2004.

SUMMARY DISCUSSION OF THE SIX MONTHS ENDED SEPTEMBER 30, 2006

Along with the annual financial data, we have included in this Draft Red Herring Prospectus financial data for the six months ended 30th September 2006, and the same has been readjusted in accordance with the SEBI guidelines. The same has been discussed as under:

Sales

During the first half of the financial year 2006-07 we have commenced the commercial production of the third line of vitrified tiles plant taking the capacity of Vitrified tiles to 14000 sq. mtr. per day from July onwards. During the

first half of the year we have achieved sales revenue of Rs.758.81 million as compared to Rs.1126.61 million in the full year of 2005-06. It must be viewed that after July 2006 our revenue has increased considerably taking the average sales of the first half to Rs.126.47 million per month as compared to average sales of Rs.93.88 million per month in the fiscal year 2006, a rise of about 34.71% per month. Further the same was on the back that due to flood in Gujarat and Rajasthan the sales of the company were hampered considerably for two months.

Cost of Production

The cost of raw material consumed amounted to Rs.190.72 million for the six months ended 30th September 2006 constituting about 26.99% of the total operational cost. The same was to the tune of 29.03% in the fiscal year 2006. Our company has identified that imported LNG will be cheaper as compared to LPG and other fuel material which the company has been using till date. The company is getting the supply from July 2006 onwards which will reduce the fuel cost by about 20-25%.

In the same way the employee cost amounted to Rs.25.58 million for the half year ended 30th September 2006. The same is expected to be at higher side at the end of the year because of the commencement of third line of Vitrified tiles from July 2006 onwards.

Further manufacturing expenses amounted to Rs.506.98 million for the half year ended 30th September 2006 constituting about 71.74% of the total operational income. The same remained at 73.28% for the fiscal year 2006. The same shows the efforts of our management to take cost effective measures to keep our profitability in tact.

Administration Selling and other Expenses

The administration, selling and other expenses amounted to Rs.47.94 million for the half year ended 30th September 2006 as compared to Rs.58.46 million in the fiscal year 2006. The rise was mainly on account of various expenses incurred by our company for branding and positioning in the market.

Other Income

The other income of the company for the half year ended 30th September 2006 amounted to Rs.0.24 million mainly on account of Interest received and Discount received which is incidental and ancillary to the main business of the company.

EBDIT

Our EBDIT for the half year ended 30th September 2006 remained at 21.51% amounting to Rs.151.98 million. The same constituted about 21.46% for the fiscal year 2006. Thus our company is looking to keep the margins in tact.

Depreciation

During the current year we have commenced the commercial production of our third line of vitrified tile and accordingly depreciation remained at Rs.17.82 million and the same is expected to remain higher at the end of the year.

Financial Charges

The financial charges amounted to Rs.20.20 million for the half year ended 30th September 2006 as compared to Rs.31.70 in the full year of 2005-06. The main reason for the rise being the fresh loan availed by the company for its working as well as long term requirement.

Tax Liability

The total tax liability of the company for the half year ended amounted to Rs.19.99 million after taking the credit of Mat credit available as per the provisions of Income Tax Act 1956.

Earning after Taxes

The earning after taxes for the half year ended 30th September 2006 remained at 13.30 % amounting to Rs.93.97 million. The same was at lower side mainly on account of higher tax burden as we now fall under regular tax payment instead of Minimum Alternative taxes on Book profit.

Liquidity and Capital Resources:

Cash flows

As of March 31, 2006 we had cash and cash equivalents (cash and bank balances) of Rs.16.43 million as compared to Rs.10.00 million as of March 31, 2005 and Rs.5.89 million as of March 31, 2004.

Rs. in millions

PARTICULARS	For the six months ended September 30	Fiscal Year		
	2006	2006	2005	2004
Net cash flow from operating activities	-26.47	-25.36	-24.92	-45.63
Net cash flow from (used in) investing activities	-43.23	-196.58	-166.02	-144.62
Net cash flow from (used in) financing activities	84.32	228.37	195.05	162.50
Cash and cash equivalents at the beginning of the yr.	16.43	10.00	5.89	33.64
Cash and cash equivalents at the end of the year	31.05	16.43	10.00	5.89

Cash flows from operating activities

Net Cash flow from operating activity before the changes in working capital stood at Rs.191.86 million for the financial year ended 31st March 2006, Rs.111.80 million for the financial year ended 31st March 2005 and Rs.35.02 million for the financial year ended 31st March 2004. However the net cash flow from operating activity showed a negative trend which reflects the nature of funding for the working capital requirement. Our prime focus during the years has been to invest all our cash generations for the working capital requirement only. The balance short of fund has been funded by our promoters own contributions and also funded through the bank finance. Also with the increase in business all our current assets i.e. trade and other receivables, loans and advances, inventories and also the trade payables have shown a rising trend during the fiscal year 2005 and 2006.

The same trend continued in the half year ended 30th September 2006. The operating profit before changes in working capital rose to Rs.121.89 million however the net cash flow from operational activity showed the declining trend showing the further investment in the current assets. The increase in the accounts payable to the tune of Rs.33.31 million partly offset the requirement however the balance requirement of Rs.148.36 was partly met by operational cash generation and partly by financial activity.

Cash flows from investing activities

In the fiscal year 2006 we used the cash into investment activity amounting to Rs.196.58 million. Out of the same Rs.40.61 million was invested for acquiring the shares of Asian tiles Limited. Further in the fiscal year 2006 and 2007 we have increased the capacity of our plant by 5000 sq. per mtr. per day and accordingly we have invested Rs.128.06 million in 2006 the fixed assets of the company. Also for coming into IPO and also for the business development expenditures we have incurred Rs.27.91 million as deferred revenue expenditure.

In the fiscal year 2005 we have increased the capacity of our plant by 5000 sq. mtr per day and accordingly we have made capital expenditure of Rs.157.93 million in the fixed assets of the company. Also incurred deferred revenue expenditure of Rs.8.10 million for the business development of the company.

In the fiscal year 2004 we commenced the commercial production of the plant with the capacity of 4000 sq. mtr. per day and accordingly we incurred a capital expenditure of Rs.144.62 million during that fiscal.

In the fiscal year assets of the previous management were sold and we had purchased new assets for our Vittrified Tiles business and accordingly investments worth Rs.29.52 million were sold and investments worth Rs.23.40 million were purchased. Further incurred pre-operative expenses of Rs.0.37 million for the proposed project.

For the half year ended 30th September 2006 we have used cash flow for investing activity to the tune of Rs.43.23 million which primarily constituted our investment made into the fixed assets. We have invested a total of Rs.41.37 million into the fixed assets of the company for taking the capacity of our plant to 14000 sq. mtr. per day and also some expenditures for purchase of land for the proposed wall tile unit.

Cash flows from financing activities

Our deficit in operational activity and also the investment activity has been partly financed from our financial activity. In the fiscal year 2006 our investment in acquiring the capital of the subsidiary company has been financed through issue of fresh shares amounting to Rs.40.61 million. Also the investment in fixed assets and also the operational activity has been partly financed by the secured loans taken from banks or financial institutions and also from the unsecured loan.

In the fiscal year 2005 we have raised our capital by Rs.57.48 million to part finance the investment in fixed asset, for the repayment of unsecured loan of Rs.7.77 million and also for the working capital requirement of the company. Our secured loans have been raised by Rs.145.34 million to part finance our capital investment in fixed asset and for working capital requirement.

In the same way in the fiscal year 2004 we have raised the capital of our company by issue of 0.62 million shares of face value of Rs.10/- at a premium of Rs.90/- per share. Further our secured loans and unsecured loans have increased by Rs.97.35 million and Rs.3.00 million respectively. The same was used to finance the investment activity as well as our working capital requirement.

For the fiscal year 2003 we have used Rs.10.13 million for repayment of secured loans taken by previous management. Also we have brought in further unsecured loan of Rs.4.77 million for the daily requirement of the company.

For the half year ended 30th September 2006 we have raised the cash flow through financial activity to the tune of Rs.84.32 million including Rs.76.29 million as secured loan and Rs.8.03 million as unsecured loan. The same as stated earlier was used to part finance the investment activity and for our working capital requirement.

Quantitative and Qualitative Disclosures about:

Unusual or infrequent events or transactions

Except as described in this Draft Red Herring Prospectus, during the period under concern there have not been any events or transactions which to our best knowledge may be described as “unusual” or “infrequent”.

Significant economic changes

Except as described elsewhere in the Draft Red Herring Prospectus, there have been no significant economic changes during the periods under review that have materially affected or are likely to affect our income.

Known trends or uncertainties

Our business has been affected and we expect that it will continue to be affected by the trends identified above under "Factors Affecting Our Results of Operations" and the uncertainties described in the section entitled "Risk Factors" beginning on page [●] of this Draft Red Herring Prospectus. To our knowledge, except as disclosed in this Prospectus, there are no known factors which we expect to have a material adverse impact on our revenues or income.

Future relationship between costs and revenues

Except as described in the chapter “Management Discussion and Analysis of Financial Condition and Results of Operation” and in “Risk Factors” and elsewhere in this Draft Red Herring Prospectus, to our best of knowledge, there are no known factors which will have material impact on the profitability of the company.

Material Increase in Turnover

To the best of our knowledge Increase in turnover and revenues are due to the factors described in the chapter showing comparison of sales of this Management Discussion Report.

Seasonality

We are into the Ceramic Industry which is altogether a part of the Construction Industry. The pace of construction activity generally goes down in the monsoon season and so to that extent our operations are affected.

Dependence on certain clients or suppliers

Our revenues come from the various corners of the country and by and large our cliental base is distributed enough. However as regard to supply of machinery, most of our machineries have been sourced from Italy and especially one supplier and also for further supply of machines we again are looking toward that supplier.

Competitive conditions

For details please refer to the discussion of our competition in the sections entitled “Risk Factors” and “Our business” in this draft red herring prospectus.

Significant development after September 30, 2006 that may affect our result of operation

Except as stated elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, no significant development has taken place after September 30, 2006 which may materially or adversely affect our future result of operations.

COMPARISON OF RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDING SEPTEMBER 30, 2006 WITH THE STANDALONE RESULTS OF OPERATIONS FOR THE FISCAL YEAR 2006

	Standalone results for The Fiscal Year Ended 2006		Consolidated Results For The Six Months Ended September 30, 2006	
PARTICULARS		% of Total		% of Total
INCOME				
Sales (Manufacturing)				
Net Sales	1008.43	92.20%	779.11	95.58%
Increase/(Decrease) in Stock	85.37	7.80%	36.01	4.42%
OPERATIONAL INCOME	1093.80	100.00%	815.12	100.00%
EXPENSES				
Raw Material Consumed incl. Trading Purchase	317.54	29.03%	235.1	28.84%
Other Manufacturing Expenses	449.20	41.07%	320.02	39.26%
Employees' Emoluments	34.85	3.19%	28.78	3.53%
Total Manufacturing Expenses	801.59	73.28%	583.9	71.63%
Administrative & Other Expenses	27.33	2.50%	51.94	6.37%
Selling Expenses	31.13	2.85%		0.00%
Miscellaneous Expenditure W/off	0.00	0.00%	0	0.00%
OPERATIONAL EXPENSES	860.05	78.63%	635.84	78.01%
NET OPERATIONAL INCOME	233.75	21.37%	179.28	21.99%
Other Income	1.01	0.09%	0.39	0.05%
EBDIT	234.76	21.46%	179.67	22.04%

Depreciation	28.88	2.64%	23.95	2.94%
EBIT	205.88	18.82%	155.72	19.10%
Financial Charges	31.70	2.90%	25.34	3.11%
EARNING BEFORE TAXES	174.18	15.92%	130.38	16.00%
Provision for Tax - Current Tax	14.66	1.34%	14.6	1.79%
- Deferred Tax	9.22	0.84%	11.3	1.39%
- Fringe Benefit Tax	0.59	0.05%	0.41	0.05%
EARNING AFTER TAXES	149.71	13.69%	104.07	12.77%

Our Indebtedness

Details of Secured Borrowings

Our secured borrowings as of January 25, 2007 are as follows:

A. Asian Granito India Limited

S. No.	Nature of borrowing/debt	Amount Sanctioned	Repayment and Interest	Security
1.	State Bank of India	a. Cash credit of Rs. 290 million b. Term Loan I of Rs. 62.8 million c. Term Loan II of Rs. 101.2 million d. Term Loan III of Rs. 43.5 million e. Letter of Credit of 50 million f. Bank Guarantee of Rs. 40 million Total – 587.5 million	a. To be renewed every twelve months. Interest rates being 0.50% below State Bank Advance Rate (PLR) minimum 10.25% p.a. with monthly rests. b. 72 equal monthly instalments of Rs.1.232 million. Interest rate being 1.50% below SBI PLR rate. c. 20 quarterly instalments of Rs.2.625 million each commencing from the end of July 2005. Interest rate being 1.50% below SBI PLR rate. d. 20 Quarterly instalments of Rs.2.625 million commencing from January 2005 with a moratorium period of six months. Interest rate being 1.50% below SBI PLR rate e. To be renewed every twelve months and commission to be paid at SBI standard rates as applicable from time to time. f. To be renewed every twelve months and commission to be paid at SBI standard rates as applicable from time to time.	a. Primary: Exclusive charge over entire current assets of the company including stocks, stores & spares and receivables. Collateral: Extension of charge over entire fixed assets of company. b. Primary: Exclusive charge over entire fixed assets including factory land and building of the company. Collateral: Extension of charge over current assets of the company. c. Primary: Exclusive charge over entire fixed assets including factory land and building of the company. Collateral: Extension of charge over current assets of the company. d. Primary: Exclusive charge over entire fixed assets including factory land and building of the company. Collateral: Extension of charge over current assets of the company. e. Primary: Counter Guarantee of the company Collateral: Extension of charge on the entire fixed and current assets of the company f. Primary : Document of title of Goods Collateral : Extension on charge on fixed assets of the company

S. No.	Nature of borrowing/debt	Amount Sanctioned	Repayment and Interest	Security
2.	Development Credit Bank	Rs. 50 million	a. Repayment : 4 equal monthly instalments of Rs.12.50 million each payable at the end of 6 th , 7 th , 8 th and 9 th month of disbursement Interest: Development Credit Bank BPLR less 4.75% or 11.00% fixed on choice of the company.	a. Undertaking to create charge on encumbered assets of the Company/promoter directors for an equivalent amount of the gap, in case of default in payment of instalment/interest of short term loan

State Bank of India facility

The loan agreements and sanction letters provide for certain negative and restrictive covenants that must be observed by the Company during the currency of the loans. The loan agreement has a number of restrictive covenants including requirement of prior approval for change in capital structure, amalgamation or reconstruction, undertaking any new project, implementation of any scheme of expansion etc. We also require the prior approval of the bank to declare dividends (in the event of default), enter into any borrowing arrangement, whether secured or unsecured, with any other bank, financial institution etc. Further, the bank has the option of appointing a director on the Board of Directors of our Company.

Development Credit Bank facility

The loan agreements and sanction letters provide for certain negative and restrictive covenants that must be observed by the Company during the currency of the loans. The loan agreement has a number of restrictive covenants including requirement of prior approval for change in capital structure, amalgamation or reconstruction, undertaking any new project, implementation of any scheme of expansion etc. We also require the prior approval of the bank to declare dividends (in the event of default), invest by way of share capital in or lend or advance funds to or place deposits with any other concern, enter into any borrowing arrangement, whether secured or unsecured, with any other bank, financial institution etc or undertake to provide any guarantee on behalf of any other company/firm etc. Further, we require prior approval from bank in repayment of monies brought in by the promoters/directors, principal shareholders, etc and also for entering into any long term contractual obligation/s directly affecting the financial position of the company.

In addition to the aforementioned, as of September 30, 2006, the Company's outstanding borrowings are as set out below:

S. No.	Nature of borrowing/debt	Sanctioned Amount (Rs. In Million)	Repayment and Interest
1	HDFC Bank Limited auto loan a/c	0.30	Repayable in 35 monthly instalments of Rs.9,150/- with effect from November 7, 2004, at an interest rate of 4.90% p.a.
2	ICICI Bank Limited auto loan a/c	0.60	Repayable in 36 monthly instalments of Rs.18,120/- with effect from March 5,

S. No.	Nature of borrowing/debt	Sanctioned Amount (Rs. In Million)	Repayment and Interest
			2006 at an interest rate of 5.83% per annum
	ICICI Bank Limited auto loan a/c	1.00	Repayable in 36 monthly instalments of Rs.27,778/- with effect from December 7, 2004
	ICICI Bank Limited auto loan a/c	0.45	Repayable in 36 monthly instalments of Rs.13,400/- with effect from May 1, 2005 at an interest rate of 4.84% per annum
3	Kotak Mahindra Bank Limited loan a/c	1.14	Repayable in 35 monthly instalments of Rs.36,700/- with effect from June 10, 2005 at an interest rate of 6.33% per annum
4	Tata Motors Limited auto loan a/c	0.45	Repayable in 35 monthly instalments of Rs. 12,600/- with effect from April 1, 2006 at an interest rate of 6.5% per annum
	Total	3.94	

B. Asian Tiles Limited

S. No.	Nature of borrowing/debt	Amount Sanctioned	Repayment and Interest	Security
1.	Bank of Baroda	a. Term Loan I of Rs. 9.20 million b. Term Loan II of Rs.53.00 million c. Cash credit of Rs.50 million Total – 112.20 million	a. Repayable in 48 monthly instalments, 36 instalments each of Rs.0.72 million and rest 12 instalments of Rs.0.34 million commencing from December 2003. Interest rate 1.00% above Bank of Baroda (BOB) BPLR. b. Repayable in 72 monthly instalments, 71 instalments each of Rs.0.736 million and final instalment of	a. Hypothecation of plant and machinery (Present and future) b. Hypothecation of plant and machinery (Present and future) c. Hypothecation of goods viz. Stock of Raw material like feldspar, china clay, quartz, ball clay, solibates, solution, polishing abrasives, etc., Stock in progress, Stock of Finished Goods and Stores and Spares.

S. No.	Nature of borrowing/debt	Amount Sanctioned	Repayment and Interest	Security
			Rs.0.744 million. Interest rate 1.50% below BOB BPLR. c. To be renewed every twelve months. Interest rate at BOB BPLR.	

Bank of Baroda facility

The loan agreements and sanction letters provide for certain negative and restrictive covenants that must be observed by our Subsidiary during the currency of the loans. The loan agreement has a number of restrictive covenants including requirement of prior approval for undertaking any new project, implementation of any scheme of expansion etc. We also require the prior approval of the bank to declare dividends (in the event of default), enter into any borrowing arrangement, whether secured or unsecured, with any other bank, financial institution etc.

SECTION 6: LEGAL AND OTHER INFORMATION

Outstanding Litigation and Other Material Developments

Save as stated herein:

- there is no outstanding or pending litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of part 1 of Schedule XIII of the Companies Act) or litigation for tax liabilities against our Company or Directors or Subsidiary or entities in our Promoter Group;
- there are no defaults, non-payments or overdue of statutory dues, institutional or bank dues or dues towards holders of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of our Company or Subsidiary or entities in our Promoter Group;
- no disciplinary action has been taken by SEBI or any stock exchanges against our Company or Directors or Subsidiary or entities in our Promoter Group;
- there is no outstanding litigation against the Directors of our Company.

Contingent Liabilities and Outstanding Litigation Involving the Company

A. *Contingent liabilities*

As at September 30, 2006, our contingent liabilities not provided for was Rs. 140.61 million on account of corporate guarantee given to the bankers of our Subsidiary, guarantee given for fulfilment of export obligations and other bank guarantees given to various suppliers for supply of raw material, fuel, etc. For further details please refer to section entitled "Financial Statements" on page [●] of this Draft Red Herring Prospectus.

B. *Outstanding Litigation Involving the Company*

Cases filed against the Company

1. On December 20, 2006, the Income Tax Officer, Sabarkantha Ward - I, Himmatnagar, passed an assessment order against the Company alleging concealment of income from undisclosed sources and furnishing inaccurate particulars of income in the return of income filed by the Company on October 3, 2004. In relation to this assessment order the Company has been served a notice of demand for Rs. 1,046,496 by the Income Tax Officer.
2. On January 9, 2007, the Deputy Commercial Tax Commissioner (Disputes-3), Gandhinagar, has served a recovery notice under Gujarat Sales Tax Act, 1969 for Rs. 1,962,743 upon the Company. This recovery demand relates to tax credit availed on goods that were disputed by the Company as consumables. The time period for filing an appeal against the said recovery notice and demand is 60 days from the date of the notice and the Company is considering filing an appeal against the same.
3. On January 3, 2007, the Deputy Commercial Tax Commissioner (Disputes-3), Gandhinagar, has served a recovery notice under Gujarat Sales Tax Act, 1969 for Rs. 4,507,857 upon the Company. This recovery demand relates to tax credit availed on raw materials and fuel purchased by the Company. The tax department is of the view that sales tax credit on input material can be taken if it forms the part of output material. LDO and kerosene, etc do not form part of output material and so the tax credit can not be taken. The time period for filing an appeal against the said recovery notice and demand is 60 days from the date of the notice and the Company is considering filing an appeal against the same.
4. On July 19, 2006, one Mrs. Poonam Singh had filed a complaint (no. 376 of 2006) before the Consumer Disputes Redressal Forum, Thane District, alleging that boxes of tiles manufactured by the Company that she

had bought to fix on the floor of her house, on account of defects, had developed patches in a short time after being affixed. She has claimed Rs. 193,220 as compensation for the same. In October 2006, the Company along with the co-party, Pranav Trading Company, has filed a written statement refuting the said claims of the complainant. This case is pending.

5. Mr. Sohailbhai Ghulam Hussain filed a case (No. 24 of 2006) before the District Consumer Court against Evershine Ceramics and the Company. Mr. Sohailbhai purchased premium vitrified pearl white tiles from Evershine Ceramics (authorised dealer of the Company) worth Rs. 58,552/- (Rupees Fifty Eight Thousand Five Hundred and Fifty Two only) on March 31, 2005. In September 2005, Mr. Sohailbhai informed the authorised dealer that certain black spots had begun to form on the tiles supplied to him. A representative of the Company then visited the showroom of Mr. Sohailbhai where the tiles had been laid. The representative replaced a tile and took one defective tile back to the Company for inspection. The Company then provided Mr. Sohailbhai with a lotion, which would remove the black spots that had appeared on the tiles. Mr. Sohailbhai informed the Company that the spots had not gone despite use of the lotion. Mr. Sohailbhai has filed the present case asking for compensation. The financial implication on the Company is Rs. 2,33,552/- (Rupees Two Lakh Thirty Three Thousand Five Hundred and Thirty Two only) (Rs 1,00,000 as compensation for mental harassment and loss of reputation + Rs. 75,000 as labour cost for fitting the tiles + Rs. 58,552/- is the cost of the tiles). The Company has filed its reply and the matter is presently pending.
6. Bell Granito Ceramica Limited (Plaintiff) filed a suit (No. 856 of 2004) for the grant of an interim injunction against the Company under Order 39 Rule 1 & 2 of the Code of Civil Procedure. The Plaintiff claims that the Company has chosen the trade name GRANITO which is a well known mark of the Plaintiff with an ulterior and mala fide intention. The Plaintiff says that its well known trade mark GRANITO has been registered in its favour under application no. 767236 as of September 26, 1997 in class 19 in respect of wall and floor tiles, natural marble and granite, ceramic tiles, vitrified ceramic tiles, vitrified granite tiles under the Trade Marks Act, 1999. The Plaintiff also says that their well-known artistic work GRANITO is registered under the Copyrights Act, 1957 bearing no. A5581799. The Plaintiff states that it first became aware of the use of the word GRANITO by the Company through the market. Thereafter the Plaintiff conducted a search at the offices of the Registrar of Companies and found that the Company had been registered with the word GRANITO. The Plaintiff immediately served a notice dated January 23, 2004 on the Company through its advocate Mr. Chandrakant M. Joshi calling upon them to discontinue the use of the word GRANITO. The Plaintiff alleges that the Company by using the word 'GRANITO' is trying to usurp the goodwill earned over the years by the Plaintiff. The Plaintiff also alleges that compensation in terms of money would not be adequate and hence prays to the Court for the grant of an injunction restraining the Company from using the word GRANITO in its trade name. The matter is presently pending.
7. Specific Ceramics issued a legal notice dated May 20, 2004 to the Company objecting to the use of the word 'RECTO' by the Company. The Company issued a reply dated May 25, 2004 through its advocate Mr. Girishkumar K. Bhavsar. In the reply it was specifically stated that the contents of the notice were completely wrong. The reply mentions that the use of the mark 'RECTO' by Specific Ceramics is unwarranted and unauthorised as the mark has not yet been registered in its favour. The reply denies that the Company has adopted an identical and deceptively similar mark in respect of the same goods. The reply mentions that the Company has spent a lot of money to market their brand and is not usurping the goodwill and name of Specific Ceramics. It is also mentioned that the Company is the exclusive proprietor of the mark 'ASIAN'.

Cases filed by the Company

1. The Company filed a complaint under section 138 of the Negotiable Instruments Act before the Chief Judicial Magistrate's Court, Himmatnagar, against Mr. Anand Dave, proprietor of Manvant Agency. The Company supplied Mr. Dave with tiles worth Rs. 63,331/- (Rupees sixty three thousand three hundred and thirty one only). Mr. Dave drew a cheque in favour of the Company for the said amount. The bank due to insufficiency of funds returned the said cheque to the Company. This complaint is pending.

2. Three proceedings under section 138 of the Negotiable Instruments Act, 1881 filed against M/s. Landmark Associates, Bangalore, before Chief Judicial Magistrate, Himmatnagar, in respect of dishonour of cheques and a total claim of Rs. 82,000. These cases are pending.]

Contingent Liabilities and Outstanding Litigation Involving our Subsidiary

A. Contingent liabilities

As at September 30, 2006, our Subsidiary has provided for all known liabilities and there is no known contingent liability as at that date.

B. Outstanding Litigation Involving our Subsidiary

Cases filed against our Subsidiary (Asian Tiles)

1. Specific Ceramics Limited filed a regular civil suit (No. 3 of 2004) before the District Court Ahmedabad against Asian Tiles objecting to the use of the word '*RECTRO*' by Asian Tiles. Specific Ceramics claim that the use of the word '*RECTRO*' is likely to cause confusion in the minds of the people, as it is deceptively similar to their mark '*RECTO*' for which an application for registration has been filed. Specific Ceramics Limited have prayed for a temporary injunction to restrain Asian Tiles from using the mark '*RECTRO*', Specific Ceramics have prayed to the court for the following reliefs, i.e. Asian Tiles be decreed to pay a sum of Rs. 300/- (Rupees Three Hundred only) as and by way of damages or such other sum as the Court may deem fit, Asian Tiles be ordered to deliver to Specific Ceramics for destruction all articles bearing the mark '*RECTRO*' and Asian Tiles to pay the costs of the suit. This suit is pending.
2. Somani Pilkington Limited (SPL) served a cease and desist notice on Asian Tiles through its Advocates R.R. Shah & Co. SPL allege that they have been using the mark '*VITRO CRYSTAL*' for a very long period. SPL's ceramic tiles are sold under the brand name '*VITRO CRYSTAL*' and as a consequence they have acquired a great reputation and goodwill in the market. The notice alleges that SPL is the exclusive proprietor of the mark '*VITRO CRYSTAL*' in respect of ceramic tiles. SPL has made applications for the registration of the said mark with the Trade Marks Registry. SPL became aware of the fact that Asian Tiles was using the mark '*VITRO*' in respect of similar goods i.e. ceramic tiles and sent the said notice.

In the notice SPL have asked for the following steps to be taken by Asian Tiles:

- Cease, withdraw the sale of ceramic tiles under the '*VITRO*' mark.
- Forward an undertaking not to use the mark '*VITRO*'.
- Pay SPL Rs. 1,00,000/- (Rupees One Lakh Only) by way of damages.

Asian Tiles has at present filed its reply to the said notice.

Penalties imposed on our Directors

1. Mr. Mukeshbhai Patel and Mr. Kamleshbhai Patel, both of whom were directors on the board of Kedia Cera Tiles Private Limited, were directed to pay a personal penalty of Rs. 10,000/- each. These penalties arose from certain dues that were pending against Kedia Cera Tiles Private Limited and confirmed pursuant to OIO No. 23/jt. Comm/Ahd/11/99 dated October 14, 1999. These penalties have been paid.

Material Developments:

There have been no material developments since the date of the last balance sheet.

Licences and Approvals

Our Company has received the following Government approvals / licenses / consents:

S. No.	Registration / Approval / Certificate / Consent / Licence / Permission
1.	SIA registration number 75/SIA/IMO/2003 dated January 8, 2003, issued by Secretariat for Industrial Assistance for manufacturing of tiles falling under the broad description No. 3206 for a capacity of 24000 MT
2.	SIA registration Number 5054/SIA/IMO/2004 dated December 30, 2004, issued by Secretariat for Industrial Assistance for manufacturing of tiles falling under the broad description No. 3206 for increase in capacity to 80000 MT
3.	SIA registration number 5415/SIA/IMO/2006 dated October 10, 2006 issued by Secretariat for Industrial Assistance for manufacturing of tiles falling under the broad description No. 3206 for increase in capacity to 125000 MT
4.	Subsidy Registration (under 'Assistance for Medium & Large Industries, 2000 Scheme' for development of infrastructure) vide letter no.354 dated February 11, 2004 from Office of the Industries Commissioner and validity being till 3 years from the date of issuance of letter
5.	Confirmation letter no.127/2005 dated March 4, 2005 by District Industrial Centre of subsidy grant of Rs.0.2 million for quality control
6.	Confirmation letter dated November 23, 2005 from the Office of the Industries Commissioner for grant of subsidy of Rs. 0.48 million being 25% of the cost of project Rs.1.94 million.
7.	Certificate of Importer Exporter Code (IEC) No.0802009859 dated December 31, 2002, issued by the Ministry of Commerce
8.	Permanent Account No. (PAN): AAFC A2340H issued vide letter dated November 25, 2002
9.	TAN No.AHMA02836B issued vide letter dated February 4, 2003
10.	Central Sales Tax Registration certificate no.24550800469 dated September 26, 2005
11.	Gujarat Sales Tax Registration certificate no.24050800469 dated December 16, 2002 issued by Gujarat State.
12.	Service Tax Registration no.AAFC A2304HST001 issued vide letter no. STC/GTA/GNR2547 dated February 2, 2006 for location code 030205 and nature of service tax payment being transport of goods by road. Form – ST-2 dated February 2, 2006 being Certificate of Registration for payment of Service Tax on Services of Transport of Goods by Road.
13.	Central Excise Registration Certificate No.AABCV3835EXM001 (changed to AAFC A2340HXM001 on April 3, 2006) dated March 11, 2003 for manufacture of Excisable Goods
14.	EPCG license no. 0830000336/2/11/00 dated June 18, 2003 issued by Foreign Trade Development Officer, DGFT for Export Obligation of USD 11,25,617.55 (valid for 8 years from date of issue) against savings of Custom Duty amounting to Rs. 67,32,600/- for shipment (mostly of machinery) over a period of 24 months.
15.	Form No. III for license to store "Compressed Gas in pressure vessel or vessels" (Propane) vide license no.S/HO/45/03/628(S5213) issued vide letter dated March 21, 2006 issued by Petroleum & Explosive Safety Organisation (PESO), Ministry of Commerce and Industry for 60329 kg. of liquefied gases and valid till March 31, 2006; subsequently renewed, and now valid till March 31, 2009.
16.	Approval letter no.706 (S5213) dated February 5, 2003 from Department of Explosives for storage of Propane Gas (as above) under SMPV Rules.
17.	Letter no. POL/NOC/SR/13/2003 dated August 13, 2004 from the Office of the District Magistrate granting a No Objection Certificate for storage of Petroleum Class-B 32 KL
18.	Letter dated July 17, 2003 for approval of storage of Class C petroleum (furnace oil/LDO) upto 45 KLS from Department of Explosives.
19.	License No.3/2005 dated October 10, 2005 for storage of fuel in the factory, valid till October 9, 2006 (further renewed on October 12, 2006 valid till October 9, 2008) for 3600 K.L.
20.	License no. PWC/GJ/15/2383(P40852) to store Class B petroleum & installation for 32 K.L. and valid till December 31, 2006 (further renewed on December 6, 2006 valid till December 31, 2009).
21.	Letter dated October 29, 2005 from the Industrial Safety and Health Court confirming the Plant layout
22.	Factory License No.11973 dated February 23, 2004 for upto 250 employees and upto 5000 HP of electricity valid till December 31, 2007.

23.	Certificate for registration under Weights and Measurement Act, 1985 vide registration no. 41 dated December 3, 2003 issued by Asst. Controller of Legal Metrology
24.	Registration with Employees Provident Fund Organisation dated November 20, 2003 vide letter no.GJ/PFC/NRD/60059/ENF/93.
25.	License dated March 28, 2006 from Licensing Officer under Contract Labour Rules, to Contractor Arvindbhai Kodarbhai Vankar for providing 20 labourers for the work of packing/sorting/loading/unloading and other unskilled work relating to vitrified and ceramic tiles at the Company's factory, valid till December 31, 2006.
26.	License dated March 28, 2006 from Licensing Officer under Contract Labour Rules, to Contractor Bhimsingh Gurjar for providing 28 labourers for the work of packing/sorting/loading/unloading and other unskilled work relating to vitrified and ceramic tiles at the Company's factory, valid till December 31, 2006.
27.	License dated March 28, 2006 from Licensing Officer under Contract Labour Rules, to Contractor Mukeshbhai Karsanbhai for providing of 20 labourers for the work of packing/sorting/loading/unloading and other unskilled work relating to vitrified and ceramic tiles at the Company's factory, valid till December 31, 2006.
28.	Gas Sales Agreement dated May 1, 2006 between Gujarat State Petroleum Corporation Limited and the Company for supply of Gas.
29.	Certificate of consent no. 5128 dated January 24, 2005 issued by the Gujarat Pollution Control Board under the provisions of the Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981 and Handling and Management of Hazardous Waste Rules 1989, for manufacture of ceramic vitrified tiles of 950 MT per month, valid till May 31, 2009.
30.	No Objection Certificate no. 2231 dated January 18, 2006 from the Gujarat Pollution Control Board for manufacture of ceramic vitrified tiles from 950 Mt to 6670 MT per month, valid till 5 years from the date of issue.
31.	Amendment (vide letter no. 5980) in the consolidated consent and authorization certificate issued by Gujarat Pollution Control Board dated March 4, 2006, amending condition pertaining to maximum sewage emission per day (increased from 5000 lit/ day to 13000 lit/day) and fuel consumption.
32.	Agreement with the Gujarat Electricity Board dated August 18, 2003 for supply of consumer electrical energy of 1000KVA
33.	Gujarat Electricity Board letter No.HNRD/TECH/HT/144 dated January 10, 2001 for release of additional 1400 KVA power increasing the contract demand from 1000 KVA to 2400 KVA
34.	Letter No.UGVCL/Regd./Com/EHT/33245/2121 dated May 24, 2005 from Uttar Gujarat Vij Co. Limited for release of additional 2400 KVA power increasing the contract demand from 2400 KVA to 4800 KVA
35.	Letter No.UGVCL/Regd./Com/EHT/33245/2921 dated July 15, 2006 from Uttar Gujarat Vij Co. Limited for setting up of 66 KV power plant at the factory site at Dalpur, Prantij. The Company is currently negotiating an agreement which is to be entered into with respect to the same
36.	Certificate under Form G dated July 7, 2004 for exemption from payment of electricity duty under clause (vii)(a) or (b) of Section 3(2) of the Bombay Electricity Duty Act, 1958 from November 28, 2003 to October 9, 2008, granted by Collector of Electricity Duty
37.	Grant Letter no.30001 dated November 25, 2005 for exemption from payment of electricity duty, from the office of the Collector of Electricity Duty for use of 1 x 500 KVA Generator Set R.No.64-C valid up to September 10, 2008
38.	Grant Letter no.20967 dated August 4, 2004 for exemption from payment of electricity duty, from the office of the Collector of Electricity Duty for use of 3 x 500 KVA Generator Set R.Nos.64 to 64B till September 9, 2008
39.	Registration letter no.28754 dated November 8, 2005 from Office of the Collector of Electricity Duty, for Generator Set SK/64-C
40.	Registration letter no.28754 dated November 8, 2005 from Office of the Collector of Electricity Duty, for Generator Set SK/64-C
41.	Registration letter no.30236 dated November 3, 2004 from Office of the Collector of Electricity Duty, for Generator Set SK/64-A
42.	Registration letter no.30246 dated November 3, 2004 from Office of the Collector of Electricity Duty, for Generator Set SK/64-B
43.	Registration letter no.30238 dated November 3, 2004 from Office of the Collector of Electricity Duty, for

	Generator Set SK/64
44.	Letter dated April 13, 2006 for exemption under Clause 8 of Gujarat Restriction on Consumption and Regulation and Regulation of Supply of Electrical Energy and Periods of Works Order, 1948, granted to the Company vide Government Notification, Energy & Petrochemicals Department dated July 20, 1993 permitting the Company to utilize 986 HP on all staggered holidays for one year.
45.	Permission dated March 4, 2003 from Taluka Panchayat Office to the Company for permitting the use of land for industrial purpose. This also permits the consolidation of plots no. 160, 161 and 166 into 160 located at village Dalpur, Prantij, Sabarkantha
46.	Approved plant layout by the Junior Town Planner, Himmatnagar at plot no.160 dated January 18, 2003.
47.	Permission letter dated March 6, 2003 from the village Panchayat Office for construction on plot no. 160.
48.	Approval dated October 19, 2005 from the Office of Industrial Safety and Health to the Company for the plan for extension of the factory at plot no. 160, under the Factories Act, 1948.
49.	Letter under dated May 18, 2006 Nagar Aayojan and Mulyankan Khata regarding instructions for non agricultural use of plot no.162 with attached plan layout for plot 162.
50.	Trade Mark Registration Certificate No.1206179 dated 16 th January 2006 for registration of “asiyana TILES”, effective from June 13, 2003
51.	Copyright Registration Certificate No.A-76437/2006 dated May 16, 2006 for registration of “ASIAN TILES” as artistic work.
52.	Copyright Certificate No.A-76434/2006 dated May 15, 2006 for registration of “ASIAN VITRIFIED TILES” as artistic work.
53.	Copyright Certificate No.A-72474/2005 dated May 3, 2005 for registration of “ASIAN GANITO” as artistic work.
54.	ISO 9001:2000 Certificate No.06I0206 dated June 28, 2006 effective from June 1, 2006 valid up to May 13, 2007
55.	Membership Letter No.1462 dated May 28, 2003 from CAPEXIL (Chemical & Allied Products export promotion Council) granting membership code no. W8011 as a large scale manufacturer

The Company has also made an application dated July 27, 2006 to Gujarat Pollution Control Board for additional No Objection Certificate of 3747 MT per month to take the capacity up from 6670 MT per month to 10417 MT

Our Subsidiary has received the following Government approvals / licenses / consents:

S. no.	Registration / Approval / Certificate / Consent / Licence / Permission
1.	SIA registration number 1234/SIA/IMO/2000 dated May 9, 2000, issued by Secretariat for Industrial Assistance for a capacity of 12000 MT.
2.	Certificate of Importer Exporter Code (IEC) no. 0899008241 dated February 8, 2000 issued by the Ministry of Commerce.
3.	Central Sales Tax Registration Certificate no.24550401282 dated (not available on certificate).
4.	Gujarat Sales Tax Registration Certificate No.24050401282 dated September 17, 2005, issued by Sales Tax Officer, Ahmedabad
5.	Service Tax Code no.AACCA5213EST001 vide letter no. STC/GTA/GNR/1790 dated May 31, 2006 for rendering of services such as transport of goods by road, business auxiliary services and intellectual property services other than copyright. Form No.ST-2 being certificate of registration for Service Tax as detailed above.
6.	Central Excise Registration Certificate no.AACCA5213EXM001 dated March 11, 2003
7.	Permanent Account number AACCA5213E dated December 28, 1999 in the name of Asian Tiles Limited
8.	TAN no.AHMA04330E vide letter no. 301013571/TAN/000116793 dated June 30, 2004
9.	Certificate of registration no.RC0504000004 dated May 5, 2004 under sub section (1) of section 5 of the Gujarat Sales Tax on Professions, Trades, Callings and Employment Act, 1976
10.	Consent Order no.5100 dated January 19, 2005 from Gujarat Pollution Control Board for manufacture of ceramics floor / wall tiles up to 1375 MT per month.
11.	License number PV(WC)S-785/GJ/SAB/PVS-8 dated May 10, 2004, under form III for storage of compressed gas in pressure vessel, issued by Department of Explosives and valid up to March 31, 2004

	(renewed subsequently and now valid up to March 31, 2007). License number 1/2001 dated April 12, 2002 by District Magistrate, Sabarkantha for storage of compressed gas in pressure vessel
12.	Certificate no. GJ/SAB/HP-66 issued vide letter dated May 11, 2001 by Department of Explosives, for storage of 25 KL petroleum class C.
13.	Certificate no.P/WC/GJ/15/2384(P132660) dated May 3, 2006 for storage of 14 KL Class B Petroleum, issued by Petroleum and Explosives Safety Organization and valid up to December 31, 2008.
14.	License no. P/WC/GJ/15/2384 dated October 19, 2004, issued by Petroleum and Explosives Safety Organization and valid up to December 31, 2008
15.	Factory License no.013733 for employing 100 workers and usage of 2000 HP of energy and valid up to December 31, 2006. Asian Tiles Limited has, vide its letter dated September 14, 2006, applied to the Directorate of Industrial Safety and Health Court for the renewal of this license.
16.	Registration no.48 dated January 17, 2004 under Standard of Weights and Measures (Packaged Commodities Rules), 1977, issued by Assistant Controller of Legal Metrology, Sabarkantha, for floor and wall tiles.
17.	Registration code GJ/AMD/29236 vide letter no.GJ/PFC/AHD/29236/ENF/180993 dated March 20, 2002 with the Employees Provident Fund Organization.
18.	License number Himmat/Co. T/5/05 dated May 30, 2005 from Licensing Officer under Contract Labour Rules, to Contractor Mohansingh Dharam Singh for providing 15 labourers for work at the company's factory, valid up to December 31, 2006.
19.	License number Himmat/Co. T/6/05 dated May 30, 2005 from Licensing Officer under Contract Labour Rules, to Contractor Sailesh Patel for providing 15 labourers for work at the company's factory, till valid up to December 31, 2006.
20.	Permission vide letter no. CEG/Sytstem/CPI/Sch.I/1161 dated February 13, 2001 from Gujarat Electricity Board to utilize a load of up to 200 KVA on staggered holidays.
21.	Agreement with Uttar Gujarat Vij Company Limited dated December 2, 2005 for supply of consumer electrical energy of 1000 KVA

Other Regulatory and Statutory Disclosures

Authority for the Issue

The issue of Equity Shares in this Issue by our Company has been authorised by the resolution of our Board of Directors passed at their meeting held on November 7, 2006, subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the general meeting of the shareholders of our Company held on December 5, 2006, at Ahmedabad.

Prohibition by SEBI / RBI

Neither our Company, our Directors, our Promoters nor the companies with which our Company's Directors are associated with as directors or promoters, have been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI.

Neither our Company, our Promoters, our Directors and the companies in which our directors are directors nor the entities in our Promoter Group, have been declared as wilful defaulters by RBI or any other governmental authority and there have been no violations of securities laws committed by them in the past or no such proceedings are pending against our Company or them.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under with eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years, of 12 months each, of which not more than 50% is held in monetary assets and is, therefore, compliant with clause 2.2.1(a) of the SEBI Guidelines;
- The Company has a track record of distributable profits in accordance with Section 205 of Companies Act, for at least three out of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines; We confirm that extra-ordinary items have not been considered for calculating distributable profits under section 205 of the Companies Act, 1956
- The Company has a net worth of at least Rs. 10 million in each of the three preceding full years, of 12 months each; and is compliant with Clause 2.2.1(c) of the SEBI Guidelines;
- The aggregate of the proposed Issue size is not expected to exceed five times the pre-Issue net worth of our Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines;

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED 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 RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE WE ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE

DUE DILIGENCE TO ENSURE THAT WE DISCHARGE OUR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, SBI CAPITAL MARKETS LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED [●], 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- 1. “WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**
- 3. WE CONFIRM THAT:**
 - THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
 - ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
 - THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
 - BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
 - WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”**
- 4. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, GUJARAT, DADRA AND NAGAR HAVELI AT AHMEDABAD IN TERMS OF

SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE REGISTRAR OF COMPANIES, GUJARAT, DADRA AND NAGAR HAVELI AT AHMEDABAD IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE US FROM ANY LIABILITIES IN THE NATURE OF LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

Caution:

We, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including the website, www.asiangranito.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the memorandum of understanding entered into among the BRLMs, and us dated January 22, 2007 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at Bidding centres.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including FIIs, NRIs and other eligible foreign investors. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Ahmedabad, India 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 Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given in its letter dated [●] permission to us to use NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed, subject to us 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. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft Red Herring 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 Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of our Company, our promoters, our management or any of our scheme or project.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated [●], permission to us to use BSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which our further securities are proposed to be listed. BSE has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; or
2. Warrant that our securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of our Company, our promoters, our management or any of our scheme or project;

and it should not for any reason be deemed or construed to mean that this Draft Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot no. C4-A, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of our Equity Shares. NSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, we will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight (8) days after we become liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then we and each of our Directors who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application monies, as prescribed under Section 73 of the Companies Act.

We shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of allocation for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, 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) our Directors, our Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue; and (b) Book Running Lead Managers, Syndicate Members, Escrow Collection Bank(s), Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Draft Red Herring Prospectus with the RoC and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Deepak R. Soni & Co., Chartered Accountants, our Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for filing with the RoC.

Expert opinion

Deepak R. Soni & Co., Chartered Accountants, our Auditors, have given their written consent to inclusion of their report relating to the tax benefits accruing to us and our members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC. Apart from the aforesaid “Statement on Tax Benefits” we have not obtained any other expert opinion.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

Activity	Expense (in Rs. millions) *
Lead management fees and underwriting commissions	[●]
Advertising and Marketing expenses.....	[●]

Printing and stationery.....	[•]
Others (Registrars fee, legal fee, listing fees etc.)	[•]
Total estimated Issue expenses.....	[•]

* Will be incorporated after finalisation of Issue Price

In addition to the above, listing fees will be paid by us.

Fees Payable to the BRLMs, Brokerage and Selling Commission

The total fees payable to the BRLMs including brokerage and selling commission for the Issue will be as per the memorandum of understanding executed between us and the BRLMs dated January 22, 2007, a copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Registrar's memorandum of understanding dated March 13, 2006, copy of which are available for inspection at our Registered Office.

The fees payable to the Registrar to the Issue for processing fee, validating data pertaining to Depository option, over printing of CAN's / refund orders, preparation of refund tape with MICR nos, charges for printing bulk mailing register, data entry charges, scanning of application (full text) and hosting investor allotment / non-allotment information on Intime Spectrum Registry Limited website is Rs. 3.80 per application subject to a minimum of Rs. 35,000. In addition Rs. 15,000 would be payable for preparation of basis of allotment and listing application

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds in any of the modes described in this Draft Red Herring Prospectus or send allotment advice by registered post/speed post/under certificate of posting.

Fees Payable to the Escrow Bankers

No fees is payable to the Escrow Bankers/ Bankers to the Issue.

Bidding Period / Issue Period

BID / ISSUE OPENS ON	[•]
BID / ISSUE CLOSES ON	[•]

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

We reserve the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding Period/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.

Designated Date and allotment of Equity Shares

- (a) We will ensure that the Allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account within two working days of the date of Allotment.
- (b) As per SEBI Guidelines, **Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees**. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the Allotment of Equity Shares. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit & RTGS. In case of other applicants, we shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Issue.

We shall ensure despatch of refund orders, if any, by “Under Certificate of Posting” or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder’s sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by us.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders shall be done within 15 days from the Issue Closing Date; and
- We shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if Allotment is not made, refund orders are not despatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. The bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant’s name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details including nine digit MICR code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor we 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. Direct Credit – For investors having their Bank Account with the Escrow Bankers, i.e. [●], the refund amount would be credited directly to their Bank Account with the Escrow Banker.
- II. RTGS – Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the Bid cum Application form.
- III. ECS - Payment of refund would be done through ECS for applicants residing at one the 15 centers, namely Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram, where clearing houses for ECS are managed by Reserve Bank of India. This would be subject to availability of complete Bank Account Details including MICR code from the depository.

For all the other applicants excepts for whom payment of refund is possible through I, II and III, the refund orders would be despatched “Under Certificate of Posting” for refund orders less than Rs. 1500 and through Speed Post/Registered Post for refund orders exceeding Rs. 1500.

Companies under the same Management

Except as stated in the section entitled “Our Subsidiary”, “Promoters” and “Promoter Group” on page [●], [●] and [●] of this Draft Red Herring Prospectus, there are no companies under the same management.

Particulars regarding public issues during the last five years

We have not made any public issue during the last five years.

Promise versus Performance

This is the first public Issue of our Company.

Issues otherwise than for cash

Other than as stated in the section entitled “Capital Structure” on page [●] of the Draft Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Servicing behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits.

Outstanding debentures or bond issues or preference shares

We have no outstanding debentures or bonds or redeemable preference shares as of the date of this Draft Red Herring Prospectus.

Purchase of property

Except as stated in the section titled “Objects of the Issue” in this Draft Red Herring Prospectus, we have not purchased any property or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Draft Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Draft Red Herring Prospectus.

Except as stated in the section entitled “Related Party Transactions” on page [●] of this Draft Red Herring Prospectus, we have not purchased any property in which any Directors, have any direct or indirect interest in any payment made thereof.

Payment or benefit to officers of the Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

Stock market data for the Equity Shares

This being the initial public Issue of the Equity Shares, the Equity Shares are not listed on any stock exchange.

Mechanism for redressal of investor grievances

Investor grievance will be settled expeditiously and satisfactorily by us. The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least six months from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, Intime Spectrum Registry Limited, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the respective member of the Syndicate or collection centre where the application was submitted.

Disposal of investor grievances

We estimate that the average time required by us or the Registrar to the Issue to address routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Ms. Vanita Agarwal, as the Compliance Officer and she may be contacted in case of any pre-Issue or post-Issue-related problems. She can be contacted at the following address:

Ms. Vanita Agarwal
City Mall, 2nd Floor,
Beside Rajpath Club,
Sarkhej – Gandhinagar Highway Road,
Ahmedabad – 380 054.
Tel: +91 79 3291 9687
Fax: +91 79 2686 1501
E-mail: ipo@asiangranito.com

Changes in Auditors

There has been no change in the auditors in the last three years.

Capitalisation of reserves or profits

We have not capitalized our reserves in the last five years.

Revaluation of assets

We have not revalued our assets in the past five years.

Commission and brokerage in previous issues

No commission or brokerage was paid in previous issues.

SECTION 7: ISSUE RELATED INFORMATION

Terms of the Issue

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

Authority for the Issue

The Board has, pursuant to resolution passed at its meeting held on November 7, 2006, authorised the Issue subject to the approval by the shareholders under Section 81(1A) of the Companies Act. Pursuant to the authority granted by the Board at its meeting held on February 17, 2006, the IPO Committee of the Board has approved the DRHP on January 29, 2007.

The shareholders of our Company have authorised the Issue by a special resolution in accordance with Section 81(1A) of the Companies Act, passed at the EGM held on December 5, 2006, at Ahmedabad.

We are considering a Pre-IPO Placement, not to exceed 6% of the Issue, to certain investors prior to the Issue. If the Pre-IPO Placement is completed, the Net Issue would be reduced to the extent of the Pre-IPO Placement.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of our Company and shall rank *pari passu* in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The Persons in receipt of Allotment will be entitled to dividend or other corporate benefits, if any, declared by us after the date of Allotment. See the section entitled “Main Provisions of the Articles of Association” on page [●] of this Draft Red Herring Prospectus.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Draft Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 and the Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right of free transferability;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus, if any, on liquidation;

- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Memorandum and Articles;

For a detailed description of the main provisions of the Articles of Association dealing, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission please refer to the section entitled “Main Provisions of Articles of Association” on page [●] of this Draft Red Herring Prospectus.

Market lot and trading lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Share. For details of allocation and allotment, please refer to the section entitled “Issue Procedure – Basis for Allotment” on page [●] of this Draft Red Herring Prospectus.

Nomination facility to the investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall 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 our head office or at the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of provision of section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the Allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after we become liable to pay the amount (i.e. 60 days from the Bid Closing Date), we shall pay interest prescribed under Section 73 of the Companies Act.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Ahmedabad, India.

Application in Issue

Equity Shares being issued through this Draft Red Herring Prospectus can be applied for in the dematerialized form only.

Withdrawal of the Issue

We, in consultation with the BRLMs, reserve the right not to proceed with the Issue at any time including after the Bid Closing Date, but before the Allotment, without assigning any reason thereof.

Mode of payment of dividend

We will pay dividend, if declared, through cheques payable at par at places where it may deem fit.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as may be specified by SEBI from time to time.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Structure

The present Issue of 7,000,000 Equity Shares of Rs. 10 each, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process. The Issue comprises a Net Issue of 6,650,000 equity shares of Rs. 10 each and a reservation of 350,000 Equity Shares of Rs. 10 each for Eligible Employees of our Company (“Employee Reservation Portion”). The Issue would constitute 33.24% of the fully diluted post issue paid-up capital of our Company.

We are considering a Pre-IPO Placement, not to exceed 6% of the Issue, to certain investors prior to the Issue. If the Pre-IPO Placement is completed, the Net Issue would be reduced to the extent of the Pre-IPO Placement.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
Number of Equity Shares ¹	Up to 3,325,000 Equity Shares	At least 997,500 Equity Shares or Net Issue size less allocation to QIB and Retail Individual Bidders.	At least 2,327,500 Equity Shares or Net Issue size less allocation to QIB and Non-Institutional Bidders.	Up to 350,000 Equity Shares
Percentage of Issue Size available for Allotment/allocation	Up to 50% of Net Issue size being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	At least 15% of Net Issue	At least 35% of Net Issue	Up to 5% of the Issue Size.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 166,250 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 3,325,000 Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount	Such number of Equity Shares that the Bid Amount	[●] Equity Shares.	[●] Equity Shares.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
	exceeds Rs. [●] and in multiples of [●] Equity Shares thereafter.	exceeds Rs. [●] and in multiples of [●] Equity Shares thereafter.		
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. [●]	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. [●].
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Bid/Allotment Lot	[●] Equity Shares in multiples of [●] Equity Shares	[●] Equity Shares in multiples of [●] Equity Shares	[●] Equity Shares in multiples of [●] Equity Shares	[●] Equity Shares in multiples of [●] Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply ²	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, Mutual Funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident	NRI, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.	Our Permanent employees and directors and our Subsidiaries, incorporated in India who are Indian nationals based in India and are present in India on the date of submission of the Bid-cum-Application Form. Further, Promoter Directors are not eligible to be treated as Eligible Employees.

	QIBs	Non-Institutional Bidders	Retail Bidders	Individual	Employee Reservation Portion
	funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.				
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding

(1) Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, would be allowed to be met with spill over from any category or combination of categories at the discretion of the Company, in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 166,250 (assuming QIB portion is 50% of the Net Issue to the public, i.e. 3,325,000 Equity Shares), the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB.

(2) In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI DIP Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be required to be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Withdrawal of this Issue

We, in consultation with the BRLMs, reserve the right not to proceed with this Issue at any time, including after the Bid / Issue Opening Date, but before Allotment, without assigning any reason therefore.

Bidding/Issue Programme

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON	[●]

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

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

In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

Issue Procedure

Book Building Procedure

This Issue is being made through the 100% Book Building Process wherein up to 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, including 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. Further, at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and at least 15% of the Net Issue shall be allocated on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through a member of the Syndicate. QIB Bids can be submitted only through the BRLMs. In the case of QIB Bidders, the BRLMs may reject any Bid at the time of acceptance of the Bid-cum-Application Form, provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Employee Reservation Portion the Bids would be rejected only on technical reasons.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorised us to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian public, NRIs applying on a non repatriation basis	White
Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;

3. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
4. Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI DIP Guidelines and regulations, as applicable.);
6. Venture Capital Funds registered with SEBI;
7. Foreign Venture Capital Investors registered with SEBI;
8. State Industrial Development Corporations;
9. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
10. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
11. FII registered with SEBI.
12. Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
13. Insurance Companies registered with Insurance Regulatory and Development Authority, India;
14. As permitted by the applicable laws, Provident Funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
15. Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
16. Multilateral and Bilateral Development Financial Institutions.
17. Subscription to the Issue by the associates and affiliates of the BRLMs and Syndicate Members
18. The BRLMs and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.
19. The information below is given for the benefit of the Bidders. Neither we nor the BRLMs are liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [•] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in 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.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

Bid-cum-Application Forms have been made available for NRIs at our registered /corporate office, members of the Syndicate and the Registrar to the Issue.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians. All instruments accompanying the bid shall be payable at [●] only.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital Equity Shares. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. Under the current foreign investment policy applicable to us, foreign equity participation up to 100% is permissible under the automatic route. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital. With the approval of the Board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids 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) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

Maximum and Minimum Bid Size

For Retail Individual Bidders: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of

revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

For Other Bidders (Non-Institutional Bidders and QIBs): The Bid must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of the Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

For Employee Reservation Portion: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed Rs. [●].

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Information for the Bidders:

We will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

- The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
- Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their bids.
- We and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in an English national Daily, a Hindi national newspaper and a Gujarati newspaper). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended from time to time.
- The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- The Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- The Bidding/ Issue Period shall be for a minimum of three days and not exceeding seven days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three widely

circulated newspapers (one each in an English national Daily, a Hindi national newspaper and a Gujarati newspaper) and the Bidding/ Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/ Issue Period not exceeding 10 working days.

- The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 10 each, Rs. [●] being the lower end of the Price Band and Rs. [●] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One).
- We reserve the right to revise the Price Band, in consultation with the BRLMs, during the Bidding Period, in accordance with SEBI DIP Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.
- In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the stock exchanges, by issuing a public notice in three widely circulated newspapers (one each in an English national Daily, a Hindi national newspaper and a Gujarati newspaper), and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members.
- We can finalise the Issue Price within the Price Band in accordance with this clause, in consultation with the BRLMs, without the prior approval of, or intimation, to the Bidders.

Method and Process of Bidding

Each Bid-cum-Application Form will give the Bidder the choice to Bid for up to three optional prices (for details see paragraph “Bids at Different Price Levels” on page [●]) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

The Bidder cannot Bid on another Bid-cum-Application Form after Bids on one Bid-cum-Application Form have been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph “Bids at Different Price Levels and Revision of Bids” on page [●] of this Draft Red Herring Prospectus.

The Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph “Terms of Payment and Payment into the Escrow Accounts” on page [●] of this Draft Red Herring Prospectus.

Bids at Different Price Levels and Revision of Bids

The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may Bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIBs, Non-Institutional Bidders and Eligible Employees bidding in excess of Rs. 100,000 and such Bids shall be rejected.

Retail Individual Bidders and Eligible Employees who Bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding at Cut-Off Price shall deposit the Bid Amount based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Eligible Employees, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000, if such Bidder wants to continue to Bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, such Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.

In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. [●] to Rs.[●].

During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of a cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Bids and revisions of Bids must be:

- Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs and applying on repatriation basis, pink colour for Bidders under the Employee Reservation portion).
- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- For Retail Individual Bidders, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 100,000.
- For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equals Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [●] thereafter that the Bid Price exceeds Rs. 100,000.
- Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

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.

Bids by Eligible Employees

The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bidders under the Employee Reservation Portion can apply for a maximum of [●] Equity Shares. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, all employees bidding for up to 100 Equity Shares will receive full allotment subject to a minimum allotment of [●] Equity Shares and those bidding for more than 100 Equity Shares will receive allotment on a proportionate basis subject to a minimum allotment of 100 Equity Shares. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may Bid at Cut off Price.

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of our Company and our Subsidiary who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be

- Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. Pink colour Form).
- The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee cannot exceed Rs. [●].
- Eligible Employees, as defined above, should mention their Employee number at the relevant place in the Bid-cum-Application Form
- The sole/ First Bidder should be an Eligible Employee as defined above.
- Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- Eligible Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who apply or Bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.
- The maximum Bid in this category by any Eligible Employee cannot exceed [●] Equity Shares.
- Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such Bids shall not be treated as multiple Bids.
- If the aggregate demand in this category is less than or equal [●] Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of our Company and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to paragraph “Basis of Allotment” on page [●] of this Draft Red Herring Prospectus.

This is not an Issue for sale within the United States of any Equity Shares or any other security of our Company. Our securities, including any offering of our Equity Shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Electronic Registration of Bids

The Syndicate will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

The Stock Exchanges will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will

subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis.

The aggregate demand and price for Bids registered on the electronic facilities of Stock Exchanges will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares Bid for.
- Bid price.
- Bid-cum-Application Form number.
- Whether Margin Amount has been paid upon submission of Bid-cum-Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotted either by the members of the Syndicate or by us.

Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

In case of QIB Bidders, members of the syndicate also have the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page [●] of this Draft Red Herring Prospectus.

The permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean compliance with various statutory and other requirements by our Company and/or that the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, its Promoters, the management or any scheme or project of our Company.

It is also to be distinctly understood that the approval given by the Stock Exchanges should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the

decision of the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the applicable Bid-cum-Application Form;
- Ensure that the details about Depository Participant and beneficiary account are correct as Allotment of Equity Shares will be in the dematerialized form only;
- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all your Bid options;
- Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- Where Bid(s) is/ are for Rs. 50,000/- or more, each of the Bidders (NRIs), should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid-cum-Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;
- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;
- Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid-cum-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 Bid-cum-Application Form.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
- Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;
- Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;
- Do not Bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders);

- Do not fill up the Bid-cum-Application Form such that the Equity Shares Bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the members of the Syndicate.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Registrar nor the Escrow Collection Banks nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository account details in the Bid-cum-Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid-cum-Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure despatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither our Company, the Registrar, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

We reserve the right, in our absolute discretion, to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application

Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

An approval of the RBI is required for the transfer of Equity Shares to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs pursuant to the Issue for sale. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney 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 Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of the certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

We in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

We along with the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of the Draft Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Draft Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, shall provide the applicable Margin Amount, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favor of the Escrow Account of the Escrow Collection Bank(s) (for details see paragraph “Payment into Escrow Account” on page [●] below) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under the section entitled “Issue Structure” on page [●] of this Draft Red Herring Prospectus. The maximum Bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

The payment instruments for payment into the Escrow Account should be drawn in favour of:

In case of QIB Bidders: “[●]”

In case of non-resident QIB Bidders: “[●]”

In case of Resident Bidders: “[●]”

In case of Non Resident Bidders: “[●]”

In case of Eligible Employees: “[●]”

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.

On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjusting for allocation/Allotment to the Bidders.

Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

Payment by Stockinvest

In terms of RBI circular no. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communications will be addressed to the First Bidder and will be despatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.

In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.

The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the

addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.

The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the Joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders (except NRIs) are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.

UNIQUE IDENTIFICATION NUMBER - MAPIN

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Draft Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

GROUNDS FOR REJECTIONS

In case of QIB Bidders, we may, in consultation with the BRLMs, reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders and Bids by Eligible Employees bidding in the Employee Reservation Portion, we have a right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected inter alia on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders and Bidders in Employee Reservation Portion bidding in excess of Rs. 100,000
- Bids for number of Equity Shares which are not in multiples of [●];
- Category not ticked;
- Multiple Bids as defined in this Draft Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid-cum-Application Forms does not have the stamp of the BRLMs or Syndicate Members;
- Bid-cum-Application Forms does not have Bidder's Depository account details;
- Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Forms;

- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids by OCBs;
- Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act; and
- Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

Price Discovery and Allocation

After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.

We shall, in consultation with the BRLMs, finalise the "Issue Price".

The allocation to QIBs will be at least 50% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be up to 15% and 35% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI DIP Guidelines and this Draft Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at our sole discretion, exercised in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at our sole discretion, exercised in consultation with the BRLMs and the Designated Stock Exchange.

Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of our Company and the BRLMs. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.

Allocation to eligible NRIs, FIIs and foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI.

Signing of Underwriting Agreement and RoC Filing

We, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /Allotment to the Bidders.

After signing the Underwriting Agreement, we shall update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/Allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that we shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

The BRLMs or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

Bidders who have been allocated/Allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.

The Issuance of CAN is ‘Subject to “Allotment Reconciliation and Revised CANs” as set forth herein.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded and the BSE and NSE applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to [●], 2007, indicating the number of Equity Shares that may be Allotted to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to the SEBI DIP Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. It is not necessary that a revised CAN will be sent. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIBs. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

We will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, we would ensure the credit to the successful Bidders Depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of Allotment.

In accordance with the SEBI Guidelines, Equity Shares will be issued, and Allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

The Net Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate Basis of Allotment refer below.

C. For Employee Reservation Portion

The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter. Bidders under the Employee Reservation Portion can apply for a maximum of [•] Equity Shares. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, all employees bidding for up to 100 Equity Shares will receive full allotment subject to a minimum allotment of [•] Equity Shares and those bidding for more than 100 Equity Shares will receive allotment on a proportionate basis subject to a minimum allotment of 100 Equity Shares. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may Bid at the Cut off Price.

Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.

If the aggregate demand in this category is less than or equal to 1,158,790 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.

If the aggregate demand in this category is greater than 1,158,790 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiple of [●] Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

Only Eligible Employees are eligible to apply under the Employee Reservation Portion.

D. For QIBs

Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.

The QIB Portion shall be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

Allotment shall be undertaken in the following manner:

- (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;
- (b) In the second instance Allotment to all QIBs shall be determined as follows:
 - (i) The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
 - (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
 - (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1	Issue size	100 million equity shares
2	Allocation to QIB (50%)	50 million equity shares
	Of which:	
	a. Allocation to MF (5%)	2.5 million equity shares
	b. Balance for all QIBs including MFs	47.5 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	250 million equity shares

B. Details of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	35
2	A2	50
3	A3	25
4	A4	10
5	A5	50
6	MF1	20
7	MF2	15
8	MF3	10
9	MF4	20
10	MF5	15
	Total	250

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 2.5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 47.5 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	35	0	6.72	0
A2	50	0	9.60	0
A3	25	0	4.80	0
A4	10	0	1.92	0
A5	50	0	9.60	0
MF1	20	0.63	3.72	4.35
MF2	15	0.47	2.79	3.26
MF3	10	0.31	1.86	2.17
MF4	20	0.63	3.72	4.35
MF5	15	0.47	2.79	3.26
	250	2.5	47.5	17.39

Please note:

1. The illustration presumes compliance with the requirements specified in the section entitled “Issue Structure” beginning on page [●] of this Draft Red Herring Prospectus.
2. Out of 50 million Equity Shares allocated to QIBs, 2.5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 80 million shares in QIB category.
3. The balance 47.5 million Equity Shares will be allocated on proportionate basis among 10 QIB applicants who applied for 250 million Equity Shares (including 5 MF applicants who applied for 80 million Equity Shares).

4. The figures in the fourth column titled “Allocation” of balance 47.5 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:

For QIBs other than Mutual Funds (A1 to A5) = No. of shares bid for (i.e. in column II) X $47.5/247.5$

For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X $47.5/247.5$

The numerator and denominator for arriving at allocation of 50 million shares to the 10 QIBs are reduced by 2.5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, we shall, in consultation with the BRLMs, finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:

Each successful Bidder shall be Allotted a minimum of [●] Equity Shares; and

The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

- e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of [●] (which is the marketable lot), the number in excess of the multiple of [●] would be rounded off to the higher multiple of [●] if that number is [●] or higher. If that number is lower than [●], it would be rounded off to the lower multiple of [●]. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Payment of Refund

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither we, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes as given hereunder:

ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

Direct Credit – Applicants having bank accounts with the Refund Banker(s), in this case being, [•] shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by us.

RTGS – Applicants having a bank account at any of the abovementioned 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 Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by us. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

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 Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC 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.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with Depository Participants within two working days from the date of the finalisation of basis of allocation. Applicants residing at 15 centers where clearing houses are managed by the

RBI, will get refunds through ECS only except where the applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure despatch of refund orders, if any, of value up to Rs.1,500 by “Under Certificate of Posting”, and shall despatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Bid/ Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;

We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Disposal of applications and application moneys and interest in case of delay

We ensure despatch of Allotment advice, refund orders except for Bidders who receive refunds through electronic transfer of funds and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;

Despatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and

We shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not despatched 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 and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock

Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI DIP Guidelines.

Undertakings by our Company

Our Company undertakes the following:

That the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;

That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation 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 the Issuer.

That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time; and

That other than the Pre-IPO Placement, no further issue of Equity Shares shall be made till the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc. Utilisation of Issue proceeds

The Board 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 utilised out of Issue shall be disclosed under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;

Details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested.

Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market Mutual Funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time.

- The utilisation of monies received under the Employee Reservation Portion shall be disclosed under an appropriate head of the balance sheet indicating the purpose for which such monies have been utilised.
- The details of all unutilised monies out of the funds received under the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

Withdrawal of the Issue

We reserve the right, exercised in consultation with the BRLMs, not to proceed with the Issue at anytime including after the Bid/ Issue Opening Date, without assigning any reason thereof. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

Agreement dated [●] with NSDL, the Company and the Registrar to the Issue;

Agreement dated [●] with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her Depository account are liable to be rejected.

A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants the NSDL or CDSL prior to making the Bid.

The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.

Allotment to a successful Bidder will be credited in an electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

The trading of the Equity Shares of our Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, Bidders Depository account details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

SECTION 8: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company relating to the voting rights, dividend, lien on shares, restrictions on transfer and transmission of shares/debentures and/or on their consolidation/splitting are detailed below. 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.

3. Capital

The Authorised Share Capital of the Company is Rs. 250,000,000/- (Rupees Two Hundred and Fifty Million only) divided into 25,000,000 (Twenty Five Million) Equity Shares of Rs. 10/- (Rupees Ten Only) each.

The Authorised Share Capital of the Company is as stated in clause V of Memorandum of Association of the Company.

4. Power of the Company in General Meeting to Issue Shares

The Company in General Meeting may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether members or not) in such proportions and such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount, as such General Meeting shall determine and with full power to give to any person (whether a member or not) the option to call for or be allotted any class of shares of the Company either at a premium or at par or (Subject to compliance with the provisions of Section 79 of the Act) 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.

5. Increase of Capital

The Company in General Meeting may from time to time increase its share capital by the creation of further shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provision of the Act, the further shares shall be issued upon such terms and conditions and with such right and privileges annexed thereto, as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Board shall determine and in particular, such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company. Whenever the capital of the Company has been increased under the provisions of this Article, the Board shall comply with the provisions of Section 97 of the Act.

6. Redeemable Preference Shares

Subject to the Provision 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, are liable to be redeemed and the resolution authorising such issue shall prescribe the manners, terms and conditions of redemption.

8. Reduction of Capital

The Company may, subject to the provisions of Sections 78, 80 and 100 to 105 and other applicable provisions (if any) of the Act, from time to time by special resolution reduce its capital out of any capital redemption reserve account or 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.

Articles 29, 30, 31, 32, 33 and 34 Calls

- 29.** The Board may, from time to time, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it may think fit upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at a fixed time and each member

shall pay the amount of every call so made on him to the persons and at the times and place appointed by the Board of Directors. A call may be made payable by installments.

30. One month's notice in writing at least of every call payable otherwise than on allotment shall be given by the Company specifying the time and the place of payment and to whom such call shall be paid. Provided that the Board may, at its discretion, revoke the call or postpone it.
31. A call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed at a meeting of the Board and may be made payable by the members on the Register of Members on a subsequent date to be fixed by the Board.
32. The Board may, from time to time, at its discretion extend the time fixed for the payment of any calls and may extend such times as to all or any of the members, who by reason of residence at a distance or other cause, the Board may deem fairly entitled to such extension, but no member shall be entitled to extension save as a matter of grace and favour.
33. If any member fails to pay a call due from him on the day appointed for payment thereof or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof at the time of actual payment at a such rate as shall from time to time be fixed by the Board of Directors, but nothing in this Article shall render it compulsory upon the Board of Directors to demand or recover any interest from any such member.
34. The Board may, if it thinks fit, subject to the provisions of Section 92 of the Act, receive from any of the members willing to advance the same all or any part of the amounts of his respective shares beyond the sums actually called up and upon the money so paid in advance or upon so much thereof as from time to time and at any time thereafter exceeds the amount of the calls then made upon and due in respect to the shares on account of which such advances are made, the Company may pay or allow interest at such rate as the member paying the sum in advance and the Board may agree upon, provided always that at any time after the payment of any such money so paid in advance, it shall be lawful for the board from time to time to repay such member so much of such money as shall then exceed the amount of the calls made upon such shares, unless there be an express agreement to the contrary and after such repayment, such member shall be liable to pay and such shares shall be charged with the payment of all further calls as if no such advance had been made. The member making such advance payment shall not, however be entitled to dividend or to participate in profits or 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.

Articles 35 to 46 Forfeiture, Surrender and Lien

35. If call or Installment not paid notice may be given

If any member fails to pay any call or installment of a call in respect of any share on or before the day appointed for the payment of the same, the Board may, at any time thereafter, during such time as the call or installment remains unpaid, serve a notice on such member or on the person (if any) entitled to the share by transmission 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.

36. Form of Notice

The notice shall name a day (not being earlier than the expiry of one month from the date of service of the notice) and a place or places on and at which such money, including the call or installment and such interest and expenses as aforesaid, is to be paid. The notice shall also state that in the event of non-payment on or before the time at the place appointed the shares in respect of which the call was made or installment was payable, will be liable to be forfeited.

37. In default of payment shares to be forfeited

If requisitions of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before all the calls or installments and interest and expenses due in respect thereof are paid, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends /bonus declared in respect of the forfeited shares and not actually paid before forfeiture.

38. Forfeited Shares to become property of the Company

Any shares so forfeited shall be deemed to be the property of the Company and the Board may sell, re-allot or otherwise dispose of the same in such manner as it may think fit.

39. Power to Annul forfeiture

The Board may, at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed off, annul the forfeiture thereof as a matter of grace and favour but not as of right upon such terms and conditions as it may think fit.

40. Arrears to be paid notwithstanding forfeiture

Any member whose shares shall have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company 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 forfeiture until payment at such rate not exceeding fifteen percent per annum as the Board may determine and the Board may endorse the payment of such moneys or any part thereof if it thinks fit, but shall not be under any obligation so to do.

41. Effect of forfeiture

The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company, in respect of the share and all other rights, incidental to the share except only such of those right as are by these Articles expressly saved.

42. Partial payment not to preclude Forfeiture

Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereof nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided.

43. Board may accept Surrender of Shares

The Board may at any time, subject to the provisions of the Act, accept the surrender of any shares from or by any member desirous of surrendering the same on such terms as the Board may think fit.

44. Company's Lien on Shares

The Company shall have a first and paramount lien upon all the shares (other than fully paid up shares) 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 and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The Board may, at any time, declare any shares to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a share shall extend to all dividends/ bonus payable thereon.

The provisions of this Article shall mutatis mutandis apply to debentures of the Company.

45. Enforcing Lien By sale

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as it thinks fit, but no sale shall be made until such time fixed as aforesaid shall have arrived and until notice in

writing of the intention to sell have been served on such member heirs, executors, administrators or other legal representatives, as the case may be bad debts, liabilities or engagements for seven days after the date of such notice.

46. Money due from the Company may be set off against Money due to the Company

Any money due from the Company to a member may, without the consent and notwithstanding the objection of such member, be applied by the Company in or towards the payment of any money due from him to the Company for calls or otherwise.

Articles 47 to 61 Transfer and Transmission of Shares

47. Register of Transfer

The Company shall keep a book to be called the Register of transfer and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any shares.

48. Execution of Transfer etc.

Subject to the provision of the Act and these Articles, no transfer of shares in or debentures of the Company shall be registered, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificate if in existence or alongwith the letter of allotment of the shares or debentures. The transferor shall be deemed to remain the holder of such shares until the name of the transferee is entered in the register in respect thereof. Shares of different classes shall not be included in the same instrument of transfer.

49. Form of Transfer

The instrument of transfer shall be in writing in the prescribed form and all the provisions of Section 108 of the Act and any statutory modification thereof, for the time being shall be duly complied with in respect of all transfer of shares and of the registration thereof.

50. The Board may decline to Register Transfer

Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Directors 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 the Company, send notice of the refusal to the transferee and transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the company has a lien on the shares.

51. No Transfer to a person of unsound mind

No transfer shall be made to a person of unsound mind.

52. Transfer of shares

1. An application for the registration of a transfer of shares may be made either by the transferor or by the transferee.
2. 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.
3. For the purpose of clause (2) hereof, 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.

4. If the Company refuses to register the transfer of any shares or transmission of right therein, the Company shall within one month from the date on which the instrument of transfer or the intimation of transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission as the case may be.
5. Nothing in these Articles shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares of the Company has been transmitted by operation of law.

53. Transfer to be left at office as Evidence of title given

Every instrument of transfer duly executed and stamped shall be left at the office for registration accompanied by the certificate of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares.

54. When transfer to be retained and destroyed

All instruments of transfer which are registered shall be retained by the Company but any instrument of transfer which the Board declines to register shall, on demand, be returned to the person depositing the same. The Board may cause to be destroyed all transfer deeds lying with the Company after such periods not being less than six years as it may determine.

55. Death of one or more joint holders of shares

In the case of death of any one or more than one persons, named in the Register of Members as joint shareholders of any share, the survivors shall be the only persons recognised by the Company as having any title or interest in such shares, but nothing herein contained shall be taken to release the estate of a joint shareholder from any liability to the Company on shares held by him jointly with any other person.

56. Title to shares of Deceased Holder

The heir, executor or administrator of a deceased shareholder shall be the only person recognised by the Company as having any title to his shares and the Company shall not be bound to recognise such heir, executor or administrator unless such heir, executor or administrator shall have first obtained letters of administration or succession certificate.

57. Transmission of shares

Subject to the provisions of the Act and these Articles, any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence as the Board think sufficient, either be registered himself as the holder of the share or elect to have some person nominated by him and approved by the Board registered as such holder, provided nevertheless that if such person shall elect to have his nominee registered, he shall testify the election by executing to his nominee an instrument of transfer of the share in accordance with the provisions herein contained and until he does so, he shall not be free from any liability in respect of the share.

58. Board may refuse Transmit

The Board shall have the same right to refuse to register a person entitled by transmission to any share or his nominee, as if he were the transferee named in any ordinary transfer presented for registration.

59. Board may require Evidence of Transmission

Every transmission of share shall be verified in such manner as the Board may require and if the Board so desires, be accompanied by such evidence as may be thought necessary and the Company may refuse to register any such transmission until the same be verified on requisite evidence produced or until or unless an indemnity be given to the Company with regard to such registration which the Board at its absolute

discretion shall consider sufficient, provided nevertheless, that there shall not be any obligation on the Company or the Board to accept any indemnity.

- 59A** No fee shall be charged for registration of transfer, transmission, probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, power of attorney or similar other documents.

60. Certificate of transfer

The certification by the Company of any instrument of transfer of shares in or debentures of the company shall be taken as a representation by the Company to any person acting on the faith of it that it shows a prima facie title to the shares or debentures in the transfer or named in the instrument of transfer, but not a representation that the transferor has any title to the shares or debentures.

61. The Company not liable for Disregard of a Notice prohibiting Registration of a transfer

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer or transmission of shares made or purporting to be made by any persons having or claiming any equitable right title or interest to or in the same shares, notwithstanding that the Company may have had notice of such equitable right, title or interest hereto in any book of the Company and the Company shall not be bound or required to regard or attend to give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it, may have been entered or referred to in some books 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.

Articles 62 and 63 Joint Holders

62. Board may refuse transfer to more than three names

Subject to the provisions of the Act, the Board may refuse to transfer a share or shares in the names of more than three persons.

63. Joint Holders

Where more than one person is registered as the holder of any share, the person first named in the Register of Members as one of the joint holders of a share shall be deemed the sole holder for matters connected with the Company.

General Meetings

71. Quorum for General Meeting

Five members entitled to vote and present shall be a quorum for a General Meeting. When more than one of the Joint holders of a share is present, not more than one of them shall be counted for determining the quorum. Several executors or administrators of a deceased person in whose sole name a share stands shall, for the purposes of this Article, be deemed joint holders thereof. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. The President of India or the Governor of a State being a member of the Company shall be deemed to be personally present if he is represented in accordance with Section 187 A of the Act.

86. Chairman's casting vote

In the case of equality of votes, the Chairman shall, both on the show of hands and on a poll, have a second or casting vote in addition to the vote or votes to which he may be entitled as a member.

Articles 88 to 97 Votes of Members

88. Votes may be given by proxy or attorney

Subject to the provisions of the Act and these Articles, votes may be given either personally or by an attorney or by proxy or in the case of a body corporate, also by a representative duly authorised under Section 187 of the Act and Article 89.

89. Votes of members

Subject to provisions of the Act or these Articles, every member who is not disqualified shall be entitled to be present in person and holding any equity share capital therein, shall have one vote and upon a poll the voting right of every such member present in person or by proxy shall be in proportion to his share of paid up equity share capital of the Company.

Provided, however that if any preference shareholder be present at any meeting of the Company, save as provided in Clause (b) of sub-section (2) of Section 84 of the Act, he shall have a right to vote only on resolution placed before the meeting which directly affect the right attached to his preference shares.

90. Right of member to use his votes differently

On a poll being taken at meeting of the Company, a member entitled to more than one vote so his proxy or other person entitled to vote for him as the case may be, need not if he votes use all his votes or cast in the same way all the votes he uses.

91. Representation of Body Corporate

A body corporate whether a Company within the meaning of the Act or not may, if it is a member or creditor of the Company including being a holder of debentures, may authorise such person by a resolution of its Board of Directors, as it thinks fit, to act as its representative at any meeting of the Company.

92. Restriction on exercise of voting right by members who have not paid calls

No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and/or has exercised its right of lien.

93. No voting by proxy on show of hands

No member not personally present shall be entitled to vote on a show of hands, unless such member is a body corporate present by a representative duly authorised under Section 187 of the Act in which case such representative may vote on a show of hands as if he were a member of the Company. A proxy who is present at a meeting shall not be entitled to address the meeting.

94. Instrument of proxy to be deposited at office

The instrument appointing a proxy and the power of attorney of other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority shall be deposited at the registered office of the Company not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. No instrument of proxy shall be valid after the expiration of twelve months from the date of its execution.

95. Form of proxy

Every instrument of proxy, whether for specified meeting or otherwise shall as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.

96. Time for objection to vote

No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy and not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.

97. Chairman of any Meeting to be judge of validity of any vote

The Chairman of any meeting shall be sole judge of the validity of every vote tendered at such meeting. The Chairman present at the time of taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Articles 98 to 138 Directors

98. Number of the Directors

Until otherwise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors shall not be less than three nor more than twelve.

99. Increase in number of Directors to require Government sanction

The Company shall not increase the number of its Directors beyond the Maximum fixed by these Articles without the approval of the Central Government.

100. Power of Directors to appoint additional Directors and to fill casual vacancies

Subject to the provisions of Sections 260, 263, 264 and 284(6) of the Act and subject to Articles, the Directors shall have power at any time and from time to time to appoint any as a Director either to fill a person casual vacancy or as an addition to the Board but so that total number of Directors shall not at any time exceed the maximum number fixed. Additional Director so appointed shall hold the office up to next Annual General Meeting.

101. Nominee Directors

Whenever the Company enters into any agreement or contract with the Central or State Government, a local authority, bank or financial institution or any person or persons (hereinafter referred to as 'the appointed) for borrowing any money or for providing any guarantee or security or for underwriting shares or debentures or other securities of the Company, the Board shall have, subject to the provision of Section 255 of the Act, the power to agree that such appointer shall have, if any and the extent provided by the terms of such agreement or contract, the right to appoint or nominate, by a notice in writing addressed to the Company, one or more Directors on the Board for such period and upon such conditions as may be mentioned in the agreement or contract and that such Directors may not be liable to retire by rotation nor be required to hold any qualification shares. The Board may also agree that any such Director or Directors may be removed from time to time by the appointer entitled to appoint or nominate them and the appointer may appoint another or others in his or their place and also fill any vacancy which may occur as a result of any Director or Directors ceasing to hold that office for any reason whatsoever. The Directors appointed or nominated under this Article shall be entitled to exercise and enjoy all or any of the rights and privileges exercised and enjoyed by the other Directors of the Company including payment of remuneration and travelling expenses to such Director or Directors, as may be agreed by the Company with the appointer.

102. Debenture Directors

If it is provided by the trust deed securing or otherwise in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a Director of the Company then in the case of any and every such issue of debentures, the person having such power may exercise such power from time to time and appoint a Director accordingly. Any Director may be removed from office at any time by the person or persons in whom for the time being is vested the power under which he was appointed and another Director may be appointed in this place. A Debenture Director shall not be bound to hold any qualification shares.

103. Qualification of Directors

A Director need not hold any qualification shares.

104. Remuneration of Directors

1. Subject to the provisions of the Act, a Managing Director or Directors, who is in the whole time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profit of the Company or partly by one way and partly by the other.
2. Subject to the provisions of the Act, a Director who is neither in the whole-time employment nor a Managing Director may be paid remuneration;
 - i) by way of monthly, quarterly or annual payment with the approval of the Central Government; or
 - ii) by way of commission if the Company by a special resolution authorizes such payments.

3. The fee payable to Director (including a Managing or Whole-time Director, if any) for attending a meeting of the Board or Committee thereof not exceed Rs. 5000/-
 4. If any Director be called upon to perform extra services or special, exertion or efforts (which expression shall include work done by a Director as member of any committee formed by the Directors), the Board may arrange with such Directors for such special remuneration for such extra services or special exertions or either by a fixed sum or otherwise as may be determined by the Board and such remuneration may be either in addition to or in substitution for his remuneration above provided.
- 105. Traveling Expenses Incurred by a Director not a bonafide resident or by Director going out on Company's Business**
- The Board may allow and pay to any such Director who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation or for traveling, briefing, lodging and other expenses, in addition to his fee attending such meeting as above specified and if any Director be called upon to go or reside out of the ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed any traveling or other expenses incurred in connection with business of the Company.
- 106. Payment of pension etc. to Director who held salaried office etc. with the Company**
- The Board, on behalf of the Company, may pay a gratuity or pension or allowances or retirement to any Director who has any office or place of profit, salaries or otherwise, with the Company or to his widow or dependents and may make contributors to any fund such as provident fund and pay premium for the purchases or provisions of any such gratuity, pension or allowance.
- 107. Directors may act notwithstanding vacancy**
- The continuing Directors may act notwithstanding any vacancy in the Board, but if and so long as the number is reduced below the quorum fixed by the Act or by these Articles for a meeting of the Board, the continuing Directors or Director may act for the purpose of Increasing the number of Directors to that fixed for the quorum or for summoning a General Meeting of the Company but for no other purpose.
- 108. Disclosure of interest of Directors**
1. Every Director of the Company who is in any way whether directly or indirectly concerned or interested in any contract or arrangement or proposed contract or arrangement, enter into or to be entered into, by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Directors.
 2.
 - a) In case of a proposed contract or arrangement the disclosure required to be made by a Director under clause (1) shall be made at the meeting of the Board at which the question of entering into the contract or arrangements is first taken into consideration or if a Director was not, at the date of the meeting, concerned or interested in the proposed contract or arrangement, at the first meeting of the Board held after he becomes so concerned or interested.
 - b) In the case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the Director becomes concerned or interested in the contract or arrangement.
 3.
 - a) For the purpose of clauses (1) and (2) hereof, a general notice given to the Board by a Director to the effect that he is a Director or a member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made.

b) Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice in the last month of the financial year in which it would otherwise have expired.

c) No such general notice and no renewal thereof, shall be effective unless either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

d) Nothing in this Article shall apply to any contract or arrangement entered into or to be entered into between two companies when any of the Directors of the Company or two of them together hold or hold not more than two per cent of the paid up share capital in the other company.

109. Interested Director not to participate or vote on Board's proceedings

No Director of the Company shall, as Director, take any part in the discussion or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company if he is in any way whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote and if he does vote shall be void, provided however that a Director may vote on any contract of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or surety for the Company.

110. Board's sanction to be required for certain contracts in which particular Director is interested

A Director of the Company or his relative, a firm in which such a Director or relative is partner, any other partner in such firm or a private company of which the Director is a member or Director shall not enter into any contract with the Company, except to the extent and subject to the provisions of Section 297 of the Act.

111. Retirement of Directors by rotation

1. At every Annual General Meeting, one third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, than the number nearest to one-third shall retire from office.
2. The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between persons who became Directors on the same day, those who are to retire shall in default of and subject to any agreement among themselves, be determined by lot.
3. At the Annual General Meeting at which a Director retires as aforesaid, the Company may fill up the vacancy by appointing the retiring Director who shall be eligible for re-appointment or some other person thereto.
4. If the place of the retiring Director is not filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that is a public holiday, till the next succeeding day which is not a public holiday at the same time and place. If at the adjourned meeting also the place of the retiring Director is not filled up and that meeting also has expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned meeting unless.

i) at the meeting or at the previous meeting, a resolution for the reappointment of such Director has been put to the vote and lost;

ii) the retiring Director has, by a notice in writing addressed to the Company or its Board of Directors, Expressed his unwillingness to be so re-appointed.

iii) he is not qualified or is disqualified;

iv) a resolution whether special or ordinary, is required for his appointment or re-appointment in virtue of any of the provisions of the Act; or

v) the provision to sub-section (2) of section 263 of the Act is applicable to the case.

112. Appointment of Director to be voted individually

1. No motion at any General Meeting of the Company shall be made for the appointment of two or more person as Directors of the Company by a single resolution unless a resolution that it shall be made has been first agreed to by the meeting without any vote being given against it.
2. A resolution moved in contravention of clause (1) shall be void whether or not objection was taken at the time of its being so moved; provided that where a resolution so moved is passed, no provision for the automatic re-appointment shall apply.

113. 1. A person who is not a retiring Director shall, subject to the provisions of the Act, be eligible for appointment to the office of Director at any General Meeting if he or some member intending to propose him has not less than fourteen days before the meeting, left at the office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office, as the case may be, along with a deposit of five hundred rupees which shall be refunded to such person if he succeeds in getting elected as a Director.

2. The Company shall inform its members of the candidature of a person for the office of Director or the intention of a member to propose such person as a candidate for that office, by serving individual notice on the members not less than seven days before the meeting.

Provided that it shall not be necessary for the Company to serve individual notices upon the members as aforesaid if the Company advertises candidature or intention not less than seven days before the meeting in at least two newspapers circulating in the place where the Registered Office of the Company is located, of which one is published in the English language and the other in the Gujarati language.

3. Every person proposed as a Candidate for the office of Director shall sign and file with the Company his consent to act as a Director if appointed and every person other than a Director re-appointed after retirement by rotation shall not act as a Director of the Company unless he was within 30 days of his appointment, signed and filed with Registrar his consent in writing to act as such Director.

114. Resignation of Director

A Director may at any time give notice in writing of his intention to resign by addressing it to the Board of Directors of the Company and delivering such notice to the Chairman or leaving the same at the Registered Office of the Company and thereupon his office shall be vacated.

115. Register of Directors and notification of changes to register

The Company shall keep at its registered office, a register of Directors, Managing Director, Manager and Secretary containing the particulars as required by Section 303 of the Act and shall send to the Registrar a return in the prescribed form containing the particulars specified in the said register and shall notify to the Registrar any change among its Directors, Managing Directors, Manager and Secretary or any of the particulars contained in the register as required by Section 303 of the Act.

116. Removal of Directors

1. The Company may, by ordinary resolution, remove a Director not being a permanent Director or a Nominee Director or a Debenture Director and not being a Director appointed by the Central Government in pursuance of Section 408 of the Act before the expiry of his period of office.
2. Special notice shall be required of any resolution to remove a Director under this article or to appoint somebody instead of a Director so removed at the meeting at which he is removed.

3. On receipt of notice of a resolution to remove a Director under this Article, the Company shall forthwith send a copy thereof to the Director concerned and the Director shall be entitled to be heard at the meeting.
4. Where notice is given of a resolution to remove a Director under this Article and the Director concerned makes with respect thereto representation in writing to the Company (not exceeding a reasonable length) and request its notification to members of the Company shall unless the representations are received by it too late for it to do so.
 - a) in any notice of resolution given to the members of the Company, state the fact of the representations having been made, and
 - b) Send a copy of the representation to every member of the Company to the representation by the Company and if a copy of the representation is not sent as aforesaid because it was received too late or because of the Company's default, the Director may (without prejudice to his right to be heard orally) require that the representation shall be read out at the meeting; provided that copies of the representation need not be sent out and the representation need not be read out at the meeting of, on the application either of the Company or any other person who claims to be aggrieved, the Company Law Board is satisfied that the rights conferred by this sub-clause are being abused to secure needless publicity for defamatory matter.
5. A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in General Meeting or by the Board under Article 127 hereof, be filled by the appointment of other Director in his stead by the meeting at which he is removed, provided special notice of the intended appointment has been given. A Director so appointed shall hold office until the date up to which his predecessor would have held office if he had not been removed as aforesaid.
6. If the vacancy is not filled up under clause 50 hereof, it may be filled as a casual vacancy in accordance with the provisions, so far as they may be applicable to Article 100 hereof and all the provisions of that Article, shall apply accordingly. Provided that the Director who is removed from office under this Article shall not be re-appointed as a Director by the Board of Directors.
7. Nothing in this Article shall be taken :
 - a) as depriving a person remove thereunder of any compensation or damages payable to him in respect of any appointment terminating with that as Director, or
 - b) as derogating from any power to remove a Director which may exist apart from this Article.

117. Proceedings of Directors

- a. The Board of Directors may meet together for the dispatch of business, adjourn and otherwise regulate its meeting and proceedings as it may think fit.
- b. A meeting of the Board of Directors shall be held atleast once in every three months and atleast four such meetings shall be held in every year.
- c. The Chairman, if any, of the Board of Directors may at any time and the Managing Director, if any, or the Secretary on the requisition of a Director shall summon a meeting of the Board.
- d. Notice of every meeting of the Board of Directors of the company shall be given in writing to every Director for the time being in India and at his usual address in India to every other Director.

118. Quorum

- a. Subject to section 287 of the Act, quorum for a meeting of the Board shall be one third of the total strength of the Board (any fraction contained in the one third being rounded off as one) or two Directors whichever is higher, provided that where at any meeting the number of interested Directors (under section 297/299 of the said Act) exceeds or is equal to two third of the total strength, the number of the remaining Directors, that is to say, the number of the Directors who are not interested and are present at the meeting, being not less than two shall be the quorum during such time.
- 119. Decision of questions**
Subject to the provision of Sections 316, 372 and 386 of the Act, questions arising at any meeting of the Board shall be decided by majority of votes and in case of an equality of votes, the Chairman shall have a second or casting vote.
- 120. Board may appoint Chairman**
The Board may elect a Chairman of their meetings and determine the period for which he is to hold office, but if no such Chairman is elected or if at any meeting the Chairman is not present within ten minutes after the time appointed for holding the meeting, the Directors present may choose one of their members to be the Chairman of the meeting.
- 121. Power of Board Meeting**
A meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities. Powers and discretions which by or under the Act or the Articles are, for the time being vested in or exercisable by the Board generally.
- 122.** Subject to the restrictions contained in section 293 of the Act, the Board may delegate any of its powers to a committee of the Board consisting of such member or members of its body or any other person as it thinks fit and it may from time to time revoke and discharge any such committee of the Board so formed, and shall in the exercise of the power so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment, but not otherwise, shall have the like force and effect as if done by the Board.
- 123. Meeting of the Committee how to be governed**
The meeting and proceedings of any such Committee of the Board consisting of two or more persons shall be governed by the provisions herein contained for regulating the meeting and proceedings of the Board, so far as the same are applicable thereto and are not superseded by any regulations made by the Board under the last Article.
- 124. Act of Board or Committee valid notwithstanding defective Appointment**
All acts done by any meeting of the Board or by a Committee of the Board or by any persons acting as a Director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or Committee or person acting as aforesaid or that they or any of them were or was disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed and was qualified to be a Director and had not vacated office or his appointment had not been terminated Provided that nothing in this Article shall be deemed to give validity to act done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
- 125. Circular Resolution**
1. No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors, or to all the members of the Committee, than in India (not being less in number than the quorum fixed for a meeting of the Board or a Committee as the case may be) and to all other Directors or members at their usual address in India or by a majority of such of them as are entitled to vote on the resolution.

2. A resolution passed by circular without a meeting of the Board, committee of the Board shall subject to the provisions of sub-clause (i) hereof and the acts, be as valid and effectual as the resolution duly passed at meeting of the Board or of the Committee duly called and held.

126. General Powers of the Board

1. Subject to the provisions of the Act and these articles, the Board of Directors of the company shall be entitled to exercise all such powers and to do all such acts and things as the Company is authorised to exercise and do.

Provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by this Act or any other Act or by the Memorandum of Association of the Company or these Articles or otherwise, to be exercised or done by the Company in General meeting.

Provided further that exercising any such power or doing any such act or thing, the Board shall be subject to the provisions contained in this behalf in this Act or in any other Act or in the Memorandum and Articles of Association or in any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in General Meeting.

2. No regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulations had not been made.

127. Restrictions on Powers of the Board

The Board may exercise all such powers of the Company and do all such acts and things as are not by the Act or any other Act or by the Memorandum or by the Articles of the Company required to be exercised by the Company in General Meeting subject nevertheless to these Articles, to the provisions of the Act or any other Act and to such regulations being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in General Meeting invalidate any prior act of Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting:

- a. Sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking of the whole or substantially the whole, of such undertaking.
- b. invest otherwise than in trust securities the amount of compensation received by the Company in respect of the Compulsory acquisition of any such undertaking as is referred to in clause(a) or of any premises or properties used for any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time.
- c. Borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart form temporary loans obtained from the Company's Bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital to the Company and its free reserves that is to say reserves not set apart for any specific purpose as specified in Section 292 of the Act shall subject to these Articles be exercised only at meeting of the Board unless the same be delegated to the extent therein stated;
- d. Contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees any amounts the aggregate of which will in any financial year exceed fifty thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during three financial years immediately proceeding, whichever is greater.

128. Power to Borrow

Subject to the provisions of Sections 292 and 293 of the Act, the Board may, from time to time at its discretion and by means of resolutions passed at its meeting accept deposits from member either in advance of calls or otherwise and generally, raise or borrow or secure the payment of any sum of money for the purposes of the Company.

129. Conditions on which money may be borrowed

The Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of bonds, perpetual or redeemable debenture-stock or any mortgage, charge or other security on the undertaking of the whole or any part of the Company (both present and future) including its uncalled capital for the time being. The Board shall exercise such power only by means of resolutions passed at its meetings and not by circular resolutions.

130. Terms of issue of debentures

Any debentures, debenture-stock, bonds or other securities, may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any special privileges as to redemption, surrender, drawing, allotment of share and attendance (but not voting) at General Meetings of the Company, appointment of Directors and otherwise provided however that no debentures with the right to conversion into or allotment of shares shall be issued except with consent of the Company in General Meeting accorded by a special resolution.

131. Execution of indemnity

If the Directors or any of them or any other persons shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity against any loss which the Directors or any one or more of them may suffer by reason of becoming or being sureties or surety for the Company.

132. Specific Powers of the Board

Without prejudice to the general powers conferred by Article 155 and the other powers conferred by these Articles and Section 191 of the Act, so as not in any way to limit or restrict those powers, but subject however to the provisions of the Act, it is hereby expressly declared that the Board shall have the following powers:

1. To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.
2. Subject to Section 292 and 297 and other applicable provisions of the Act, to purchase or otherwise acquire for the Company any property movable or immovable, rights or privileges which the Company is authorised to acquire at or for such price or consideration and generally on such terms and conditions as it may think fit and in any such purchases or other acquisition to accept such title as the Board may believe or may be advised to be reasonably satisfactory.
3. At its discretion and subject to the provisions of the Act to pay for any property, rights, privileges acquired by or services rendered to the Company, either wholly or partially in cash or in shares, bonds, debentures, mortgages or other securities of the Company and any such shares may be issued either as fully paid up or with such amount credited as fully paid up thereon as may be agreed upon and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company including its uncalled capital.
4. To secure the fulfillment of any contracts, agreements or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such other manners as it may think fit.
5. To appoint and at its discretion, remove or suspend, such managers, secretaries, officers, clerks, agents and employees for permanent, temporary or special services as it may from time to time think fit and to determine their powers and duties and fix their salaries, emoluments or remuneration and to require security in such instances and of such amounts as it may think fit.
6. To accept from any member, subject to the provisions of the Act, a surrender of his share or any part thereof on such terms and conditions as shall be agreed.

7. To appoint any person or persons (whether incorporated or not) to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purpose and to execute and do all such deeds and things as may be required in relation to any such trust and to provide for the remuneration of such trustee or trustees.
8. To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any debts due or any claims or demands by against the Company and to so refer any difference to arbitration and observe the terms of any awards made therein either according to Indian Law or according to Foreign Law and either in India or abroad and observe and perform or challenge any award made therein.
9. To refer any claims or demands by or against the Company or any differences to arbitration and observe and perform the awards.
10. To act on behalf of the Company in all matters relating to bankrupts and insolvents.
11. To make and give receipts, releases and other discharges for money payable to the Company and for the claims and demands of the Company.
12. To open and operate Bank Accounts, to determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give necessary authority for such purpose.
13. Subject to the provisions of the Act, and these Articles, from time to time provide for the management of the affairs of the Company in or outside India in such manner as it may think fit and in particular to appoint any person to be the attorneys or agents of the Company with such person (including the power to sub-delegate) and upon such terms as may be thought fit.
14. Subject to the provisions of Sections 291, 292, 293, 295, 270, 372 and other applicable provisions, to invest and deal with the moneys of the Company not immediately required for the purpose thereof in or upon such security (not being shares in this Company) or without security and in such manner as it may think fit and from time to time to vary or realise such investments save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name.
15. To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur, any personal liability for the benefit of the Company, such mortgage of the Company's property (present and future) as it thinks fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon.
16. To distribute by way of bonus amongst the staff of the Company a share or shares in profits of the company and to give any Director, officer or other person employed by the Company a commission on the profits of any particular business or transaction and to charge such bonus or commission as a part of working expenses of the Company.
17. To provide for the welfare of employees of the Company and the wives and families or the dependents or connection of such persons by building or contributing to the building of houses, dwellings or chawls or by grants of money, pensions, gratuity, annuities, allowances, bonuses, or other payments or by creating and from time to time subscribing or contributing to, provident fund and other associations, institutions, funds or trusts and by providing or subscribing or contributing towards places of instruction or recreations, hospitals and dispensaries medical and other attendance and other assistance as the Board shall think fit.

18. To subscribe, incur expenditure or otherwise to assist or to guarantee money to charitable benevolent, religious, scientific, national or any other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation or of public and general utility or otherwise.
19. Before recommending any dividend, to set aside, out of the profits of the Company, such sums as it may think proper for depreciation or to a depreciation fund or to an insurance fund or as a reserve fund or sinking fund or any special fund to meet contingencies to repay debentures or for debenture-stock or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purposes referred to in the last two preceding clauses) as the Board of Directors may, in its absolute discretion, think conducive to the interest of the Company and Subject to section 292 of the Act, to invest the several sums to set aside or so much thereof as is required to be invested, upon such investment (other than shares of this Company) as it may think fit and from time to time deal with and vary such investments and dispose off and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purpose as the Board of Directors, in its absolute discretion, think conducive to the interest of the Company, notwithstanding that the matters to which the Board of Directors applies or upon which it expends the same or any part thereof may be matters to or upon which the capital moneys of the Company might rightly be applied or expended and to divide the general reserve fund into such special funds as the Board of Directors may think fit, with full power to transfer the whole or any portion of a reserve fund or division of a reserve fund to another reserve fund and with full power to employ the assets constituting all or any of the above funds including the depreciation fund, in the business of the Company or in the purchase or repayment of debentures or debenture-stock and that without being bound to keep the same separate from the other assets and without being bound to *pay* interest on the same with power however to the Board of Directors at its discretion to pay or allow to the credit of such funds, interest at such rate as the Board of Directors may think proper.
20. To pay and charge to the capital account of the Company any commission or interest lawfully payable there out under the provisions of Sections 76 and 208 of the Act and of the provisions contained in these presents.
21. From time to time make, vary and repeal bye-laws for regulations of the business of the Company, its officers and servants.
22. To redeem redeemable preference shares.
23. Subject to the provisions of the Act and these Articles for or in relation to any of the matters, aforesaid or otherwise for the purpose of the Company to enter into all such contracts and execute and do all such negotiations and contracts and rescind and vary all such acts, deeds and things in the name and on behalf of the Company as it may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the Company.
24. To undertake any branch or kind of business which the Company is expressly or by implication authorised to undertake at such time or times as it shall think fit and to keep in abeyance any such branch or kind of business even though it may have been actually commenced or not, so long as the Board may deem it expedient not to commence or proceed with such branch or kind of business.

133. Board may appoint Managing Director

Subject to provisions of Sections 267, 268, 269, 309, 310, 311, 316, 317 schedule XIII and other applicable provisions, if any of the Act, the Board of Directors may from time to time appoint one or more of their body to be Managing Director or Managing Directors or Whole-time Director or Whole-time Directors or Executive Director or Directors of the Company on a term not exceeding five years at a time for which he or they is or are to hold such office and may from time to time remove or dismiss him or them from office and appoint another or others in his or their place or places.

134. Subject to the provisions of the Act and these Articles a Managing Director or the Whole time Director or Executive Director shall while continues to hold office, be subject to retirement by rotation and he shall be taken into account in determining the Directors liable to retire by rotation or the number of Directors to retire and he shall subject to the terms of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company except the permanent Directors.
135. **Remuneration of Managing Director**
The remuneration of a Managing Director/Wholetime/Executive Director shall, from time to time, be fixed by the Board and may be by way of salary or commission or participation in profits or by any or all of these modes or in any other form and shall be subject to the limitations prescribed in Sections 198 and 309 and Schedule XIII of the Act.
136. **Directors may confer power on Managing Director**
Subject to the provisions of the Act and to the restrictions contained in these Articles, Board may, from time to time, entrust to and confer upon a Managing Director/Wholetime/Executive Director for the time being such of the powers exercisable by the Board under these Articles as it may think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as it thinks expedient and it may confer such powers either collaterally with or to the exclusion of or in substitution for all or any of the powers of the Board in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.
137. **Compensation for loss of office**
Subject to the provisions contained in Sections 318 and 319 of the Act, the Company shall make payment to a Managing Director by way of Compensation for loss of office or as compensation for retirement from such office or in connection with such loss or retirement from office, except in cases specified in Section 318(3) and such payment shall be subject to the limit specified in Section 318 (4) of the Act.
138. **Certain persons not to be appointed as Managing Director**
The Company shall not appoint or employ or continue the employment of any person as its Managing Director or Whole-time Director or Executive Director who:
- a. is an undercharged, insolvent, or has at any time been adjudged an insolvent;
 - b. suspends or has at any time suspended, payment to his creditors or makes or has at any time made composition with them; or
 - c. is or has at any time being convicted by a Court of an offence involving moral turpitude.

Articles 145 to 153 Dividends

145. The profits of the Company which it shall from time to time determine, subject to the provisions of section 205 of the Act, to divide in respect of any year or other period, shall be applied first in paying the fixed preferential Dividend on the capital paid upon the preference shares if any and secondly in paying a dividend declared for such year or other period on the capital paid up on the equity shares.
146. **Amount paid in advance of calls not to be treated as paid up capital**
No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of Article 145 as paid up on the shares.
147. **Declaration of Dividends**
The Company in General Meeting may, subject to the provisions of section 205 of the Act, declare a Dividend to be paid to the members according to their right and interest in the profits and may fix the time for payment.
148. **Restriction on Amount of Dividend**

No larger dividend shall be declared than is recommended by the Board but the Company in General Meeting may declare a smaller dividend.

149. Dividend out of profits only and not to carry interest

1. No Dividend shall be payable except out of the profits of the Company arrived at as stated in section 205 of the Act and no interest shall be payable thereon.

What is to be deemed net profits

2. The declaration of the Board as to the amount of the net profits of the Company shall be conclusive.

150. Interim Dividend

The Board of the Directors may from time to time pay to the members such interim dividend as in its judgment the position of the Company justifies.

151. Debts may be deducted

The Board may retain any dividends payable on share 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 lien exists.

152. Payment by post

Any dividend payable in cash may be paid by cheque or warrant sent through the post directed to the registered address of the shareholder entitled to the payment of the dividend or in the case of joint shareholders to the registered address of that one whose name stands first on the Register of Members in respect of the joint shareholding or to such persons and to such address as the shareholder or the joint shareholders may in writing direct and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent and the Company shall not be responsible or liable for any cheque or warrant lost in transit or for any dividend lost to the member or person entitled hereto by the forged endorsement of any cheque or warrant or the fraudulent recovery thereof by any other means. The Company may, if it thinks fit, call upon the shareholders when applying for dividends or bonus to produce their share certificates at the registered office or other place where the payment of dividend is to be made.

153. Capitalisation of Reserves

a. Any General Meeting may, upon the recommendation of the Board, resolve that any moneys, investments or other assets forming part of the undistributed profits of the Company standing to the credit of any profit and loss account or any capital redemption reserve fund or in hands of the Company and available for dividend or representing premium reserved on the issue of shares and standing to the credit of the premium of the share account be capitalised and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any of such capitalised fund shall not be paid in cash but shall be applied subject to the provisions contained in clause (b) hereof on behalf of such shareholders in full or towards :

1) Paying either at par or at such premium as the resolution may provide any unissued shares or debentures or debenture-stock of the Company which shall be allotted, distributed and credited as fully paid up to and amongst such members in the proportions aforesaid; or

2) Paying up any amounts for the time being remaining unpaid on any shares or debentures or debenture-stock held by such members respectively.

3) Paying up partly in way specified in sub clause (1) and partly in that specified in sub clause (2) and that such distribution or payment shall be accepted by such shareholder in full satisfaction of their interest in the said capitalised sum.

b. 1) Any moneys, investments or other assets representing premium received on the issue of share and standing to the credit of share premium account; and

2) If the Company shall have redeemed any redeemable preference shares, all or any part of any capital redemption fund arising from the redemption of such share may, by resolution of the Company, be applied in paying up in full or any shares then remaining unissued to be issued to such members of the Company as the General Meeting may resolve upto an amount equal to the nominal amount of the shares so issued.

- c. Any General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company or any investments representing the same or any other undistributed profits of the Company not subject to charge for income-tax be distributed amongst the members on the footing that they receive the same as capital.
- d. For the purpose of giving effect to any resolution, the Board may settle any difficulty which may arise in regard to the distribution of payment as aforesaid as it thinks expedient and in particular in any issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, share, debentures, debenture-stock, bonds or other obligation in trustees upon such trust for the persons entitled thereto as may seem expedient to the Board and generally make such arrangement for acceptance, allotment and sale of such shares, debentures, debenture-stock, bonds or other obligations and fractional certificates or otherwise as it may think fit.
- e. If and whenever any share becomes held by any member in fraction, the Board may subject to the provisions of the Act and these Articles and to the direction of the Company in General Meeting, if any, sell the shares which members hold in fractions for the best price reasonable and shall pay and distribute to and amongst the members entitled to such shares in due proportion the net proceeds of the sale thereof, for the purpose of giving effect to any such sale, the Board may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see the application of the purchase money nor shall his title to the shares be effected by any irregularity or of unavailability in the proceedings with reference to the sale.
- f. Where required, a proper contract shall be delivered to the registrar for registration in accordance with Section 75 of the Companies Act and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend or capitalised fund and such appointment shall be effective.
- g. No unclaimed dividend shall be forfeited by the Board unless the claim is barred by law and the Company shall comply with all the provisions of section 205 A of the Act in respect of unclaimed or unpaid dividend.
- h. (i) Where the Company has declared a dividend but which has not been paid or claimed within thirty days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of thirty days, to a special account to be opened by the Company in that behalf in any scheduled bank to be called 'Asian Granito India Limited - Unpaid Dividend Account.

(ii) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the Company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.

No unclaimed or unpaid dividend shall be forfeited by the Board.

SECTION 9: OTHER INFORMATION

Material Contracts and Documents for Inspection

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, Gujarat for registration and also the documents for inspection referred to hereunder, may be inspected at our Registered Office from 10.00 a.m. to 4.00 p.m. on working days from the date of this Draft Red Herring Prospectus until the Bid/ Offer Closing Date.

Material Contracts

1. Engagement letter dated February 17, 2006 for appointment of SBI Capital Markets Limited and ENAM Financial Consultants Private Limited as the BRLMs.
2. Memorandum of understanding dated January 22, 2007 amongst our Company and the BRLMs.
3. Agreement dated March 13, 2006 executed by our Company with Registrar to the Issue.
4. Escrow agreement dated [•] between us the BRLMs, Escrow Collection Banks and the Registrar to the Issue.
5. Syndicate agreement dated [•] between us, the BRLMs, Syndicate Member and the Registrar to the Issue.
6. Underwriting agreement dated [•] between us, the BRLMs and Syndicate Member.
7. Agreement between NSDL, our Company and the Registrar to the Issue dated [•].
8. Agreement between CDSL, our Company and the Registrar to the Issue dated [•].

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Certificate of Incorporation
3. Shareholders' resolutions dated December 5, 2006 in relation to this Issue and other related matters.
4. Resolutions of the Board dated November 7, 2006 and December 5, 2006 authorizing the Issue.
5. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
6. Report of the Auditors, Chartered Accountants, prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus and letters from the auditors dated January 9, 2007.
7. Statement of tax benefits dated November 27, 2006 from M/s. Deepak R. Soni & Co., in the form and context in which they appear in this Draft Red Herring Prospectus.
8. Copies of annual reports of our Company for the past five financial years.
9. Consent of the M/s. Deepak R. Soni & Co. dated January 08, 2007, for inclusion of their report on accounts

and statement of tax benefits in the form and context in which they appear in this Draft Red Herring Prospectus.

10. Consents of Auditors, Bankers to the Company, Monitoring Agency, BRLMs, Syndicate Member, Registrar to the Issue, GITCO, Banker to the Issue, Domestic Legal Advisor to the Issue, Directors of our Company, Company Secretary and Compliance Officer as referred to, in their respective capacities.
11. In-principle listing approval dated [•] and [•] from NSE and BSE, respectively.
12. Due diligence certificate dated January 29, 2007 to SEBI from the BRLM.
13. SEBI observation letter [•] dated [•] and our in-seriatim reply to the same dated [•].
14. Land Agreements dated June 5, 2006, June 7, 2006 and five agreements dated June 12, 2006 for the land acquired for the project.
15. Technical and Market Appraisal report on the Proposed Expansion Project, dated January 29, 2007 prepared by Gujarat Industrial and Technical Consultancy Organisation Limited (GITCO)

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

Declaration

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

Signed by all Directors	
Mr. Kamleshbhai Patel	
Mr. Hansmukhbhai Patel	
Mr. Mukeshbhai Patel	
Mr. Rameshbhai Patel	
Mr. Maganlal Prajapati	
Mr. Hitesh Mehta	
Mr. Mahesh Chander Julka	
Mr. Rajaram Sohanlal Shah	
Signed by,	
Mr Kalidas Patel (Chief Financial Officer)	
Date : January 29, 2007 Place : Ahmedabad	