Draft Letter of Offer
March 10, 2006
For Equity Shareholders of the Company Only

MORARJEE TEXTILES LIMITED

We were incorporated on July 14, 1995 as Morajee Brembana Private Limited under the provisions of the Companies Act, 1956. Our Registered Office is at 106, Peninsula Centre, Dr. S.S.Rao Road, Parel, Mumbai 400 012, India. We became a public company on December 18, 1996. We changed our name from Morajee Brembana Limited to Morarjee Textiles Limited on January 4, 2005. (For further details see "History of the Company and Other Corporate Matters" on page 70 of this Draft Letter of Offer.)

Tel: 91 22 2413 0021 / 2411 5689 ; Fax: 91 22 2414 6909
Contact Person: Mr. S.C. Kashimpuria, Company Secretary
E-mail: rights@morarjee.com**; Website:** www.morarjeetextiles.com

For private circulation to the Equity Shareholders of the Company only

DRAFT LETTER OF OFFER
FOR PRIVATE CIRCULATION TO THE ORDINARY SHAREHOLDERS OF THE COMPANY ONLY

ISSUE OF 7,786, 913 FULLY PAID EQUITY SHARES WITH A FACE VALUE OF Rs. 10 EACH AT A PREMIUM OF Rs. [●] PER FULLY PAID EQUITY SHARE FOR AN AMOUNT AGGREGATING Rs. [●] TO THE EXISTING EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF THREE FULLY PAID EQUITY SHARE FOR EVERY FOUR EXISTING EQUITY SHARES HELD BY THE EXISTING SHAREHOLDERS ON THE RECORD DATE, i.e., [●]. FOR EVERY THREE EQUITY SHARES BEING ALLOTTED ON RIGHTS BASIS, THE ALLOTTEES WILL RECEIVE TWO DETACHABLE WARRANTS. TOTAL ISSUE INCLUDING CONVERSION OF WARRANTS INTO EQUITY SHARES AT A PRICE of Rs. [●] EACH WOULD AGGREGATE RS. [•] MILLION. FOR MORE DETAILS, SEE "TERMS OF THE ISSUE" ON PAGE 233 OF THIS DRAFT LETTER OF OFFER.
THE ISSUE PRICE IS [•] TIMES THE FACE VALUE OF THE SHARES OF THE COMPANY

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 Issuer and the Issue including the risks involved. The securities 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 document. **Investors are advised to refer to "Risk Factors" on page 6 of this Draft Letter of Offer before making an investment in this Issue.**

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The existing Equity Shares of the Company are listed on Bombay Stock Exchange Limited (Designated Stock Exchange) ("BSE"). The Company has received "in-principle" approval from BSE for listing the Equity Shares and Warrants arising from this Issue vide letter dated [•].

LEAD MANAGERS TO THE ISSUE		REGISTRAR TO THE ISSUE
Enam Financial Consultants Private Limited 801, Dalamal Towers Nariman Point Mumbai 400021 Tel: +91 -22 5638 1800 Fax +91 -22 2284 6824 Contact person: Ashish Kumbhat Email: rights.mtl@enam.com Website: www.enam.com	EXPERIENCE OUR EXPERTISE **YES BANK Limited** Nehru Centre, 12th Floor, Discovery of India, Worli, Mumbai 400018 Tel: +91 -22 5669 9000 Fax +91 -22 2497 4158 Contact person: Varun Kapur Email: morarjee@yesbank.in Website: www.yesbank.in	**Karvy Computershare Private Limited** Karvy House, 46 Avenue 4 Street No 1, Banjara Hills Hyderabad 500 034 Tel : (+91 40) 2332 3031 Fax : (+91 40) 2330 4703 Contact person: Murali Krishna E mail : murali@karvy.com Website : www.karvy.com

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR REQUEST FOR SPLIT APPLICATION FORMS	ISSUE CLOSES ON
	●	●

TABLE OF CONTENTS

ABBREVIATIONS & TECHNICAL TERMS 2
RISK FACTORS 6
SUMMARY 18
THE ISSUE 21
SELECTED FINANCIAL INFORMATION 22
GENERAL INFORMATION 26
CAPITAL STRUCTURE 30
OBJECTS OF THE ISSUE 38
BASIS FOR ISSUE PRICE 42
STATEMENT OF TAX BENEFITS 44
INDUSTRY OVERVIEW 47
OUR BUSINESS 54
REGULATIONS AND POLICIES 67
HISTORY OF OUR COMPANY AND OTHER CORPORATE MATTERS 70
DIVIDENDS 74
MANAGEMENT 75
PROMOTERS AND PROMOTER GROUP 95
GROUP COMPANIES 108
SUBSIDIARIES 109
OUR JOINT VENTURE COMPANIES 111
RELATED PARTY TRANSACTIONS 112
AUDITORS REPORT 113
STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY 179
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL 181
OUTSTANDING LITIGATIONS AND DEFAULTS 199
GOVERNMENT APPROVALS 226
STATUTORY AND OTHER INFORMATION 228
TERMS OF THE ISSUE 233
MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION 258
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION 269
DECLARATION 271

ABBREVIATIONS & TECHNICAL TERMS

In this Letter of Offer, the terms "we", "us", "our", "the Company" or "MTL", unless the context otherwise implies, refer to Morarjee Textiles Limited. All references to "Rs."or "INR" refer to Rupees, the lawful currency of India, "USD" or "US$" refer to the United States Dollar, the lawful currency of the United States of America, references to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable, and the words "Lakh" or "Lac" means"100 thousand" and the word "million" or "mn" means "10 lakh" and the word "crore" means "10 million" or "100 lakhs" and the word "billion" means "1,000 million" or "100 crores". Any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

General Terms and Abbreviations

Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
Articles	Articles of Association of the Company as originally framed or as altered from time to time in pursuance of any previous companies law or of this Act
AS	Indian Accounting Standard
Auditor	Refers to Shah & Co., having their office at Maker Bhawan, No. 2, 18, New Marine Lines, Mumbai 400 020 unless otherwise specified
Board or Board of Directors	Board of Directors of Morarjee Textiles Limited
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
Capital or Share Capital	Share Capital of the Company
CDSL	Central Depository Services (India) Limited
CVD	Counter Vailing Duties
DP	Depository Participant
EPS	Earning Per Share
Equity Share(s) or Share(s)	means the Equity Share of the Company having a face value of Rs. 10 unless otherwise specified in the context thereof
Equity Shareholder	Means investors holding the Equity Shares of the Company
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999
FERA	Foreign Exchange Regulation Act, 1973
FI	Financial Institutions
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
FY / Fiscal	Financial Year ending March 31
GOI	Government of India
HUF	Hindu Undivided Family
Issuer	Morarjee Textiles Limited, a company incorporated under the Indian Companies Act, 1956 having its registered office at 106 Peninsula Centre, Dr. S. S. Rao Road, Parel, Mumbai 400 012, India
IT Act	The Income Tax Act, 1961 and amendments thereto
ITAT	Income Tax Appellate Tribunal
Memorandum	Memorandum of Association of the Company
MoU	Memorandum of Understanding
MIDC	Maharashtra Industrial Development Corporation

MRL	Morarjee Realties Limited
NAV	Net Asset Value
NBFC	Non Banking Financial Companies
NR	Non Resident
NPIL	Nicholas Piramal India Limited
NRI(s)	Non Resident Indian (s)
NSDL	National Securities Depository Limited
OCB	Overseas Corporate Bodies
R & D	Research and Development
RBI	The Reserve Bank of India
ROC	Registrar of Companies at Mumbai, Maharashtra located at 100 Everest, New Marine Lines, Mumbai-400002.
SEBI	Securities and Exchange Board of India
SEBI Act, 1992	Securities and Exchange Board of India Act, 1992 and amendments thereto
SEBI DIP Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 read with amendments issued subsequent to that date
SPV	Special Purpose Vehicle
Takeover Code	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended to date
WTO	World Trade Organisation

Issue Related Terms and Abbreviations

Bankers to the Issue	[*]
CAF	Composite Application Form
Consolidated Certificate	In case of physical certificates, the Company would issue one certificate for the Equity Shares allotted to one folio
Designated Stock Exchange	The designated Stock Exchange for the Issue shall be BSE
Draft Letter of Offer	Draft Letter of Offer dated March [*], 2006 filed with SEBI for its comments
ENAM or Lead Manager	ENAM Financial Consultants Private Limited
Issue	Issue of Equity Shares of Rs. 10 each for cash at a premium of Rs. [*] per share on rights basis to existing Equity Shareholders of the Company in the ratio of [*] Equity Share for every [*] Equity Shares held on the Record Date i.e. [*] aggregating Rs. [*] million with detachable warrants on a rights basis to existing shareholders on the Record date in terms of this Draft Letter of Offer
Issue Closing Date	[*]
Issue Opening Date	[*]
Issue Price	Rs. [*] per Equity Share
Investor(s)	Means the holder (s) of Equity Shares of the Company as on the Record Date, i.e. [*] and Renouncees
Lead Manager to the Issue	ENAM Financial Consultants Private Limited & YES Bank Limited
Letter of Offer	Letter of Offer dated [*] as filed with the Stock Exchange after incorporating SEBI comments on the Draft Letter of Offer
Promoter	Ajay G. Piramal & Urvi A. Piramal
Record Date	[*]

Registrar to the Company	Amtrac Management Services Limited
Registrar to the Issue	Karvy Computershare Private Limited
Renouncees	Shall mean the persons who have acquired Rights Entitlements from Equity Shareholders
Rights Entitlement	The number of Equity Shares that a shareholder is entitled to in proportion to his/her shareholding in the Company as on the Record Date
Rights Issue	The Issue of Equity Shares and detachable warrants in terms of this Draft Letter of Offer.
Stock Exchange(s)	Shall refer to the BSE where the Shares of the Company are presently listed
Warrants Exercise Price	Price at which the warrants can be exercised for conversion into Equity Shares of the Company. For details please refer to section "Terms of the Issue" on Page 233 of this Draft Letter of Offer
YES or YBL	YES Bank Limited

Technical and Industry Terms and Abbreviations

ATC	Agreement on Textiles and Clothing
AT & T	Additional Excise Duty on Textiles & Textile Articles
CLCS	Credit Linked Capital Subsidy
CMC	Carboxymethyl Cellulose
CVD	Counter Vailing Duties
DEPB	Duty Exemption Pass Book Scheme
EPCG Scheme	Export Promotion Capital Goods Scheme
GATT	General Agreement on Trade and Tariff
LTA	Long Term Agreement regarding International Trade in Cotton Textiles
MFA	Multi Fibre Agreement
NIFT	National Institute of Fashion Technology
PFY	Polyester Filament Yarn
PVA	Polyvinyl Alcohol
PTY	Polyester Texturised Yarn
TCIDS	Textile Centres Infrastructure Development Scheme
TUFS	Technology Upgradation Funds Scheme

NO OFFER IN THE UNITED STATES

The shares of the Company are not registered under the United States Securities Act of 1933, as amended. The rights referred to in this Letter of Offer are being offered in India but not in the United States of America. The offering to which this Letter of Offer relates is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States of America, or the territories or possessions thereof, or as a solicitation therein of an offer to buy any of the said shares or rights. Accordingly, this Letter of Offer should not be forwarded to or transmitted in or into the United States of America at any time. The Company will not accept subscriptions from any person, or his agent, who appears to be, or who the Company has reason to believe is, a resident of the United States of America and to whom an offer, if made, would result in requiring registration of this Letter of Offer with the United States Securities and Exchange Commission. The Company is informed that there is no objection to a United States shareholder selling its rights in India.

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Letter of Offer, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. The financial and other implications of material impact of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However there are risk factors where the impact is not quantifiable and hence the same has not been disclosed in such risk factors.

This Draft Letter of Offer also contains forward-looking statements that involve risks and uncertainties. Issuer's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this draft Letter of Offer.

Unless otherwise stated, the financial information used in this section is derived from our standalone audited financial statements under Indian GAAP, as restated. Bracketed numbers indicate losses/ negative figures. For conversion rates please refer to "Currency of Presentation" on page no 73 of this Draft Letter of Offer.

INTERNAL RISK FACTORS

Criminal litigation against Directors and Promoters:

1. Eight criminal cases have been filed against our directors. Seven against Mr. Ajay Piramal and one against Mr. Harshvardhan A. Piramal. Details of these cases are as followed:

(i) Mr. Ajay Piramal

a. Mr. Loknath Ratnakar, a former consignment agent of the Company has filed complaint No. 1497(1) of 2002 for offences under sections 420, 406 and 120B of the Indian Penal Code, 1860 in the Court of Chief Judicial Magistrate, Patna. The complaint has been filed against Nicholas Piramal India Limited ("**Nicholas Piramal**"), its Chairman, Mr. Ajay Piramal, its Chief Executive, Mr. Vijay Shah and other officers of the Nicholas Piramal for termination of agency and incidental misappropriation of amounts aggregating Rs. 5.3 million.

b. The Drugs Inspector, Drugs Control Department, New Delhi has filed a criminal complaint Cr. Case No. 25/4 of 2004 against Nicholas Piramal under Section 18(a) (i) and section 27 (d) of the Drugs and Cosmetics Act, 1940 before the Metropolitan Magistrate. The complaint has been filed on the ground that a sample Erythromycin Estolate Oral Suspension USP manufactured by erstwhile RPIL was found to be not of standard quality. Nicholas Piramal has brought to the attention of the Metropolitan Magistrate certain technical irregularities in the complaint filed.

c. Loknath Ratnakar has filed Complaint Case No. 2522(C) of 2002 in the court of the Chief Judicial Magistrate, Patna against Nicholas Piramal, its Chairman, Ajay G. Piramal and its Executive Director, Vijay Shah for offences under Sections 420, 406 and 120-B, of the Indian Penal Code, 1860. The criminal complaint has been filed on the grounds that the company has taken a road permit through the complainant, but has supplied products directly to its distributor and not through the complainants. The matter has been kept on April 22, 2006 for return of service of summons.

d. The Inspector, Security Guards Board for Greater Bombay and Thane District has filed a criminal complaint against Nicholas Piramal and Ajay G. Piramal (in his capacity as Managing Director) before the Chief Metropolitan Magistrate, 38th Court, Mumbai. The complaint has been filed for alleged offences under Clause 42 of the Private Security Guards (Regulation of Employment & Welfare) Scheme, 2002, which include employing security guards other than security guards allotted by the Security Guards Board.

e. One of the ex-distributor of the Generics division of Nicholas Piramal has filed a criminal complaint before the Chief Judicial Magistrate, Patna numbered as 2583 (C) of 2005 on the allegation that the company along with the Chairman and VP of Generics Division have illegally terminated his distributorship and has commited an offence of cheating and criminal breach of trust. The Company has filed a petition u/s 482 of Cr.P.C. before the Patna High Court being numbered as 4096 of 2005 and the Hon'ble High Court was pleased to stay the proceedings in the Lower Court till final disposal of the Petition.

f. Mr. Navin Dadhia had filed a Criminal Case No. 23/SS/2004 in the court of Metropolitan Magistrate, Dadar, Mumbai against the Mr. Ajay Piramal, Chairman and Managing Director of Morarjee Gokuldas Spinning and Weaving Company Limited for offences under Sections 286 read with Section 134 of the Indian Penal Code, 1860. The Chairman and Managing Director of Morarjee Gokuldas Spinning and Weaving Company Limited and others have filed Criminal application No. 4175 of 2004 in the Mumbai High Court for quashing of proceedings. The Mumbai High Court, vide its order dated January 13, 2005 has stayed the proceedings in the Court of Metropolitan Magistrate, Dadar, Mumbai pending hearing and final disposal of the Criminal application no. 4175 of 2004 before it.

g. The Food Inspector, Nadiad has filed a complaint Cr. Case No. 5 of 2002 against Nicholas Piramal before the Judicial Magistrate, (First Class) at Nadiad alleging that Nicholas Piramal has committed an offence under the Prevention of Food Adulteration Act, 1954 in respect of Rejoint Dietary Supplement on the grounds that a sample was adulterated and misbranded by not making a declaration in respect of animal origin in relation to the gelatine capsule. The complaint has also named directors of the company as persons accused, including the Chairman of the company, Ajay Piramal. The company had filed Misc. Criminal Application 3986 of 2002 under Section 482 of the Code of Criminal Procedure before the High Court of Gujarat which was admitted vide its order dated December 5, 2002. The matter is currently out of the list.

(ii) Mr. Harshvardhan A. Piramal

Medilink Agencies has filed a criminal complaint against Mr. Harshvardhan A. Piramal before the Judicial Magistrate, First Class, Patna under sections 420, 120, 387 and 506 of the Indian Penal Code, 1860. Mr. Harshvardhan A. Piramal has been exempted from appearance in the matter. The next date in the matter is yet to be announced. The matter is still pending before the Judicial Magistrate First Class, Patna.

Our business prospects may severely hampered if any of the aforesaid cases are decided against the directors.

Any decrease in demand/price of fabric will impact our business.

Our profits are dependant on the prices for the fabric in the domestic and international market. If there is a drop in demand, there would be a corresponding drop in prices and our profit margins might decline as a result.

Our revenues are highly dependent on a limited number of buyers. The loss of any of our major buyers or a decrease in the volume of the fabric they source from us may adversely affect our revenues and profitability.

We derive a significant portion of our revenues from a limited number of buyers. In FY 2004-05 and upto November 30, 2005, our largest buyer accounted for 8.57% and 7.39% of our revenues respectively and our five largest buyers accounted for 24.98% and 25.88% respectively. As a result of our reliance on a limited number of clients, we may face inconsistency in revenues and pricing pressure. The number/ amount of fabrics to be procured by them may vary from year to year since we are not the exclusive supplier to them. In addition, there are a number of factors, other than our performance, that could cause loss of a buyer and that may not be predictable. Our buyers may also decide to reduce the quantity of the fabric sourced from us because of challenging market conditions and other factors, internal and external, relating to their business. The loss of any of the major buyers, a decrease in the volume of the fabric they source from us or decrease in the price of the fabric we supply may adversely affect our revenue and profitability.

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

With the opening up of international markets after removal of quotas we may face price pressures on our products as various suppliers in India and overseas who were hitherto restrained by quotas will also start competing for the same orders in the international markets.

If we are unable to manage our growth, our business and financial results could be adversely affected

We have experienced significant growth in our sales in recent years. As per our financial statement, our total sales has grown at a compounded annual growth rate of 37.5% from April 1, 2001 to March 31, 2005. The number of our employees grew from 520 as on March 31, 2003 to over 785 on November 30, 2005. We expect this growth to place significant demands on both our management and resources. This will require us to continuously evolve and improve our operational, financial and internal controls across the organization.

In particular, continued expansion increase the challenges involved in:

- Recruiting, training and retaining sufficient technical, sales and management personnel;
- adhering to our high quality and process execution standards;
- maintaining high level of buyer satisfaction;
- preserving our culture, value and entrepreneurial environment; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational and other internal systems.

Any inability to manage growth may have an adverse effect on our business, results of our operation and financial condition.

We are exposed to foreign currency risk

For the eight month ended November 30, 2005 our company derived 59.43% of its revenues from exports . Since our buyers compare our product with that of our competitors in USD denominated rate, appreciation of India Rupee vis-à-vis USD would weaken our competitive position. At the same time for a given revenue in USD, appreciation of Indian Rupee vis-à-vis USD will push our revenue and profit in Rupee terms in the downward direction. In recent past Indian Rupee has experienced substantial appreciation against USD. If this trend of appreciation of Indian Rupee continues it will impact our revenue and profitability in short term and our competitiveness against textile and apparel manufactures in China, Taiwan, Bangladesh etc. in long run.

Our Promoters will continue to control a significant percentage of our share capital and may, pursuant to our Articles or otherwise, exercise substantial influence over us. Their interests may conflict with your interests as a shareholder

Our Promoters (including the Promoter Group) will hold 53.64% of the post Issue equity capital.

Accordingly our Promoters will have the ability to exercise significant influence over matters requiring shareholders' approval or resolutions by our Board. This could delay, defer or prevent a change in control of our Company, impede merger, consolidation, takeover or other business combination involving us, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control over our company.

All of our facilities are geographically located in one area

We are a Maharashtra-based company having our factory in Nagpur. As a result, if there is any localised social unrest, natural disaster or breakdown of services and utilities in Nagpur, it may affect our business adversely.

We have only one offshore office

We sell approximately 50% of our production to international brands, fashion houses, wholesalers and retailers based outside India who cater to the international market at the end user level. However, other than our office at Legnano, Italy, we do not have any offshore office as a result of which we may not be able to capitalise on opportunities offered by the evolving international apparel market and our customers in a timely manner.

We have significant planned capital expenditure

We have planned for significant capital expenditure. Our capital expenditure plans may not yield benefits intended. The fund requirement as proposed in the Object of the Issue (on page 38) has not been appraised by any bank or monitoring agency. The deployment of the funds towards the objects of the Issue is entirely at the discretion of our Board of Directors and is not subject to monitoring by external independent agency.

The failure of our Technology systems could adversely impact our business.

Since our production operations are technology driven, the importance of technology to our business is paramount. Any failure in such technology could result in business interruption, the loss of buyers, damaged reputation and weakening of our competitive position and could have a material adverse effect on our financial condition and results of operations.

Inability to attract and retain talented professionals may impact our business.

Attracting and retaining talented professionals is important to our business growth, especially in light of the paucity of talented professionals in the market, and we believe it to be a significant source of competitive advantage. An inability to attract and retain talented professionals or the resignation or loss of key management personnel may have an adverse impact on our business and financial performance.

Our business is seasonal in nature and our inability to identify evolving fashion trends and create new designs may adversely affect our business.

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

We have a number of contingent liabilities and our profitability could be affected by materialization of any of the contingent liabilities.

As of November 30, 2005, our contingent liabilities as disclosed in our unconsolidated statement of assets and liabilities, under Indian GAAP, were as follows:

	Amount (Rs. in Million)

Particulars	As on November 30, 2005
Estimated amount of contracts remaining to be executed on capital account	46.56
Letter of Credit	28.48
Disputed Liability with central excise authorities	130.10
Counter Guarantees issued to banks	3.42
Bills discounted	18.99

Crystallization of any of the above liabilities may require us to honour the demands raised, if any, which may adversely impact our profitability and may have a material adverse impact on our financial resources and net worth.

There are a number of outstanding litigations against our Company, the Promoter Group Entities and Subsidiaries.

Our Company and certain of our Promoter Group Entities and Subsidiaries are involved in a number of legal proceedings incidentals to their business and operations. There can be no assurance that these matters will be settled in our favour, and that no further liability will arise out of these claims.

Material Litigations against the Company, the Promoters, the Directors and Group Companies are as follows:

Against the Company

1. There are approximately 7 labour related cases filed against the Company;
2. There are approximately 34 excise related show cause notices filed against the Company and aggregating approximately [Rs.60,945,304]
3. There are approximately 21 excise related claims filed against the Company, aggregating approximately [Rs.749,34,479] and pending before the Central Excise Appellate Tribunal.

Against the Directors

1. There are 2 criminal cases pending against the Directors of the Company.

Against the Promoters

Please refer to the 'Outstanding Litigations' on Page 199 of this Draft Letter of Offer.

Against the Promoter Group/Group Companies

Please refer to the 'Outstanding Litigations' on Page 199 of this Draft Letter of Offer.

For more information regarding litigations please see the section entitled 'Outstanding Litigations' on Page 199 of this Draft Letter of Offer.

Some of our Promoter Group Entities are loss making as per their latest audited financial statements

Details of some of our Promoter Group Entities which has incurred loss during the last three years are as follows:

(Rs. in million)

Name of the Company	Profit/(Loss) incurred for the year ended March 31, 2003	Profit/(Loss) incurred for the year ended March 31, 2004	Profit/(Loss) incurred for the year ended March 31, 2005
Alibagh Farming and Agriculture Company Private Limited	NA	(135.00)	(163.92)
Alltime Mercantile Company Pvt. Ltd.	NA	NA	(0.006)
Antartica Trading Co Pvt Ltd	NA	(30.00)	40,385.39
Aryanish Finance & Investment Pvt Ltd	(31.88)	(93.94)	(84.44)
Bombay Motors Pvt Ltd	(1538.31)	6,344.98	(779.13)
Cineline Trading Company Pvt. Ltd.	NA	NA	(0.006)
Crossroads Shoppertainment Pvt Ltd	(4.20)	(3.35)	(4.36)
Goldflag Mercantile Company Pvt. Ltd.	NA	NA	(0.006)
Goldlife Mercantile Company Pvt. Ltd.	NA	NA	(0.007)
Goldspot Trading Company Pvt. Ltd.	NA	NA	(0.004)
Highzone Mercantile Company Pvt Ltd.	NA	NA	(0.011)
L& T Crossroads Pvt Ltd	NA	NA	(16.842)
Maxplaza Trading Company Pvt. Ltd.	NA	NA	(0.001)
Newone Trading Company Pvt. Ltd.	NA	NA	(0.006)
Newzone Mercantile Company Pvt. Ltd.	NA	NA	(0.006)
Oneline Mercantile Company Pvt. Ltd.	NA	NA	(0.006)
Onestar Trading Company Pvt. Ltd.	NA	NA	(0.006)
Oneup Mercantile Company Pvt. Ltd.	NA	NA	(0.006)
Pavurotti Finance & Investment Pvt Ltd	(31.88)	(37.00)	(135.30)
Piramal Polymers Limited	(3.595)	(1.403)	6.875
Piramyd Retail & Merchandising Pvt Ltd	(10.46)	(9.24)	(9.79)
Renato Finance & Investment Pvt. Ltd.	(5.541)	(4.885)	22.650
Seastar Trading Company Pvt. Ltd.	NA	NA	(0.006)
Superplaza Mercantile Company Pvt. Ltd.	NA	NA	(0.006)
Supersoft Mercantile Company Pvt. Ltd.	NA	NA	(0.118)
Surewin Trading Company Pvt. Ltd.	NA	NA	(0.099)
Topflag Trading Company Pvt. Ltd.	NA	NA	(0.006)
Toptech Mercantile Company Pvt. Ltd.	NA	NA	(0.006)
Topwave Mercantile Company Pvt. Ltd.	NA	NA	(0.006)
Topzone Mercantile Company Pvt Ltd	NA	NA	(0.006)
Truetime Trading Company Pvt. Ltd.	NA	NA	(0.003)
Weststar Elastometers Pvt Ltd	(19.25)	73.32	(109.06)

Any future issuance of Equity Shares by us may dilute your shareholding and adversely affect the trading price of the Equity Shares

Any future issuance of substantial amounts of our Equity Shares by us could dilute your shareholding, thereby adversely affecting trading price of our Equity Shares and could impact on our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuance might occur could also affect the trading price of our Equity Shares.

Current Labour Laws may impact our flexibility in managing our workforce

Fabric manufacturing is a labour intensive industry. However, we are constrained by the current labour laws in India which limit the flexibility on downsizing the workforce. Because of this, we are unable to fully implement productivity measures that may require reducing or relocating existing work force.

We have labour union(s) and have faced strikes/ lock outs

We have labour unions which represent the interests of our huge labour force. We have faced strikes/ lockouts in the year 2000 wherein production was stopped for a period of three months. There is no assurance that similar events will not occur in the future.

The Company's Logo has not been registered

The Company's logo has not been registered and therefore there may be potential misuse of the logo.

Our dependence of imported cotton exposes us to commodity, country and currency risk

We are dependent on imported cotton. This dependency on imports makes us vulnerable to foreign currency risk and domestic and international factors affecting the countries from which we import the cotton.

We are dependent on external suppliers for raw materials, which constitutes the largest component of our material costs

For requirement of raw materials we are dependent on external suppliers. Cotton and cotton yarn comprises a substantial component of our total raw materials. Cotton is an agricultural product and its supply and quality are subject to forces of nature. Any material shortgage or interruption in the supply or decrease in the quality of cotton due to natural causes or other factors could result in increased production costs that we may not successfully be able to pass on to other customers, which in turn would have a material adverse effect on our business.

Our factory requires various regulatory approvals and any failure to obtain the same in time may materially impact our operations

Our factory requires various Governmental & regulatory approvals on a periodic basis. Non-receipt of any of the required approvals may hamper our business. Details of the Government and regulatory approvals/ renewals required for the operation of our factory which have not been obtained are set out in Page 226 of this Draft Letter of Offer.

We do not have long-term contracts with our buyers and our buyers prescribe various standards which we are required to comply with

While we have been dealing with several of our buyers for many years, we do not have any long term contracts with them. Any change in the buying pattern of our buyers can thus adversely impact our business at short notice in the absence of any binding long term contracts with them. Further, in the absence of such long term contracts there can be no assurance that a particular buyer would continue to purchase apparels/textile/yarn from us in the future.

In addition we have to comply with stringent norms and guidelines prescribed by our buyers in relation to various parameters including quality, confidentiality, insurance and intellectual property, non compliance with which may have a material adverse effect on our relationship with such buyer and receipt of further orders from such buyers.

The warrant exercise price is not indicative of the future market price of equity shares of the Company

Warrant Exercise Price shall be at a price of Rs. [*] per Warrant. The investors may also note that the price of Rs. [] per Warrant should not be taken to be indicative of the market price of the equity shares, whether presently or after the equity shares that are issued upon the exercise of Warrants are listed. No assurance can be given regarding the active / sustained trading in the equity shares or the price at which the Equity Shares offered under the present Issue will trade either after the listing or at the time of exercise of Warrants.

We may not realize the anticipated synergies / benefits / efficiencies fron our prposed acquisition plans

Our Company plans to increase facilities by acquisition of companies carrying on similar business when suitable opportunities are identified. These acquistions and any other future projects could be delayed by failure to receive regulatory approvals or to obtain sufficient funding, due to technical difficulties, human resource, technological or other resource constraints, or for other unforeseen reasons, events or circumstances. Any such acquisitions or mergers may not necessarily contribute to our profitability and may require us to assume high levels of debt or contingent liabilities as part of such transactions. We also could experience difficulty in combining operations and cultures and may not realise the anticipated synergies, benefits or efficiencies from such transactions.

Our Company has high Debt to equity ratio

We have a high debt to equity ratio which may have a negative impact on our profitability and earning in future. A substantial portion of our properties is hypothecated with the lenders. On failure to repay the loans, the lenders could exercise their lien on these hypothecated properties, which may adversely impact our business operations.

We do not have permission and documentation for one of our office premises

We do not have permission for the use of one of our premises at Mumbai from Government Authorities nor do we have any documentation for this premise which may expose us to certain fines and penalties.

There has been a shortfall in the performance vis a vis promise in the last issue made by a company forming part of thePromoter Group

Morarjee Realities Ltd. made a public issue to their shareholders in 1994. The issue comprised of 1,525,000 equity shares of Rs. 10 each for cash at a premium of Rs. 250 each aggregating to Rs. 3.96 million and firm allotment of 2,475,000 equity shares of Rs. 10 each at a premium of Rs. 250 each to select FIs/FIIs/NRIs/IMFs aggregating to Rs. 643 million.

Objects of the issue

The objects of the issue were:

a. To finance the modernization-cum-expansion of manufacturing facilities of the company's textile division; and
b. To finance the margin money requirement for working capital requirements of the modernization-cum-expansion project.

The promise made in the above rights issue and actual performance achieved is as follows:

In Rs. million

Particulars	**1994-95**		**1995-96**		**1996-97**	
	Promise	**Performance**	**Promise**	**Performance**	**Promise**	**Performance**
Gross Sales	4,300.00	4,169.10	5,100.00	3,766.00	7,000.00	3,296.10
PAT	272.00	266.00	316.00	97.8	527.00	(209.00)
EPS	13.86	13.56	18.39	4.98	26.86	(1.07)
Dividend	30%	30%	30%	15%	30%	8%

Audit Qualifications

Audit Qualifications during the five years ended March 31, 2005 and eight months ended November 30, 2005 are as under:

- The Company does not have an Internal Audit System commensurate with the size and nature of the business of the Company (in the Financial Year 2000-01 & 2001-02)
- In the Financial Year 2000-01, auditor has a qualification regarding, claim raised by the excise department on the Company amounting to Rs.80.28 million, regarding duty payable on future export obligation amounting to Rs.23.93 million regarding trial run expenditure and interest capitalization

amounting to Rs.17.23 million regarding all balance confirmation from debtors and creditors, regarding non-provision of depreciation during strike period for 120 days proportionately.

- In the Financial Year 2001-02, auditor has a qualification regarding, regarding claim raised by the excise department on the Company amounting to Rs.128.40 million, regarding trial run expenditure and interest capitalization amounting to Rs.8.46 million.
- In the Financial Year 2001-02, 2002-03, 2003-04, 2004-05 and period ended November 30, 2005 (8 months) the inventories have been valued in accordance with the accounting standard 2 (revised) valuation of inventories issued in accordance with the Institute of Chartered Accountants of India, excise duty on finished goods at the factory, amounting to Rs.5.40 million, Rs.3.57 million, Rs.5.05 million, Rs.2.04 million and Rs.3.73 million respectively has been provided and the same has been included in the value of closing inventory. This has no effect on the profit and loss for the year.
- During the Financial Year 2003-04 balance in deferred revenue expenditure has been fully charged to profit and loss account which has resulted in increase of loss by Rs.3.06 million.

Stamp duty payable on certain documents

We believe that all the documents entered into by us have been adequately stamped. However if the superintendent of stamps takes a view that certain documents have not been adequately stamped then the possibility of imposition of fines by such authorities cannot be ruled out.

Our leverage may impair our ability to obtain financing.

The agreements in respect of some of our debt contain certain covenants including compliance reporting requirements and other restrictions which may limit our ability to borrow additional money, make capital expenditure and investments, declare dividends, merge or incur additional liens.

We may similarly need to obtain the consent of some or all of our lenders to undertake some or all of these activities. Some of our lenders have a right to convert the loans into our equity upon the occurrence of an event of default. In addition, we are subject to a number of risks associated with debt financing, including the risk that cash flow from operations will be insufficient to meet required payments of principal and interest; In particular, we have a number of working capital financings and other short-term debt facilities which have been extended to us by various banks on a yearly basis. While we have in the past been successful in negotiating with banks to roll-over or refinance our short-term debt instruments and obtain sufficient credit, we cannot assure you that we will be able to continue to do so in the future, which may result in liquidity problems for us and we will need to find alternate sources of funding. Although we anticipate that we will be able to repay or refinance existing debt (including certain loans with proceeds from this offering), and any other indebtedness when it matures, there can be no assurance that we will be able to do so.

In addition, we have granted security in favour of our lenders over, among others, immovable assets by way of mortgage and hypothecation of our assets both present and future pursuant to our loan and security agreements. See "Principal terms of Loans and Assets charged as security" in section titled "Financial Information" on page no. 113 of this Draft Letter of Offer. If we are unable to fulfill our payment obligations under the loan agreements, our property and assets could be forfeited or transferred. These security arrangements also restrict our ability to grant security over our property and assets. The existing security in favour of our lenders may affect our ability to raise additional money and grant additional security.

EXTERNAL RISK FACTORS

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

The Government of India has instituted several policies to promote the growth of the Indian textile sector. These include interest rate subsidies, duty / tax reimbursement schemes like duty drawback / DEPB. Termination of or variation in the terms of such policies can adversely impact the profitability of textile companies in the country.

Probable opposition to sourcing fabric from India

Potential threats to the domestic textile industry in developed countries and geographies that are not as competitive as India and China has led to a growing political opposition to sourcing of fabric from countries such as India. Any increase in such opposition can lead to non quantitative restrictions being imposed on export of fabric from countries such as India and China and impact the growth of textile industry players in such countries.

Additionally, countries such as the USA can impose anti-surge restrictions should the growth of exports from any geographic location exceed certain acceptable limits. Such restrictions can adversely impact our growth.

Significant new capacities being set up in the country

Significant capacities have been set up in the country for the manufacture of yarn dyed cotton fabric. Should our existing customers source part of their requirements from these new units, there can be no assurance that our capacities will be fully utilized. These could increase the cost of fabric manufactured by us.

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

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

Increasing wage cost and non availability of skilled personnel

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

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

External factors such as potential terrorist attacks, acts of war or geopolitical and social turmoil in many parts of the world could prevent or hinder our ability to do business, increase our costs and negatively affect our stock price. For example, increased instability may adversely impact the desire of employees and customers to travel, the reliability and cost of transportation, our ability to obtain adequate insurance at reasonable rates or require us to incur increased costs for security measures for our domestic and international operations. These uncertainties make it difficult for us and our customers to accurately plan future business activities. More generally, these geopolitical social and economic conditions could result in increased volatility in India and worldwide financial markets and economy.

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

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. Political instability, and change in specific laws and policies affecting the textile sector, foreign investment, currency exchange and other matters affecting investment in our securities could adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

Regional conflicts in Asia and other export markets could adversely affect the Indian economy and cause our business to suffer.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, including between India and Pakistan. Since May 1999, military confrontations between India and Pakistan have occurred in Kashmir. Also, since early 2003, there have been military hostilities and civil unrest in Afghanistan and Iraq. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies and on our business.

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

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

- volatility in the Indian and global securities markets;
- our results of operations and performance;
- performance of our competitors, the Indian apparel manufacturing industry and the perception in the market about investments in the apparel manufacturing sector:
- adverse media reports on the Company or the Indian apparel manufacturing industry;
- changes in the estimates of our performance or recommendations by financial analysts;
- significant developments in India's economic liberalisation and deregulation policies; and
- significant developments in India's fiscal and environmental regulations.

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

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

NOTES TO RISK FACTORS:

1. Net worth of the Company as on November 30, 2005 is Rs. 335.71 million. The size of the Issue is amount not exceeding Rs. [•]. The net asset value per share (book value) as on November 30, 2005 for Equity Shares of Rs. 10 face value is Rs. 32.33.

2. This Issue of 7,786,913 Equity Shares of Rs. 10 each for cash at a premium of Rs. [•] per Equity Share on rights basis to the existing Equity Shareholders of the Company in the ratio of three Equity Shares for every four Equity Shares held on the Record Date i.e. [•] for an amount not more than Rs. [•] and for every three equity shares being alloted under rights basis under this issue, the allottees will receive two detachable warrants.

3. We had entered into certain related party transactions for Financial Years 2003, 2004, 2005 and upto November 30, 2005 as disclosed in the section titled "Related Party Transaction" on page112 of this Draft Letter of Offer.

4. Before making an investment decision in respect of this Offer, you are advised to refer to the section titled 'Basis for Issue Price' on page 42 of this Draft Letter of Offer.

5. Please refer to the sub section titled 'Basis of Allotment' under "Terms of the Issue" on page 233 of this Draft Letter of Offer for details on basis of allotment.

7. For transactions in Equity Shares of the Company by the Promoter Group and directors of the Company in the last six months, please refer to section titled 'Capital Structure' on page 30 of this Draft Letter of Offer.

8. The Company has changed its name from Morajee Brembana Limited to Morarjee Textiles Limited on January 4, 2005.

9. Pursuant to the Scheme of Arrangement, shareholders of Morarjee Realties Limited were allotted shares of Morarjee Textiles Limited. By virtue of the aforesaid scheme the shareholders of MRL were allotted equity shares of the Company in the ration of 10:21, accordingly the Promoters were allotted the following shares:

Mr Ajay G Piramal	481
Ms Urvi A Piramal	289

10. For interests of our directors and key managerial personnel, please refer to "Management" on page 75 of this Draft Letter of Offer. For interests of our Promoters and Promoter Group please refer to "Promoters and Promoter Group" on page 95 of this Draft Letter of Offer

SUMMARY

Industry Overview

After more than forty years of import quotas and restrictions, the textile and clothing sector has become subject to the general rules of the General Agreement on Tariffs and Trade with effect from January 1, 2005.

The global textile trade in 2003 was USD 395 billion consisting of exports of textile and garments at USD 169 billion and USD 226 billion respectively. At USD 395 billion, global textile trade contributes 5.4% of the total international trade. This has been artificially restrained due to quotas that prevailed till December 2004. This trade is expected to grow with the removal for quotas.

Textile is fashion driven with changes in consumer taste and preference influencing the demand for different types and designs of textiles and clothing.

The Indian Textile Industry is a vertically integrated industry which covers a large gamut of activities ranging from production of its own raw material namely, cotton, jute, silk and wool, to providing to the consumers high value added products such as fabrics and garments. India also produce large varieties of synthetic and man made fibres such as filament and spun yarns polyester, viscose, nylon and acrylic which are used to manufacture fabric and garments.

Removal of Quotas

With the removal of quotas and the end of the WTO's Agreement on Textiles and Clothing (ATC) on January 1, 2005, the textile and clothing sector has become subject to the rules / regulations of the World Trade Organization ("WTO"). Protectionist measures against low-cost Asian textile/garment producers were in place since the 1950s, originating from various bilateral trade agreements that the US and various European countries signed with countries such as Japan, Hong Kong and India. Since 1974, the global trade in textile and garments had been governed by the rules of the Multi-Fibre Arrangement (MFA) which imposed quotas on exports of textiles and clothing. The aim behind quota restrictions was to protect the domestic textile/garment industries of rich industrialized countries.

Textiles constitute an important segment of global trade comprising six per cent of the world trade. From January 1, 1995, international textiles and clothing trade went through fundamental change under the 10-year transitional programme of the ATC. Before the Agreement took effect, a large portion of textiles and clothing exports from developing countries to the industrial countries was subject to quotas under a special regime outside normal General Agreement on Tariff and Trade ("GATT") rules. Hence, the developing nations pressed for stamping out the quota regime as a pre-condition to the formation of the WTO. Under the ATC, WTO Members committed themselves to remove the quotas by January 01, 2005 by integrating the sector fully into the GATT rules.

Characteristics of Indian Textile Industry

The textile sector plays a significant role in Indian economy by contributing to the Gross Domestic Product, generating employment and earning foreign exchange. An estimated 35 million people are directly employed in the Indian Textile Industry, which contributes to 4% of GDP, 14% of Industrial production of the country and 21% of total export earnings. (Source: Ministry of Textiles Annual Report 2004-2005)

Globally, India is a significant player in the textile industry and is the

- Third largest producer of cotton and cellulose fibre/yarn
- Second largest producer of cotton yarn
- Largest producer of jute, second largest producer of silk
- Fifth largest producer of synthetic fibre/yarn

Company Overview

Our Company is a prominent player in manufacturing of high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics with world class technology and distinct Italian designing as our key differentiators.

We are a part of the year 1875 established Morarjee Group, which is one of India's oldest and most experienced textiles manufacturing houses. Morarjee Goculdas Spinning and Weaving Company Limited one of the flagship company of Morarjee Group set up its textile operations in Mumbai.

Over the years it acquired other mills and expanded its capacity. In 1995 Morarjee Goculdas Spinning and Weaving Co. Ltd. set up Morarjee Brembana Ltd. as a 50:50 joint venture with Manifattura Di Valle Brembana Spa Italy, a leading Italian company to manufacture high quality cotton shirting fabrics, with its manufacturing facility at Butibori near Nagpur.

In 2003 Morarjee Goculdas Spinning & Weaving Co. Ltd with a view to focus in the real estate development business underwent a business re-organization whereby it sold and transferred its entire textile business to Morarjee Brembana Ltd which resulted in the concentration of the entire textile business of the group in one entity – Morarjee Brembana Ltd, thereby facilitating greater focus and attention to this business. In 2005, the 50% shareholding of Manifattura Di Valle Brembana Spa Italy was bought back and the name of Morarjee Brembana Limited was changed to Morarjee Textiles Ltd. This re-structuring was also performed to ensure the Company would be well positioned for the liberalized textile non quota regime.

Post Restructuring

We now own and operate a 8 million meters per annum weaving capacity for manufacturing of high value cotton shirting and 4.8 mn meters per annum weaving capacity for manufacturing of premium voiles and high fashion printed fabric at Nagpur in Central India. We also run a garment manufacturing unit through our wholly owned subsidiary Integra Apparels & Textiles Pvt. Ltd. in Bangalore. Further, we set up a wholly-owned subsidiary in Italy, Morarjee International S.R.I., to enhance access to European Markets as well as to provide quicker service to customers Our customers include leading brands such as Banana Republic, Robert Talbott, Ann Taylor, Zodiac, Louis Phillippe and Raymond.

Our Company's strategy of focusing on the fast growing high-value and premium segments is beginning to yield results and we registered an encouraging performance during the year ended March 31, 2005. The total income for the year was Rs. 1487.73 mn against Rs. 1097.48 mn in the previous year, registering a growth of 36%.

We believe we are well placed to benefit from the vast opportunity available to Indian textile players and are investing to enhance our value to our customers. We are also expanding our capacity to meet the growing demand for quality fabric from our existing customers as well as to enhance our presence in new geographies for our high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics business. The Italian subsidiary with its state-of-the-art design studio for creating its seasonal collections, new designs and new products would assist in this regard.

Our Business Model

Our Company is one of the few fully-integrated textile units in the country, from spinning to garmenting. At the same time each of the key process, i.e. spinning, weaving, finishing and processing, and garmenting, operate as separate profit centers and are commercially viable as independent functions.

Our Company with its capabilities in the entire value chain of textile industry, and will continue to invest in upgrading its technology, people and other key resources to maintain its market-leader status in the premium cotton fabric business.

Our Competitive Advantages

We believe the following factors have helped us emerge as a one of the few fully integrated textile units in the country:

- Cutting-edge Design
- Product Quality
- Customer Service
- Integrated Facilities

For further information on our competitive advantages, refer to the section titled "Our Business" on page 54 of this Draft Letter of Offer.

THE ISSUE

Equity Shares proposed to be issued by the Company	7,786,913 Equity Shares
Rights Entitlement	Three Equity Shares for every four Equity Shares held on the Record Date
Record Date	[●]
Issue Price per Equity Share	Rs. [●] (To be finalized before Stock Exchange filing)
Equity Shares outstanding prior to the Issue	10,382,550 Equity Shares
Equity Shares outstanding after the Rights Issue of Equity Shares	18,169,463 Equity Shares
Warrants Entitlement	Two detachable warrants for every three Equity Shares allotted under the Issue i.e. 5,191,275 Warrants.
Equity Shares outstanding after the Warrant conversion	23,360,738 Equity Shares
Terms of the Issue	For more information, see "Terms of Issue" on page 233 of this Draft Letter of Offer.

Terms of Payment

Due Date	Amount
On Right issue application	Rs [•], which constitutes 100% of the full amount of the Issue Price of Rs [•]
On exercise of Warrant	Rs [•], which constitutes 100% of the full amount of the Exercise Price of Rs [•]

STATEMENT OF ADJUSTED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR LAST TWO YEARS AND FOR THE PERIOD ENDED ON 3OTH NOVEMBER, 2005

(Rs. in Million)

PARTICULARS	For 8 months ended on	For The Year Ended On 31st March	
	30.11.2005	2005	2004
INCOME			
Sales			
Export Sales	646.82	910.72	519.83
Domestic Sales	511.10	896.77	778.00
DEPB	18.17	36.18	37.59
	1,176.10	**1,843.66**	**1,335.43**
Less: Excise Duty & Sales Return	68.00	116.00	831.24
	1108.10	**1,727.66**	**1,252.31**
Increase/(Decrease) in Stock	36.86	(6.32)	71.92
Other Income	.83	9.53	4.82
	1,145.79	**1,730.87**	**1,329.05**
EXPENDITURE			
Material Consumed	387.36	680.29	581.96
Manufacturing Expenses	343.28	468.36	314.44
Employees' Emoluments	118.58	156.97	131.65
Admn, Selling & Other Expns	150.78	206.96	141.86
Depreciation	53.97	82.27	65.19
Financial Charges	42.60	59.16	80.74
Miscellaneous Expns w.off			11.06
	1,096.58	**1,654.00**	**1,326.89**
Profit before tax	**49.21**	**76.86**	**2.16**
Other Adjustments VRS w/off		20.46	20.46
Prior Period Adjustment			0.09

PARTICULARS	For 8 months ended on	For The Year Ended On 31st March	
	30.11.2005	**2005**	**2004**
	49.21	**56.41**	**(18.39)**
Provision for Tax			
Current Tax (Mat)	5.26		0.32
Deferred Tax	-	(1.85)	1.22
Fringe Benefit Tax	2.37		
Net Profit after tax as per			
Audited Statement of A/c (A)	**41.58**	**58.26**	**(19.92)**
Brought forwards Profit/(Loss)	30.85	(378.73)	(373.48)
from previous year			
Profit/(Loss) available for appropriation	**72.44**	**(320.47)**	**(393.40)**
Add:			
Transfer from Debenture Redemption Reserve			
Share of Minority Interest Adjusted	1.40		
Surplus on Capital Restructuring*	-	376.69	
Less:			
Adjusted Against Reserve		3.33	-
Capital Loss adj against purchase consideration			14.68
Proposed Devidend on			
-Equity	-	15.57	-
-Distribution Tax	-	2.18	-
-Preference	-	3.75	-
-Distribution Tax	-	0.53	-
Balance Carried forward to Balance Sheet	**73.84**	**30.85**	**(378.73)**

STATEMENT OF ADJUSTED CONSOLIDATED ASSETS AND LIABILITIES FOR LAST TWO YEARS AND FOR THE PERIOD ENDED ON 30TH NOVEMBER, 2005

Rs. in Million

	PARTICULARS	For 8 months ended on	For the Year Ended March 31,	
		30.11.2005	**2,005**	**2004**
A.	**Fixed Assets**			
	Gross Block	1,715.59	1,507.28	1,620.88
	Less: Depreciation	416.56	365.76	341.81
	Net Block	1,299.04	1,141.52	1,279.07
	Add: Capital Work in Progress	28.42	15.39	3.80
	Total	1,327.46	1,156.91	1,282.87
	Less: Revaluation Reserve			
	Net Block after adj of Rev Res	1,327.46	1,156.91	1,282.87
	Goodwill on consolidation	8.46	9.07	
B.	**Investments**	0.07	0.07	6.48
C.	**Current Assets, Loans & Adv**			
	Inventories	366.02	320.13	335.45
	Sundry Debtors	262.03	221.21	221.71
	Cash and Bank Balances	9.67	4.89	7.97
	Loans and Advances	152.87	113.69	189.89
	Total	790.58	659.93	755.01
D	**Liabilities and Provisions**			
	Secured Loans	919.90	509.72	736.92
	Unsecured Loans	248.39	388.37	531.92
	Current Liabilities and Provisions	538.81	549.90	365.29
	Minority Interest	-	1.40	
	Deferred tax liability			9.05
	Total	1,707.11	1,449.39	1,643.17
E.	**Preference Shares**	100.00	100.00	100.00
F.	**Net Worth (A+B+C-D-E)***	**319.46**	**276.57**	**301.19**
G.	**Represented by**			
	Paid up Share Capital			
	- Equity Shares	103.83	103.83	328.76
	- Advance against Equity	-	-	287.50
	Reserves and Surplus	214.16	171.26	(374.21)

	PARTICULARS	For 8 months ended on	For the Year Ended March 31,	
	Capital Reserve on Consolidation	1.48	1.48	79.59
	Less:			
	Revaluation Reserve	-	-	-
	After Adjustment of Revaluation Reserve	214.16	171.26	(374.21)
	Total	**319.46**	**276.57**	**321.64**
H.	**Misc. Expns upto the extent not w.off**	-	-	20.46
I.	**Net Worth (G-H)***	**319.46**	**276.57**	**301.19**

For details please refer to the Auditor's report on page no 113 of this Draft Letter of Offer.

GENERAL INFORMATION

Dear Shareholder(s

Pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on January 19, 2006 it has been decided to make the following offer to the Equity Shareholders of the Company, with a right to renounce:

ISSUE OF 7,786,913 FULLY PAID EQUITY SHARES WITH A FACE VALUE OF Rs. 10 EACH AT A PREMIUM OF Rs. [●] PER FULLY PAID EQUITY SHARE FOR AN AMOUNT AGGREGATING TO Rs. [●] TO THE EXISTING EQUITY SHAREHOLDERS ON RIGHTS BASIS IN THE RATIO OF THREE FULLY PAID EQUITY SHARES FOR EVERY FOUR EXISTING EQUITY SHARES HELD BY THE EXISTING SHAREHOLDERS ON THE RECORD DATE, i.e., [●]. FOR EVERY THREE EQUITY SHARES BEING ALLOTTED ON RIGHTS BASIS THE ALLOTTEES WILL RECEIVE TWO DETACHABLE WARRANTS. TOTAL ISSUE INCLUDING CONVERSION OF WARRANTS INTO EQUITY SHARES AT A PRICE of Rs. [●] EACH WOULD AGGREGATE TO RS. [•] MILLION. FOR MORE DETAILS, SEE "TERMS OF THE ISSUE" ON PAGE 233 OF THIS DRAFT LETTER OF OFFER.

THE ISSUE PRICE IS [•] TIMES THE FACE VALUE OF THE SHARES OF THE COMPANY.

Registered Office of the Company:
Morarjee Textiles Limited
106 Peninsula Centre,
Dr. S.S.Rao Road, Parel,
Mumbai 400 012, India.
Registration No. 90643 and new 21 digit registration number – U 52322MH 1995 PLC 090643.
Registrar of Companies at Mumbai, Maharashtra located at 100 Everest, New Marine Lines, Mumbai-400002.
The Equity Shares of the Company are listed on the BSE.

Board of Directors

Name and Designation	Age	Address
Mr. Ajay G. Piramal Non executive chairman	50	95A, Benzer Terrace, Abdul Gaffar Khan Road, Worli Seaface, Mumbai 400018
Mrs Urvi A Piramal Non executive vice chairperson	53	CLIFF, 2nd Floor, 11 Carmichael Road, Mumbai 400026
Mr. Ranjan Sanghi Independent director	61	21, Mistri Court, 4th Floor, Dinshaw Vaccha Road, Mumbai 400020
Mr. Shailesh Haribhakti Independent director	50	7, FIRPOS, 47A Bhulabhai Desai Road, Mumbai 400026
Mr. Aditya Mangaldas Independent director	42	12 Ocean View, 100 Bhulabhai Desai Road, Mumbai 400026
Mr. Harshvardhan Piramal Executive vice chairman	32	C-3, Seaface Park, 1st Floor, 50, Warden Road, B. Desai Road Mumbai 400026
Mr. P. K. Gothi Managing director	56	102 Ashok House, Beach House Co-op HSG Society, Gnadhigram Road, Juhu , Mumbai-400049
Mr. Takao Yajima Independent director	46	6-5-19 Ooizumimachi, Nerima-ku, Tokyo, Japan
Dr. Giuseppe Callegari Non exective director	67	Viale Vigliani, 13 Postal Code 20148, Milan, Italy

Mr. Shobhan Thakore Independent director	58	509, Cumbala Crest, 42-A, G. Deshmukh Marg, Mumbai 400 026
Mr. Mahesh Gupta Non exective director	49	402 Ashok House, Beach House CHS, Gandhigram Road Juhu, Mumbai 400 049

For more details regarding our Directors please refer to "Management" on page 75 of this Draft Letter of Offer.

Company Secretary and Compliance Officer

Mr. S.C. Kashimpuria
Morarjee Textiles Limited
106 Peninsula Centre,
Dr. S.S.Rao Road, Parel,
Mumbai 400012, India.
Tel: (91 22) 2413 0021
Fax: (91 22) 2414 6909
Email: rights@morarjee.com
Website: www.morarjeetextiles.com

Investors may contact the Compliance Officer for any pre-Issue / post-Issue related matter.

Legal Advisor to the Issue
AZB & Partners
23rd Floor Express Towers
Nariman Point
Mumbai – 400021
Tel: (91 22) 56396880
Fax: (91 22) 56396888

Auditors of the Company

Shah & Co
Chartered Accountants
Maker Bhavan No. 2
18, New Marine Lines,
Mumbai 400 020
Tel No: 91 22 5633 3558
Fax: 91 22 5633 3561

Bankers of the Company

Allahabad Bank Netaji Subhash Bose Road, Kolkata 700001 Tel 22208249 Fax 22488323	**UTI Bank Limited** 13th Floor Maker Towers "F" Cuff Parade Colaba Mumbai 400005 Telephone No. 22189106 Fax 22186944
EXIM BANK Floor 21, World Trade Centre Complex, Cuff Parade, Mumbai 400005 Tel 22185272 Fax 22183238	

Bankers to the issue
[ ]

Registrar & Transfer Agents

To the Issue	To the Company
To the Issue Karvy Computershare Private Limited Karvy House, 46 Avenue 4 Street No 1, Banjara Hills Hyderabad 500 034 Contact person: Mr. Murali Krishna Tel : (+91 40) 2332 3031 Fax : (+91 40) 2330 4703 E mail : murali@karvy.com Website : www.karvy.com	**To the Company** Amtrac Management Services Limited 106, Peninsula Centre Dr. S.S. Rao Road, Parel, Mumbai 400013 Tel: (022) 56606180 Fax: (022) 56618788 Contact person: Mr. Sanjay Kalgutkar Email: vidula@bom3.vsnl.net.in

LEAD MANAGERS TO THE ISSUE

Enam Financial Consultants Private Limited
801, Dalamal Towers
Nariman Point
Mumbai 400021
Tel: +91 -22 5638 1800
Fax +91 -22 22846824
Contact person: Ashish Kumbhat
Email: rights.mtl@enam.com
Website: www.enam.com

Yes Bank Limited
Nehru Centre, 12th Floor
Discovery of India, Worli
Mumbai 400018
Tel: +91 -22 56699000
Fax +91 -22 24974158
Contact person: Varun Kapur
Email: morarjee@yesbank.in
Website: www.yesbank.in

Statement of Inter-se responsibilities

No	Activities	Responsibility	Coordinator
1.	Capital structuring with relative components and formalities such as type of instruments, due diligence of the Company's operations / management / business plans / legal etc.	ENAM YES	ENAM
2.	Drafting and Design of the Draft Letter of Offer document and of statutory advertisement / corporate advertisements / publicity material including newspaper advertisements and brochure / memorandum containing salient features of the Draft Letter of Offer document. The designated Lead Merchant Banker shall ensure compliance with the Guidelines for Disclosure and Investor Protection and other stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI.	ENAM YES	ENAM
3.	Marketing of the Issue, which will cover, inter alia, formulating marketing strategies, preparation of publicity budget, arrangements for selection of (i) ad-media, (ii)	ENAM YES	ENAM

No	Activities	Responsibility	Coordinator
	centres of holding conferences of brokers, investors etc. (iii) bankers to the issue, (iv) collection centres (v) brokers to the issue, distribution of publicity and issue material including compsite application form, letter of offer and brochure, and deciding on the quantum of issue material.		
4.	Selection of various agencies connected with the issue, namely Registrars to the Issue, printers, bankers and advertisement agencies.	ENAM YES	YES
5.	Follow-up with bankers to the issue to get estimates of collection and advising the issuer about closure of the issue, based on the correct figures.	ENAM YES	YES
6.	The post-issue activities viz essential follow-up steps, which must include, finalisation of basis of allotment, weeding out of multiple applications, listing of instruments and dispatch of certificates and refunds, co ordination with the various agencies connected with the work such as registrars to the issue, bankers to the issue, and bank handling refund business. Even if many of these post-issue activities would be handled by other intermediaries, the designated Lead Merchant Banker shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer company.	YES ENAM	YES

Credit rating:
This being an issue of equity shares, no credit rating is required.

Note: Investors are advised to contact the Registrar to the Issue/ Compliance Officer in case of any pre-issue/post-issue related problems such as non-receipt of Letter of Offer/letter of allotment/ share certificate(s)/ refund orders.

CAPITAL STRUCTURE

The Authorized share capital of the Company is Rs. 530,000,000 divided into 43,000,000 equity shares of Rs. 10/- each and 1,000,000 preference shares of Rs. 100/- each. The Authorized share capital of the Company was increased from Rs. 500,000,000 to Rs. 530,000,000 by a Special Resolution passed at the Extra Ordinary General Meeting of the shareholders held on June 17, 2004.

		Aggregate nominal value (In Rs. Million)	Aggregate Value at Issue Price (In Rs. Million)
Authorized share capital			
43,000,000	Equity Shares of Rs. 10 each	430.00	
1,000,000	Preference Shares of Rs. 100/- each.	100.00	
Total		530.00	
Issued, subscribed and paid-up capital			
10,382,550	Equity Shares of Rs. 10 each fully paid-up	103.83	
1,000,000	Preference Shares of Rs. 100/- each	100.00	
Present Issue being offered to the Equity Shareholders through the Letter of Offer			
7,786,913	Equity Shares of Rs. 10 each at a premium of Rs.**[•]** i.e. at a price of Rs. **[•]**	77.87	
Paid up capital after the Rights Issue			
18,169,463	Equity Shares of Rs. 10	181.69	
Paid up capital on exercise of Warrants			
23,360,738	Equity Shares of Rs. 10	233.61	
Share premium account			
	Existing share premium account	Nil	
	Share premium account after the Rights Issue	[●]	
	After exercise of Warrants	[●]	

Notes to the Capital Structure

1a. Increase in authorized capital

Equity Shares (Rs.)	Preference shares (Rs.)	Total (Rs.)	EGM/AGM	Date of AGM/EGM
200,000,000	-	200,000,000	On incorporation	July 14, 1995
300,000,000	-	300,000,000	EGM	October 12, 1996
320,000,000	-	320,000,000	EGM	November 10, 1997
400,000,000	-	400,000,000	EGM	December 11, 1998
400,000,000	100,000,000	500,000,000	EGM	October 14, 1999
430,000,000	100,000,000	530,000,000	EGM	June 17, 2004

1b. Build up of Equity Share Capital

The details of movement in share capital as at March 22, 2006 is as follows:

Date of allotment	No. of Equity Shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Cumulative paid-up capital (Rs.)	Consideration	Remarks
14.07.1995	20	10	10	200	Cash	Initial subscription to Memorandum of Association
14.07.1995	30	10	10	300	Cash	Further issue of shares
09.02.1998	19,999,950	10	10	200,000,000	Cash	Further issue of shares
12.03.1998	5,470,000	10	10	254,700,000	Cash	Further issue of shares
13.05.1999	4,530,000	10	10	300,000,000	Cash	Further issue of shares
05.03.2001	2,876,000	10	10	328,760,000	Cash	Further issue of shares
29.06.2004	10,000,000	10	15.5	428,760,000	Cash	Further issue of shares
28.10.2004	(32,493,450)	10	NA	103,825,500	Cash	Buy back and Reduction of Equity Shares pursuant to restructuring scheme during September 2004. Please refer note 1 (c) below

Except for issuance of equity shares under scheme of arrangement/buy back as listed in the table above, our Company has not issued Equity Shares for consideration other than cash. We have not issued any shares out of revaluation reserve.

1c. Details of Share Premium Account prior to the Issue:
Nil

1d. Details of Equity Shares Bought Back

(i) Buy-back on the BSE, of Equity Shares of the Company of face value Rs. 10 each.

Time Period	No. of Shares	Average Price (In Rs.)	Total Amount (In Rs. Million)
September 2004	32,493,450	0.10	3.25

With a view to rationalize the financial structure of the Company, during the year ended March 31, 2005, 10,000,000 equity shares of Rs.10/- each have been issued and allotted at a premium of Rs.5.50 per share, whereby the paid up equity share capital of the company has increased by Rs.100.00 million and share premium account credited by Rs.55 million. For this purpose the authorized share capital has been increased from Rs.400 million to Rs. 430 million. The terms of the 1,000,000 redeemable cumulative preference shares of Rs.100/- each have also been modified by revising the rate of dividend from 11.25% to 5% and extending the redemption period by making the preference shares redeemable any time after November 15, 2014 but before November 15, 2019. In view of the modification of rights attached to Preference Shares, the said shares shall be non cumulative up to June 30, 2004 and shall carry cumulative dividend of 5% per annum with effect from July 01, 2004. The advance against Equity of Rs. 287.50 million has been settled by making payment of Rs. 155 million and the balance Rs. 132.50 million has been cancelled and transferred to General Reserve.

In continuation of the exercise to rationalize the company's financial structure, the Board of Directors had formulated a scheme u/s 391 and section 100 read with section 78 of the Companies Act, 1956 for purchase by the Company of its own equity shares from the Company's shareholders at minimal token consideration of 10p (Ten Paise) per share and then cancellation of such purchased shares resulting in reduction of equity share capital and the amount in share premium account of the Company correspondingly setting off the Company's accumulated losses. The equity shareholders of the Company had offered for purchase by the Company 32,493,450 equity shares. The scheme has been sanctioned by the Hon'ble Bombay High Court and upon giving effect to the scheme, (a) the equity share capital of the Company Rs.428.76 million stands reduced by Rs.324.93 million to Rs.103.83 million. The carried forward Losses of Rs.381.35 million as at 31.03.04 stands set off against (a) the reduction of share capital of Rs.321.68 million (net of consideration) and (b) the share premium of Rs.55 million leaving balance loss of Rs.4.67 million.

2. Current shareholding pattern of the Company as on Marvh 13, 2006

Shareholders	No. of Equity Shares held pre-Issue	% of pre-Issue capital	No. of Equity Shares post Rights Issue	% of post Issue capital assuming allotment of all Equity Shares offered*	No. of Equity Shares post exercise of Warrants	% of post Issue capital, post exercising warrants*
I. PROMOTERS	5,596,364	53.90%	9,793,639	53.90%	12,591,822.00	53.90%
1.Indian Promoters						
a) Individuals:						
i) Ajay G. Piramal	481	0.00%	842	0.00%	1,082	0.00%
ii) Urvi A. Piramal	289	0.00%	506	0.00%	650	0.00%
b) **Promoter Group (Individuals)**	-	0.00%	-	0.00%	-	0.00%
i) Anand A Piramal	13,765	0.13%	24,089	0.13%	30,971	0.13%
ii) Lalita G. Piramal	13	0.00%	23	0.00%	30	0.00%
iii) Nandini A Piramal	13,765	0.13%	24,089	0.13%	30,971	0.13%
iv) Rajeev A. Piramal	13	0.00%	23	0.00%	30	0.00%
c) **Indian Promoters – Corporate Bodies**		0.00%		0.00%	-	0.00%
Ajay G. Piramal / Rajendra Shah / Gautam Doshi (ESOP)**	431,998	4.16%	755,996	4.16%	971,995	4.16%
Goldflag Mercantile Co Pvt Ltd	1,169,481	11.26%	2,046,592	11.26%	2,631,333	11.26%
Topflag Trading Co Pvt Ltd	1,169,481	11.26%	2,046,592	11.26%	2,631,333	11.26%
Newone Trading Co Pvt Ltd	1,169,481	11.26%	2,046,592	11.26%	2,631,333	11.26%
Gopikishan Piramal Memorial Hospital through trustee Mr. Ajay G. Piramal	242,093	2.33%	423,663	2.33%	544,710	2.33%
Piramal Polymers Ltd.	35,952	0.35%	62,916	0.35%	80,892	0.35%
Rajiv Piramal Inv. Pvt. Ltd.	379,116	3.65%	663,453	3.65%	853,011	3.65%
Papillion Inv. Pvt.	480,671	4.63%	841,174	4.63%	1,081,509	4.63%

Shareholders	No. of Equity Shares held pre-Issue	% of pre-Issue capital	No. of Equity Shares post Rights Issue	% of post Issue capital assuming allotment of all Equity Shares offered*	No. of Equity Shares post exercise of Warrants	% of post Issue capital, post exercising warrants*
Ltd.						
Piramal Fin & Inv. Pvt. Ltd.	489,765	4.72%	857,089	4.72%	1,101,972	4.72%
2Foreign Promoters	-	0.00%		0.00%	-	0.00%
3. Persons acting in concert	-	0.00%		0.00%	-	0.00%
II. NON PROMOTER HOLDING	4,786,186	46.10%	8,375,824	46.10%	10,768,916 -	46.10%
1. Institutional Investors		0.00%		0.00%	-	0.00%
a) Mutual Funds and UTI	2,711	0.03%	4,744	0.03%	6,099	0.03%
b) Banks, Financial Institutions/ Insurance Companies	1,171,601	11.28%	2,050,302	11.28%	2,636,103	11.28%
c) FIIs	1,135	0.01%	1,986	0.01%	2,553	0.01%
2. Others		0.00%		0.00%	-	0.00%
a) Corporate Bodies	676,759	6.52%	1,184,328	6.52%	1,522,707	6.52%
b) Indian Public	2,816,026	27.12%	4,928,045	27.12%	6,336,058	27.12%
c) NRIs/ OCBs/ NDCs	117,954	1.14%	206,419	1.14%	265,396	1.14%
TOTAL	**10,382,550**	**100.00%**	**18,169,463**	**100.00%**	**23,360,738**	**100.00%**

* Assuming all shareholders apply for and are allotted Equity Shares
** Mr. Ajay Piramal / Mr. Rajendra Shah / Gautam Doshi holds the shares as Trustees under the ESOP.

The Promoters have confirmed that each of them, along with each of their relatives and the companies controlled by them (hereinafter referred to as "Promoter" in this clause) intend to subscribe to the full extent of their entitlement in the Issue. The Promoters reserves their right to subscribe to their entitlement in the Issue either by themselves, relatives or a combination of entities controlled by them, including by subscribing for renunciation if any made within the Promoter Group to another person forming part of the Promoter Group. The Promoters shall apply for additional Equity Shares in the Issue, such that at least 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire shares over and above their entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of the proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in the section on "Objects of the Issue" of this Draft Letter of Offer, there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters in this Issue, the Promoters' shareholding in the Company exceeds their shareholding. The Promoters shall subscribe to such unsubscribed portion as per the relevant provisions of law. Allotment to the Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

Our Promoters have provided the following undertaking, in terms of the SEBI (Delisting of Securities) Guidelines, 2003:

"We hereby undertake that, in case the Rights Issue of Morarjee Textiles Limited is completed with the Promoter subscribing to equity shares over and above their entitlement and as a result, if the public shareholding falls below the permissible minimum level as specified in the listing condition or listing agreement, we shall, individually or jointly with the Promoter Group make an offer for sale of our holding, so that the public shareholding is raised to the "permissible minimum level" within a period of three months from the date of allotment in the proposed issue, as per the requirements of Clause 17.1 and 17.2 of SEBI (Delisting of Securities) Guidelines, 2003 or as per any amendment thereto or any other period as may be directed by SEBI or any appropriate authority."

3. Details of the shareholding of the Promoters, Promoter Group, directors of the promoter in the Company as on March 22, 2006

Name of entities	No. of Shares	Percentage of shareholding
(a) Promoters		
i) Ajay G. Piramal	481	0.00%
ii) Urvi A. Piramal	289	0.00%
Sub total (a)	**770**	**0.01%**
(b) Promoter Group (Individuals)	-	0.00%
i) Anand A Piramal	13,765	0.13%
ii) Lalita G. Piramal	13	0.00%
iii) Nandini A Piramal	13,765	0.13%
iv) Rajeev Piramal	13	0.00%
Sub total (b)	**27556**	**0.26%**
(c) Promoter Group (Body Corporates)		
Ajay Piramal / Rajendra Shah / Gautam Doshi (ESOP)*	431,998	4.16
Goldflag Mercantile Co Pvt Ltd	1,169,481	11.26
Topflag Trading Co Pvt Ltd	1,169,481	11.26
Newone Trading Co Pvt Ltd	1,169,481	11.26
Gopikishan Piramal Memorial Hospital through trustee Mr. Ajay G. Piramal	242,093	2.33
Piramal Polymers Ltd.	35,952	0.35
Rajiv Piramal Inv. Pvt. Ltd.	379,116	3.65
Papillion Inv. Pvt. Ltd.	480,671	4.63
Piramal Fin & Inv. Pvt. Ltd.	489,765	4.72
Sub total (c)	**5,568,038**	**53.64**
(d) Companies forming part of the Promoter Group		
Sub total (d)		
Total Promoter and Promoter Group shareholding (a+ b+ c+d)	**5,596,364**	**53.90%**

* Mr. Ajay Piramal / Mr. Rajendra Shah / Gautam Doshi holds the shares as Trustees under the ESOP.

Pursuant to the Scheme of Arrangement, shareholders of Morarjee Realties Limited were allotted shares of Morarjee Textiles Limited. By virtue of the aforesaid scheme the shareholders of MRL were allotted equity shares of the Company in the ration of 10:21, accordingly Mr. Ajay Piramal and Ms. Urvi Piramal were allotted 481 and 289 shares respectively.

4. Details of acquisition by our Promoters

Pursuant to the Scheme of Arrangement, shareholders of Morarjee Realties Limited were allotted shares of Morarjee Textiles Limited. By virtue of the aforesaid scheme the shareholders of MRL were allotted equity shares of the Company in the ration of 10:21, accordingly the Promoters were allotted the following shares:

Mr Ajay G Piramal	481
Ms Urvi A Piramal	289

5. Details of the transactions in Equity Shares by the Promoters and the Promoter Group during the last six months

5(a) Details of the transactions in Equity Shares by the Promoters and the Promoter Group during the last six months

Name	**Date of transaction**	**Details of the transaction**	**Quantity (Number of Equity Shares of Rs. 10 each)**	**Price (in Rs.)**
Newone Trading Co Pvt Ltd	23.01.2006 25.01.2006	Shares acquired pursuant to the Scheme of Amalgamation	318,256 851,225	-
Topflag Trading Co Pvt Ltd	23.01.2006 25.01.2006	- do -	318,256 851,225	-
Goldflag Mercantile Co Pvt Ltd	23.01.2006 25.01.2006	- do -	318,256 851,225	-

5(b) There are no transaction in shares by the Directors of the Company.

6. TOP TEN SHAREHOLDERS

6 (a) The top Ten shareholders of the Company as at March 22, 2006 were as follows:

(face value of Rs. 10 per share)

Name of the shareholders	**Total Shares**	**Percentage of pre issue capital**
PROMOTERS		
Goldflag Mercantile Company Pvt Ltd	1,169,481	11.26
Topflag Trading Company Pvt Ltd	1,169,481	11.26
Newone Trading Company Pvt Ltd	1,169,481	11.26
Life Insurance Corporation of India	939,985	9.05
Piramal Finance & Investments Pvt. Ltd.	489,765	4.72
Papillon Investments Pvt. Ltd.	480,671	4.63
Ajay Piramal/ Rajendra Shah (ESOP)	431,998	4.16
Rajiv Piramal Investments Pvt. Ltd.	379,116	3.65
Bharat Jayantilal Patel	283,823	2.73
Gopikrishna Piramal Memorial Hospital through trustee Ajay G. Piramal	242,093	2.33
Total	**6,755894**	**65.07**

6 (b) The top ten shareholders of the Company as at March 12, 2006.

Name of the shareholders	Total Shares	Percentage of pre issue capital
PROMOTERS		
Goldflag Mercantile Company Pvt Ltd	1,169,481	11.26
Topflag Trading Company Pvt Ltd	1,169,481	11.26
Newone Trading Company Pvt Ltd	1,169,481	11.26
Life Insurance Corporation Of India	939,985	9.05
Piramal Finance And Investments Pvt. Ltd.	489,765	4.72
Papillon Investments Pvt. Ltd.	480,671	4.63
Ajay G. Piramal / Rajendra Shah / Gautam Doshi (ESOP)*	431,998	4.16
Rajiv Piramal Investments Pvt. Ltd	379,116	3.65
Bharat Jayantilal Patel	283,823	2.73
Gopikrishna Piramal Memorial Hospital through Trustee Ajay G. Piramal	242,093	2.33
Total	**6,755,894**	**65.07**

* Mr. Ajay Piramal / Mr. Rajendra Shah / Gautam Doshi holds the shares as Trustees under the ESOP.

6(c) The top ten shareholders of the Company as at March 22, 2004

(face value of Rs. 10 per share)

Name of the shareholders	Total Shares	Percentage of pre issue capital
MGM – Shareholders Benefit Trust – Trustee Mr. Ajay G. Piramal	19,396,235	59.00
M/s. The Morarjee Goculdas Spg. & Wvg.Co.Limited	13,151,000	40.00
M/s. The Morarjee Goculdas Spg. & Wvg.Co.Limited, Senior Employees Stock Option Scheme (ESOP)	328,760	1.00
MGM – Shareholders Benefit Trust- Trustee Mr. Ajay G. Piramal Jt. Mrs.Urvi A. Piramal	1	0.00
MGM – Shareholders Benefit Trust- Trustee Mr. Ajay G. Piramal Jt. Dr.(Mrs.) Swati A. Piramal	1	0.00
MGM – Shareholders Benefit Trust- Trustee Mr. Ajay G. Piramal Jt. Mr. C.M. Hattangdi	1	0.00
MGM – Shareholders Benefit Trust- Trustee Mr. Ajay G. Piramal Jt. Mr. Pramodkumar Gothi	1	0.00
MGM – Shareholders Benefit Trust- Trustee Mr. Ajay G. Piramal Jt. Mr. V.C. Vadodaria	1	0.00
Total	32,876,000	100.00

7. The total number of members of the Company as on March 13, 2006 was 19,758.

8. The present Issue being a rights Issue, as per extant SEBI guidelines, the requirement of promoters' contribution and lock-in are not applicable.

9. The Company has not availed of “bridge loans” to be repaid from the proceeds of the Issue for incurring expenditure on the Objects of the Issue.

10. The Promoters and Directors of the Company and Lead Managers of the Issue have not entered into any buy-back, standby or similar arrangements for any of the securities being issued through this Draft Letter of Offer.

11. The terms of issue to Non-Resident Equity Shareholders/Applicants have been presented under the section “Terms of the Issue” on page 233 of this Draft Letter of Offer.

12. At any given time, there shall be only one denomination of the Equity Shares of the Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time. The Equity Shareholders of the Company do not hold any warrant, option or convertible loan or debenture, which would entitle them to acquire further shares in the Company.

13. No further issue of capital by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner which will affect the equity capital of the Company, shall be made during the period commencing from the filing of the Draft Letter of Offer with the SEBI and the date on which the Equity Shares issued under the Draft Letter of Offer are listed or application moneys are refunded on account of the failure of the Issue. Further, presently the Company does not have any intention to alter the equity capital structure by way of split/ consolidation of the denomination of the shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities within a period of six months from the date of opening of the Issue. The Company has not issued any warrant, option or convertible loan or any debentures to the Promoters or Directors or shareholders that would entitle them to further shares in the Company

14. The Issue will remain open for 30 days. However, the Board will have the right to extend the Issue period as it may determine from time to time but not exceeding 60 days from the Issue Opening Date.

15. The Promoters have confirmed that they, along with relatives and the companies controlled by the Promoters (together hereinafter referred to as “Promoter” in this clause) intend to subscribe to the full extent of their entitlement in the Issue. The Promoters reserves the right to subscribe to their entitlement in the Issue either by themselves, their relatives or a combination of entities controlled by them, including by subscribing for renunciation if any made within the Promoter Group to another person forming part of the Promoter Group. The Promoters also intend to apply for additional Equity Shares in the Issue, such that at least 90% of the Issue is subscribed. As a result of this subscription and consequent allotment, the Promoters may acquire shares over and above their entitlement in the Issue, which may result in an increase of the shareholding being above the current shareholding with the entitlement of Equity Shares under the Issue. This subscription and acquisition of additional Equity Shares by the Promoters, if any, will not result in change of control of the management of the Company and shall be exempt in terms of proviso to Regulation 3(1)(b)(ii) of the Takeover Code. As such, other than meeting the requirements indicated in the section on “Objects of the Issue” on page 38 of this Draft Letter of Offer), there is no other intention/purpose for this Issue, including any intention to delist the Company, even if, as a result of allotments to the Promoters, in this Issue, the Promoters shareholding in the Company exceeds their current shareholding. The Promoters intends to subscribe to such unsubscribed portion as per the relevant provisions of the law. Allotment to the Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with the Listing Agreement and other applicable laws prevailing at that time relating to continuous listing requirements.

OBJECTS OF THE ISSUE

The Company intends to use the proceeds of Equity Shares for the following purposes:

A) Proceeds from the issue of Equity Shares on rights basis:

a. Repayments of existing high cost debts upto Rs. 159 million
b. working capital requirements up to Rs. 240 million
c. General corporate Purpose
d. To meet Issue Expenses

B) Proceeds from the exercise of the Warrants:

a. To pursue organic and inorganic growth opportunities

The main objects of our Memorandum of Association enables us to undertake our existing activities and the activities for which the funds are being raised through this issue.

The fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The fund requirement as detailed below is based on our current business plan. In view of the highly competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our fund requirement among the above mentioned heads may also change. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity will be met from internal accruals of the Company.

A) <u>Proceeds from the issue of Equity Shares on rights basis</u>

The net proceeds of the issue, after deducting all Issue related expenses, are estimated to be Rs. [*] million.

The Details of the proceeds of the Issue are summarized in the table below: -

	Rs. Million
Gross Proceeds of the Rights Issue	[*]
Issue Related Expenses	[*]
Net Proceeds of the Rights Issue	**[*]**

Utilisation of Funds

The fund requirements for each of the objects mentioned above are given in the following table

Sr. No.	**Description**	**Estimated Fund Requirement (in Rs. Million)**
1	Repayments of existing high cost debts	159
2	Working Capital Requirements	240
3	General Corporate Purpose	[*]
4	To meet Issue Expenses	[*]
	TOTAL	**[*]**

Repayments of existing high cost debts

Our financial statements given on page 113 of this Draft Letter of Offer reveal that over the years substantial interest costs have impacted our profitability. The reason for the same is our high debt-equity ratio. The total debt to equity, as per our Restated Financial Statements, over the last 5 years and for the current eight months ended November 30, 2005 is given below:

(Rs. In million)

Period	November 30, 2005	March 31, 2005	March 31, 2004	March 31, 2003	March 31, 2002	March 31, 2001
Shareholders Fund	335.71	280.56	239.42	250.92	228.81	149.04
Loan Fund*	1168.29	896.11	1195.29	675.75	691.45	693.83
Total Debt / Equity	3.48:1	3.19:1	4.99:1	2.69:1	3.02:1	4.66:1

* Secured and Unsecured Loans

The high debt equity situation has resulted from a combination of factors like expansion of capacity and losses of past years. Our Company, in order to pursue a more conservative financial structure of its business, initiated concerted efforts in the financial year 2004 to reduce the overall interest cost wherein we converted our rupee term loan of Rs. 253.30 million into foreign currency term loan of USD 5.52 million by paying a one time charge of Rs. 14.50 million. The interest costs as a percentage of total income reduced from 9.64% in FY 2003 to 3.79% in financial year 2005. This resulted in an improved performance in the financial year 2004-05 and during first eight months of the current year.

In order to further pursue our policy of reduction of debt, we intend to repay the following outstanding term loans out of the proceeds of the issue:

Name of the institution	Amount of loan taken	Terms of the loan	Loan outstanding as at March 22, 2006 and proposed to be repaid
UTI Bank	Rs. 100 million	Rate: 8.50% Tenor: 6 months	Rs. 100 million
Ashok Cutting Tools Limited*	Rs. 59 million	Rate: 9.00% Repayable on demand	Rs. 59 million

* We do not have any relationship with Ashok Cutting Tools Limited except normal business relationship.

We further confirm that proceeds of this Issue will not be used to repay the borrowings taken from our related parties.

Working Capital Requirements

Our net current assets and working capital ratios as at March 31, 2005 and November 30, 2005 were as follows:

(Rs. in Million)

Particulars	March 31, 2005	November 30, 2005
Debtors	220.86	246.47
Inventory	309.56	326.27
Cash / Bank balances	3.23	4.18
Others	111.21	232.36
Current Assets	644.86	809.28
Creditors	340.03	308.28
Others	200.00	200.00
Current Liabilities	540.03	508.28
Net Current Assets	104.83	301.00
Turnover	1,481.38	1,059.95
Purchases	554.40	354.29

Debtors / Turnover days	49	54
Inventory / Turnover days	75	73
Creditors / Purchases days	155	223

Based on our internal estimates of anticipated growth, we would incrementally require working capital, part of which upto Rs. 240 million, we propose to finance from the proceeds of this issue.

General Corporate Purpose

The balance of the issue proceeds will be deployed for general corporate purposes including but not restricted to capitalizing on new opportunities that may arise anytime in future, if any and implementation of a new ERP system for our operations.

To meet Issue Expenses

The total expenses of the Issue are estimated to be approximately Rs. [*] million. The Issue related expenses include, among others, issue management fees, registrar fees, printing and distribution expenses, legal fees, advertisement expenses, stamp duty, depository charges and listing fees to the Stock exchanges. The total expenses for the Issue are estimated not to exceed [*] % of the size of the Issue.

The following table gives break-up of estimated issue expenses and contingencies and is approximately [*] % of the Issue Size.

Category	Estimated expenses (Rs. in million)	% of the Issue Expenses	% of total Issue Size
Lead Manager Fees	[*]	[*]	[*]
Fees for the Registrar to the Issue	[*]	[*]	[*]
Fees for the Legal Counsel for the Issue	[*]	[*]	[*]
Advertisement Expenses	[*]	[*]	[*]
Printing, Postage, Stationery	[*]	[*]	[*]
Contingency, Stamp duty, Listing Fees	[*]	[*]	[*]
Total	[*]	100%	[*]

B) Proceeds from Conversion of the Warrants

We, as approved by the Board from time to time, will utilize funds raised through conversion of warrants for capitalizing on new opportunities that may arise from organic or inorganic means, including expansion of our own facilities, acquisitions, strategic partnerships, etc.

The warrants can be exercised at any time between 12 months to 36 months from the date of allotment. Please refer to page 233 of this Draft Letter of Offer for the terms of the warrants. Conversion Price for each Series of Warrants shall be at Rs. [●]

If the entire 5,191,275 warrants proposed to be issued, is not exercised by the warrant holders within the Warrant Exercise Period (as specifed in the "Terms of the Issue" on page no. 233 of this Draft Letter of Offer), then the warrant proceeds will reduce.

In such eventuality, the balance of amount required for financing the organic/ inorganic growth opportunites as specified above shall be part financed from internal accruals/ external borrowing as approved by the management of the Company.

Means of Finance

The above mentioned funds requirement will be met by [*] million from the proceeds of this rights / warrants issue.

Particulars	Rs. Million
Equity - Right Issue Warrants entitlement	 [●] [●]
TOTAL	[●]

In the event that the total requirement of funds is more than the estimated fund requirement as mentioned above, the balance fund requirement would be met from internal accruals by our Company.

<u>Rights Issue Proceeds Utilization</u>

The year-wise break-up of the expenditure to be incurred on the project is as follows:

Particulars	**FY2007**	**FY2008**	**FY2009**	**TOTAL**
Repayments of existing high cost debts	159.00	-	-	159.00
Working Capital Requirements	120.00	120.00	-	240.00
General Corporate Purpose	-	-	-	[●]
To meet Issue Expenses	[●]	-	-	[●]

As per our current business plans, we intend to utilize proceeds for the purposes as specified above. However, we cannot provide a definitive long-term estimate of the use of proceeds from the present Rights Issue and the priorities or contingencies affecting them due to the rapidly shifting developments in our industry. Accordingly, management will have significant flexibility in applying the proceeds received by us from the Issue.

The net proceeds of the Issue would be used to meet all or any of the uses of funds described above. In case the funds raised in the Issue are lower than our total budgeted requirements, we intend to use internal accruals to finance the shortfall. For the eight months period ended November 30, 2005 the internal accruals were Rs. 110.38 millions.

Schedule of Implementation
As there is no capital expenditure proposed out of the proceeds of the present issue of Equity Shares on Rights basis, there would be no schedule of implementation.

Interim Use of Proceeds
The management, in accordance with the policies set up by the Board, will have the flexibility in deploying the proceeds received from the present Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in 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.

No part of the Issue proceeds will be paid by the Company as consideration to Promoters, Directors, key management personnel, subsidiaries, associate or group companies except in the course of normal business, such as deposit / lease rentals/ conducting fees for premises owned by any of the companies promoted by our promoters as per terms of the commercial contractual arrangements.

BASIS FOR ISSUE PRICE

The Issue price has been determined in consultation with Lead Manager to the Issue considering following qualitative & quantitative factors. Investors should also refer to the section "Risk Factors" and "Auditors' Report" to get a more informed view before making the investment decisions.

Qualitative Factors:

- Cutting-edge Design
- Product Quality
- Customer Service
- Integrated Facilities

Please refer to the section titled 'Our Business' on page no 54 of this Draft Letter of Offer, to obtain more information on the above Qualitative Factors

Quantitative Factors:

1. Adjusted Earning Per Equity Share

Year	**Earning per Equity Share**	**Weight**
2002-03*	-	1
2003-04*	-	2
2004-05	2.32	3
Weighted Average	**1.16**	

* The EPS for 2002-03 & 2003-04 were negative viz. Rs. (0.70) & Rs. (0.69) respectively, accordingly the same have not been considered for calculation of weighted average EPS.

EPS for the eight months period ended November 30, 2005 was Rs. 4.95.

(1) The earning per share has been computed on the basis of adjusted profits and losses for the respective years / periods after considering the impact of accounting policy changes and dividend on preference shares.

2. **Price / Earning (P/E) ratio in relation to the Issue Price of Rs. [*]**

a. Based on the year ended March 31, 2005 EPS – [*]
b. Based on weighted average EPS is

Industry P/E

Highest	86.2
Lowest	-
Industry Composite	29.0

Source: Capital Market (Vol XX/26) (Feb 27 – March 12, 2006)
Category: 94-97 - Textiles Products

3. Return on Net worth (RONW)

Year	**RONW %**	Weight
2002-03*	-	1
2003-04*	-	2
2004-05	22.15	3
Weighted Average	**11.08**	

* RONW for 2002-03 & 2003-04 were negative viz. (9.13) % & (9.42) % respectively, accordingly the same have not been considered for calculation of weighted average RONW.

RONW has been computed by dividing Adjusted Profit after Tax and extraordinary items by Net Worth. The Weighted Average of Return on Net Worth (%) for these fiscal years have been computed by giving weights of 1, 2 and 3 for the fiscal years ending March 31, 2003, 2004 and 2005 respectively.

4. Minimum Return on Increased Net Worth required to maintain Pre-Issue EPS: [●]%.

5. Net Asset Value per share (NAV) after Issue and comparison with Issue Price

	Adjusted NAV (Rs.)
As of March 31, 2005	27.02
After the Issue	[*]

6. Comparison with Industry Peers.

Name of Company	Face Value (Rs.)	EPS (Rs.)	P/E Multiple	RONW(%)	Book Value / Share (Rs.)
Morarjee Textiles	10	2.32	[●]	22.15	27.02
Alok Industries	10	4.9	11.05	17.9	42.2
Arvind Mills	10	5.7	11.20	10.6	58.7
Arvind Products	10	-	-	-	4.6
Ashima Ind	10	-	-	-	(25.8)
Industry Composite			**29.0**		

Our EPS, Book Value & RONW have been taken from our restated audited financials for the year ended March 31, 2005. Information for other companies has been taken from Capital Market, for the period Capital Market (Vol XX/26) (Feb 27 – March 12, 2005) for the category Textiles – Cotton Blended, Textiles - Manmade, Textiles Processing,

7. The Issue price will be [●] times of the face value of the equity shares.

In view of the reasons mentioned above, our Company and the Lead Managers to the Issue, in consultation with whom the premium has been decided, are of the opinion that the premium is reasonable ands justified.

STATEMENT OF TAX BENEFITS

As per the present provisions of Income-tax Act, 1961 (hereinafter referred to as "the Act") and other laws as applicable for the time being in force in India, the following tax benefits are available to the company and to the shareholders of the company, subject to fulfillment of prescribed conditions:

A. TO THE COMPANY

1. Under Section 32 of the Act, the company is entitled to claim depreciation allowance at the prescribed rates on all its tangible and intangible assets acquired and put to use for its business.

2. Under Section 10(34) of the Act, dividend income (whether interim or final) received by the company from any other domestic Company (in which the company has invested) is exempt from tax in the hand of the Company.

3. The income received by the company from distribution made by any mutual fund specified Under Section 10(23D) of the Act in respect of which tax is paid by such mutual fund u/s. 115R of the Act or from the Administrator of the specified undertaking or from the specified companies referred to in section 10(35) of the Act is exempt from tax in the hands of the Company.

4. Under Section 10(38) of the Act, the Long –term Capital Gains arising on transfer of securities, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the company.

5. As per the provisions of Section 32(2) of the Act, where, in the assessment of the assessee, full effect cannot be given to any allowance under sub-section (1) in any previous year, owing to there being no profits or gains chargeable for that previous year, or owing to the profits or gains chargeable being less than the allowance, then, subject to the provisions of sub-section (2) of section 72 and sub-section (3) of section 73, the allowance or the part of the allowance to which effect has not been given, as the case may be, shall be added to the amount of the allowance for depreciation for the following previous year and deemed to be part of that allowance, or if there is no such allowance for that previous year, be deemed to be the allowance for that previous year, and so on for the succeeding previous years.

6. As per the provisions of Section 72 of the Act, loss under the head "profits and Gains of Business or Profession" can be carried forward and set off against the profits of any business or profession in a subsequent year. The loss cannot be carried forward for more than eight assessment years.

7. As per the provisions of Section 112(1)(b) of the Act, other Long-term Capital Gains arising to the company are subject to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefit. However, as per the Proviso to that section, the long-term capital gains resulting from transfer of listed securities or units [not covered by section 10(36) and 10(38) of the Act], are subject to tax at the rate of 20% on long-term capital gains worked out after considering indexation benefit (plus applicable surcharge and education cess), which would be restricted to 10% of long-term capital gains worked out without considering indexation benefit (plus applicable surcharge and education cess).

8. As per the provisions of section 111A of the Act, Short – term Capital Gains arising to the company from transfer of Equity Shares in any other company through a recognized stock exchange or from sale of units of any equity – oriented mutual fund are subject to tax @ 10% (plus applicable surcharge and education cess), if such a transaction is subjected to Securities Transaction Tax.

9. In accordance with and subject to the conditions specified in Section 54EC of the Act, the Company would be entitled to exemption from tax on Long – term Capital Gains [not covered by section 10(36) and section 10(38) of the Act] if such capital gain is invested in any of the long-term specified assets (hereinafter referred to as the "new asset") to the extent and in the manner prescribed in the said sections. If the new asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains for which exemption is availed earlier would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.

B TO THE SHAREHOLDERS OF THE COMPANY:

I RESIDENT SHAREHOLDERS

1. Under Section 10(34) of the Act, dividend (whether interim or final) received from a domestic company is exempt from tax in the hands of the resident shareholders of the Company.

2. Under Section 10(38) of the Act, the Long-term Capital Gain arising on transfer of securities, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the resident shareholders.

3. As per the provisions of Section 112(1)(a) of the Act, other Long – term Capital Gains arising to the resident shareholders are subject to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefit. However, as per Proviso to that section, the long – term capital gains resulting from transfer of listed securities or units [not covered by section 10(36) and 10(38) of the Act], are subject to tax at the rate of 20% on long term capital gains after considering the indexation benefit (plus applicable surcharge and education cess, (which would be restricted to 10% of long term capital gains without considering the indexation benefit (plus applicable surcharge and education cess).

4. As per the provisions of section 111A of the Act, Short – term Capital Gains arising to the resident shareholders from the transfer of Equity Shares in a company through a recognized stock exchange are subject to tax @ 10% (plus applicable surcharge and education cess) if such a transaction is subjected to Securities Transaction Tax.

5. As per the provisions of section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to the amount arrived at by applying the average rate of income tax on such business income.

6. In accordance with and subject to the conditions specified in Section 54EC of the Act, the resident shareholders would be entitled to exemption from tax on Long – term Capital Gains [not covered by section 10(36) and section 10(38) of the Act], if such capital gains are invested in any of the long – term specified assets (hereinafter referred to as the "new asset") to the extent and in the manner prescribed in the said sections. If the new asset is transferred or converted into money at any time within a period of three years from the date of its acquisition, the amount of capital gains for which exemption is availed earlier would become chargeable to tax as long term capital gains in the year in which such new asset is transferred or converted into money.

7. In case of a shareholder being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in Section 54F of the Act, the shareholder is entitled to exemption from Long-term Capital Gains arising from the sale of shares in the Company [not covered by sections 10(36) and 10(38) of the Act], if the net consideration is invested for purchase or construction of a residential house. If part of the net consideration is invested within the prescribed period in a residential house, such gains would not be chargeable to tax on a proportionate basis. If, however, such new residential house in which the investment has

been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would taxed as long-term capital gains of the year in which such residential house is transferred.

II MUTUAL FUNDS

In case of a shareholder being a Mutual fund, as per the provisions of Section 10(23) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorisd by the Reserve Bank of India are exempt from income-tax, subject to the notified conditions.

III VENTURE CAPITAL COMPANIES / FUNDS

In case of a shareholder being a Venture Capital Company / Fund, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, are exempt from income-tax, subject to the conditions specified in Section 10(23FB) of the Act.

C BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

'Asset' as defined under section 2(ea) of the Wealth Tax Act, 1957, does not include share in companies. Hence, the shares are not liable to Wealth Tax.

D BENEFITS AVAILABLE UNDER THE GIFT TAX ACT, 1958

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

Notes:

1. All the above benefits are as per the current tax law and will be available only to the sale by first named holder in case the shares are held by joint holders.

2. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements (DTAA),if any, between India and the country in which the non-resident has fiscal domicile.

3. In view of the nature of tax consequences, being based on all the facts, in totality, of the investors, each investor is advised to consult his / her own tax advisor with respect to specific tax consequences of his / her participation in the scheme.

4. However, a shareholder is advised to consider in his / her / its own case. The tax implications of an investment in the Equity Shares, particularly in view of the fact that certain recently enacted legislations may not have direct legal impact.

For SHAH & CO.
CHARTERED ACCOUNTANTS

H.N.SHAH
PARTNER
Membership No.8152

March 10, 2006

INDUSTRY OVERVIEW

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

GLOBAL TEXTILE INDUSTRY

After more than thirty years of import quotas, the textile and clothing sector has become subject to the general rules of the General Agreement on Tariffs and Trade from January 1, 2005.

The global textile trade in 2003 was USD 395 billion consisting of exports of textile and garments at USD 169 billion and USD 226 billion respectively. At USD 395 billion, global textile trade contributes 5.4% of the total international trade. This has been artificially restrained due to quotas that prevailed till December 2004. This trade is expected to grow with the removal for quotas.

The industry comprises of textiles (which includes yarn and fabric) and clothing. The textile industry is usually more capital intensive than the clothing industry. This includes spinning of yarn from fibre (natural as well as man made, and blends thereof), weaving/knitting of fabric from yarn and finishing of the fabric. These functions are often undertaken in stand alone unit and sometimes in integrated plants. These plants are often automated and require high capital investment.

Clothing on the other hand is less capital intensive, with a greater degree of labour intensity. Hence, clothing industry has naturally moved across the world to countries with cheaper and abundant labour expect for the artificial restraints imposed by quotas. This movement has been resisted by economies as it has impacted the local labour force, given that clothing and textiles have typically employed a large work force in most countries.

Textile is fashion driven with changes in consumer taste and preference influencing the demand for different types and designs of textiles and clothing.

REMOVAL OF QUOTAS

With the removal of quotas and the end of the WTO's Agreement on Textiles and Clothing (ATC) on January 1, 2005, the textile and clothing sector has become subject to the World Trade Organization ("WTO"). Protectionist measures against low-cost Asian textile/garment producers were in place since the 1950s, originating from various bilateral trade agreements that the US and various European countries signed with countries such as Japan, Hong Kong and India. Since 1974, the global trade in textile and garments had been governed by the rules of the Multi-Fibre Agreement (MFA) which imposed quotas on exports of textiles and clothing. The aim behind quota restrictions was to protect the domestic textile/garment industries of rich industrialized countries.

Textiles and clothing are closely related, with textiles providing the major input to the clothing industry. International trade in the two sectors was hitherto regulated by the Agreement on Textiles and Clothing (ATC) at the multilateral level, with various bilateral and regional trade agreements linking the two sectors through rules of origin accompanying preferential market access.

Textiles constitute an important segment of global trade comprising six per cent of the world trade. From January 1, 1995, international textiles and clothing trade went through fundamental change under the 10-year transitional programme of the ATC. Before the Agreement took effect, a large portion of textiles and clothing exports from developing countries to the industrial countries was subject to quotas under a special regime outside normal General Agreement on Tariff and Trade ("GATT") rules. Hence, the developing nations pressed for stamping out the quota regime as a pre-condition to the formation of the WTO. Under the ATC, WTO Members committed themselves to remove the quotas by 1 January 2005 by integrating the sector fully into the GATT rules.

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

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

Apparels/readymade garments were not included in GATT provisions. In 1974, the MFA was signed, without reference to GATT, essentially ratifying countries' right to impose quotas on textiles and apparel/readymade garment imports from each other. This was intended to be a temporary measure allowing developed countries time to restructure their apparel/readymade garments and textile industries before opening them up to competition from developing countries.

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

The most important underlying principles of the ATC were:

- That quotas would be phased out based on an agreed timetable (16% of imports quota-free by 1/1/95, a further 17% by 1/1/98, a further 18% by 1/1/02 and the remaining 49% by 1/1/05)
- There would be no extension date
- The ATC would be binding on trade between WTO member states only.
- There would be no temporary provisions while the ATC was in force for monitoring progress and managing duties.

Accordingly, quota restrictions have been completely removed with effect from January 1, 2005.

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

EXPECTED TRADE FLOWS IN THE QUOTA FREE REGIME

EXPECTED MARKET SHARE BEFORE AND AFTER QUOTA ELIMINATION, USA

In the U.S market, the post-quota impact is much more dramatic. China and India combined are estimated to take 65 per cent of the export market – China is expected to triple its market share while India's market share is seen to quadruple. All others are estimated to lose market share and the largest losses are incurred by African countries and Mexico, whose market shares decline by close to 70 per cent.

The Paper however, also draws a cautionary note. Apparently, the GTAP results are driven by changes in relative prices, rendering the previously restricted low-cost producers more competitive and thus increasing their market share. The limits of such low-cost producers' expansion in the model simulations are production capacity constraints and the fact that increased demand for unskilled labour in textiles and clothing industries raises the wage rate and cost competitiveness is somewhat reduced as a result. The GTAP model simulations also do not capture the changes in technology and possible increase in the relevance of time and distance as a trade barrier. Therefore the projected decline in the market share of

Mexico and the rest of Latin America might be exaggerated in the model simulation. Nevertheless, there is no doubt that India and China will increase their world market share substantially in the textiles and clothing sector following the elimination of quotas as agreed under the ATC

OVERVIEW OF INDIAN TEXTILE INDUSTRY

The Indian Textile Industry is a vertically integrated industry which covers a large gamut of activities ranging from production of its own raw material namely, cotton, jute, silk and wool, to providing to the consumers high value added products such as fabrics and garments. India also produces large varieties of synthetic and man made fibres such as filament and spun yarns from polyester, viscose, nylon and acrylic which are used to manufacture fabric and garments.

Characteristics of Indian Textile Industry

Structurally, clothing industry is one of the most fragmented sectors of the Indian Textile Industry, due to historical government policies which favoured the small scale. The clothing industry comprises manufacturers of ready-made apparel making for either the domestic or export markets or, in certain cases, both. The constituents of this segment are very diverse in terms of their size, production facility, the type of apparel manufactured, the quality of output, fabric requirement, price sensitivity, etc.

The textile sector plays a significant role in Indian economy by contributing to the Gross Domestic Product, generating employment and earning foreign exchange. An estimated 35 million people are directly employed in the Indian Textile Industry, which contributes to 4% of GDP, 14% of Industrial production of the country and 21% of total export earnings. (Source: Ministry of Textiles Annual Report 2004-2005)

Globally, India is a significant player in the textile industry and is the

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

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

Cotton is one of the major corps cultivated in India. India has the largest cotton acreage in the world and cotton is the dominant fibre in Indian Textile Industry. Cotton accounted for almost 69% of the total yarn and 43% of the total fabric production in India in 2003-04. Almost all cotton used in India for further processing is grown locally with a miniscule quantity being imported. Cotton textiles account for 2/3rd of India's textile exports (Source: Ministry of Textiles Website and Annual Report 2003-2004)

During the last five decades, the production of cotton in India increased from 3 million bales of 170 kgs each in 1950-51 to an estimated 21.3 million bales (170 kg each) in 2004-05. There has also been a rise in area under cultivation from 5.89 million hectares in 1950-51 to an estimated 8.97 million hectares in 2003-04. (Source: Ministry of Textiles Annual Report 2004-2005)

India has a natural competitive advantage in terms of a strong and large multi-fibre base, abundant cheap skilled labour and presence across the entire value chain of the industry ranging from spinning, weaving, and madeups to manufacturers of garments alongwith the advantage of high operational efficiencies in spinning and weaving, low-cost skilled labour, availability of raw materials and design capabilities.

INDIA'S TEXTILE EXPORTS

India's textile exports accounted for 21% of its export earnings in FY 2005. India's textile exports from the year 1995-96 to 2003 -04 is as given under.[1]

Particulars	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Readymade Garments	3,676	3,753	3,876	4,365	4,765	5,570	4,994	5,389	6,048
Cotton textiles	2,638	3,565	3,485	2,821	3,107	3,548	3,044	3,497	3,478
Man-made Textiles	772	722	823	720	855	1,095	1,084	1,364	1,805
Others	1,442	1,515	1,613	1,643	1,781	1,885	1,577	1,833	1,741
Total	8,527	9,555	9,797	9,548	10,509	12,098	10,699	12,082	13,072

Figures in USD billion
Source: Foreign Trade Statistics of India (PC&C), DGCIS, Kolkata

Several steps have already been taken to improve India's textile industry. Apart from the setting up of the Technology Upgradation Fund Scheme (TUFS), these include:

- New schemes of Apparel Parks for Exports, and Textile Centres Infrastructure Development Scheme, de-reservation of the garments sector;
- Increase in investment ceilings (FDI being freely allowed in the sector);
- Introduction of a Technology Mission on Cotton to improve the productivity and quality of cotton;

- Basic customs duty on designated textile machinery and spare parts have been reduced;
- Additional Excise Duty on Textiles & Textile Articles (AT&T) and Additional Excise Duty (Goods of Special Importance) Act have been abolished;
- Excise duty on polyester filament yarn has been reduced.
- 10% capital subsidy for purchase of specified processing machinery.

As such, India's textile exports are expected to grow from the current levels of US$ 14 bn in 204 to US$ 85 bn by 2010, consequent to the quota removal. (Source: New Textile Policy, 2000, Government of India). Further, the ministry has revised its target in the wake of surging exports to the US and EU countries with the opening up of multi-fibre agreement (MFA) on January 1, 2005.

MARKET STRUCTURE – DOMESTIC AND EXPORT & SHARE OF INDIA IN EXPORT OF TEXTILE AND CLOTHING

SWOT of Indian Textile Sector

Strengths	Weaknesses
● High availability of all raw materials ● Low labour cost and availability of skilled and technical labour force ● Self reliant industry producing the entire chain from fibre/cotton to garments/home textiles ● Ability to handle value additions, embellishments ● Large and growing domestic demand ● Excellence in fabric and garment designing	● Rigid Government policies, specially labour policy ● Low cotton yield per hectare ● Small size and technologically outdated plants result in lack of economies of scale, low productivity, and weak quality control ● Fabric/ processing still to meet international standards ● With the exception for spinning, other sectors are fragmented and unit production capacities very low by international standards ● Infrastructure bottlenecks for handling huge volumes
Opportunities	**Threats**

[1] Figures for 2004-05 have not yet been released by the ministry of textiles.

● Replacement of the MFA and full integration of textile industry resulted in huge opportunities for export ● Increase in consumption pattern across the country alongwith the rise in demand for high quality premium fabrics.	● Enhanced competition from other countries similarly constrained previously ● Pricing pressure following the opening up of quotas

RECENT POLICY AND ADMINISTRATIVE INITIATIVES

Looking at the growing importance of textile industry in the country and its contribution in overall GDP, in order to boost further reforms in the textile sector and in order to meet the challenges in the quota free regime, the Government of India (GoI) has taken several reformatory steps in last few years. A summary of these policy and administrative initiates are as under (data for recent policy initiatives and measures is the annual Report of the Ministry of Textiles, 2004-05):

1) Announcements in the Union Budget 2005-06: To strengthen domestic textile industry for meeting the growing global competition, the following important announcements have been made in the Union Budget 2005-06:
   - The allocation to Technology Upgradation Fund Scheme (TUFS) has been enhanced to Rs. 4.35 billion, along with an additional capital subsidy of 10% for the processing sector;
   - 30 items of textiles products and hosiery have been identified for de-reservation from Small Scale Industry;
   - Creation of a Special Purpose Vehicle (SPV) for improving the infrastructure used in the manufacturing with an investment outlay of Rs. 100 billion;
   - Excise Duty on Polyester Filament Yarn (PFY) and Polyester Texturised Yarn (PTY) reduced from 24% to 16%;
   - Optional CENVAT Scheme has been extended to stand alone Texturising Units at 8% excise duty with CENVAT credit or at nil duty without CENVAT credit;
   - Peak customs duty rates reduced from 20% to 15%; and Duties on specified textile machinery items, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is being continued.

2) Announcements in the new Foreign Trade Policy: The new Foreign Trade Policy contains a number of features which are particularly beneficial to the textile industry. Some of them are:
   - Handicrafts and Handloom sectors, among others, have been identified as Special Focus Initiatives;
   - Duty free import of trimmings and embellishments for Handloom & Handicrafts sectors increased from 3% to 5% of FOB value of exports;
   - Import of trimmings and embellishments and samples exempted from Counter Vailing Duties (CVD);
   - Handicraft Export Promotion Council authorised to import trimmings, embellishments and samples for small manufacturers;
   - Establishment of a new Handicraft Special Economic Zone; and
   - Upto 2% of CIF value or quantity of import of leftover materials and fabrics of 100% EOUs shall be allowed to be disposed of on payment of duty on transaction value only.

3) Announcement of National Textile Policy: - Taking note of the new challenges and opportunities presented by the changing global environment, particularly the initiation of the process of gradual phasing out of quantitative restrictions on imports and the lowering of tariff levels for an integration of the world textile and clothing markets by end 2004, and the need for a focused approach to maximizing opportunities and strengths inherent in the situation, Government of India had in November 2000 announced the new textile policy with the objective of facilitating the textile Industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing. The policy endeavours to achieve the target of textile and apparel export from the present level to US $ 50 billion by 2010 of which the share of garments will be US $ 25 billion.

4) Technology Upgradation Fund Scheme: Originally formed for 5 years period from 01.04.1999 to 31.03.2004, TUFS has since been extended till 31.03.2007. This scheme aims to provide 5% interest reimbursement in respect of loans availed thereunder from the concerned financial institutions for investments in benchmarked technology for the sectors of the Indian textile industries specified thereunder. TUFS also provides an additional option to power loom units for a 20% capital subsidy under Credit Linked Capital Subsidy (CLCS-TUFS) upto a cost of Rs. 10 million for investments in eligible machinery. This facility is being provided by all co-operative banks and other genuine non banking financial companies (NBFC) recognized by the Reserve Bank of India.

5) Liberalization of FDI Policy: Government has allowed foreign equity participation upto 100%, through automatic route, in the textile sector with the only exception in knitwear/knitting sector.

6) Export Promotion Capital Goods (EPCG) Scheme: The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy as announced on August 31, 2004.

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

8) Duty Exemption Pass Book (DEPB) Scheme: DEPB credit rates have been prescribed for 83 textiles and clothing products. The nomenclature and rates for DEPB entries pertaining to certain textile products have been rationalized. The DEPB credit rates were reduced by 45% across the board in all textile items on September 23, 2004. While addressing the concerns of certain segments of the trade, the DEPB credit rates were revised again on December 30,.2004 by announcing changes to the extent of 60% reduction in respect of cotton textile items, 30% reduction in blended textile and wollen items and 22.5% reduction in man-made textile and silk items in place of 45% reduction effected earlier.

9) Duty Drawback Scheme: The exporters are allowed refund of the excise and import duty suffered on inputs of the export products under the Scheme. Department of Revenue announced revision in All Industry Rates of Duty Drawback (AIR of DBK) on January 18, 2005. There has been substantial reduction in AIR of DBK in almost all textile export products except certain items of silk and wool sectors. In the revised Drawback Schedule, 165 new entries of textile products have been created in addition to earlier 101 entries. The revised rates have been prescribed on the basis of weight of the export product instead of earlier system based on FOB value of the product. Besides, in respect of apparel items, the drawback rates have also been given on the basis of composition of textiles.

10) Human Resource Development:
Attention has also been paid to Human Resource Development in the textile sector. The GoI supports programs of organisations and institutions engaged in human resource development that addresses the professional manpower needs of the industry. To cater the demand for fashion designers and fashion technologists in the garment sector the National Institute of Fashion Technology (NIFT) was set up. GoI has also decided to develop Nodal Centre for Upgradation of Textile Education as an autonomous national level Textile Education Resource Centre.

11) Construction of Apparel International Mart: The GoI is also assisting the Apparel Export Promotion Council in constructing an Apparel International Mart at Gurgaon for providing a world-class facility to the apparel exporters to showcase their products and serve as one stop shop for reputed international buyers.

12) Apparel Park for Exports Scheme: With an objective to impart focus thrust to setting up of apparel manufacturing units of international standards at potential growth centres and to give Philip to exports, a centrally sponsored scheme 'Apparel Parks for Exports Scheme' has been launched. Various projects are under different stages of implementation under this scheme and five such projects are expected to be complete by the end of 2005.

13) Textile Centres Infrastructure Development Scheme (TCIDS):
For upgrading infrastructure facilities to enhance operational efficiency of textile units located at important textile centres, in March 2002 GoI has launched the TCIDS scheme. TCIDS Scheme is a part of the drive to improve infrastructure facilities at potential textile growth centres and therefore, aims at removing bottlenecks in exports so as to achieve the target of US$ 50 billion by 2010 as envisaged in the National Textile Policy, 2000. This scheme shall cover investments, which are in the nature of exigencies, or emergencies and which could not be foreseen as part of the annual plan scheme proposals. (Source: Ministry of Textiles, website ttp://texmin.nic.in/Guid_Eng_TCIDS-22-03-2002.pdf)

14) Organisation of buyer-seller meets / fairs in the country as well as abroad : The Textile Export Promotion Councils have been regularly conducting seminars, organizing buyer seller meets, participating in exhibitions abroad to promote textile exports. Besides, events like TEXSTYLES India, Indian Handicrafts and Gift Fair, India International Garment Fair are also organized in the country to provide an exposition of India's capabilities in textile and clothing sectors to the visiting foreign buyers.

The proposals in the Union Budget 2006-07 for Textile Industry include the following:
- Enhancement of allocation under the TUF scheme from Rs.435 million to Rs.535 million.
- Sanction of Rs.1,890 million towards the scheme for integrated textile parks.

The above proposals are subject to the Union Budget 2006-07 being passed by Parliament.

KEY PLAYERS

In the domestic market, other players in the industry who offers similar kind of product category are Arvind Mills, Ashima Mills, Bharat Vijay Mills, Monti, Vardhman Group, Raymond, Bombay Dyeing, Sintex, BSL and Premier Mills. Alongwith these number of small and regional players also exist in this industry. In the international market, we compete with companies from European countries and Turkey.

FUTURE OUTLOOK FOR THE TEXTILE INDUSTRY

The future prospects for the Indian industry appear favourable, particularly in the post-quota removal regime. The industry is in an expansion mode and is likely to benefit from growing demand both in the domestic as well as internation markets. Further, the anti-surge mechanism which the WTO has imposed on Chinese exports is expected to benefit India. Turkey is the first country to set quotas on textile and apparel imports from China. The EU is also in the process of adopting measures to avoid surge in imports from China. China has announced exports tariff on textile and clothing with effect from January 2005 that will last until 2007 as measures to avoid penal duties. Even though these tariffs are nominal, it will increase export prices and curb demand for low priced Chinese goods in world markets. This should enable Indian industry to offer competitive products to global markets and increase its share in US and EU markets. Further, earlier regulations favoured small scale players, which is now undergoing change. Further, with the opening up of the quota regime and other regulatory measures like liberalizing foreign direct investment norms, large investments are being planned to meet the growing domestic and international demand.

OUR BUSINESS

Our Company is engaged in the manufacturing of high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics with world class technology and distinct Italian designing as our key differentiators.

We are a part of the year 1875 established Morarjee Group, which is one of India's oldest and most experienced textiles manufacturing houses. Morarjee Goculdas Spinning and Weaving Company Limited one of the flagship Company of Morarjee Group set up its textile operations in Mumbai in 1995.

Over the years it acquired other mills and expanded its capacity. In 1995 Morarjee Goculdas Spinning and Weaving Co. Ltd. set up Morarjee Brembana Ltd. as a 50:50 joint venture with Manifattura Di Valle Brembana Spa Italy, a leading Italian company to manufacture high quality cotton shirting fabrics, with its manufacturing facility at Butibori near Nagpur.

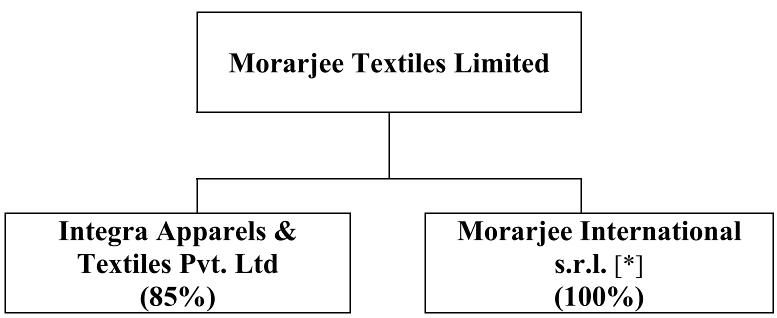
In 2003, Morarjee Goculdas Spinning & Weaving Co. Ltd with a view to focus in the real estate development business, underwent a business re-organization whereby it sold and transferred its entire textile business to Morarjee Brembana Ltd which resulted in the concentration of the entire textile business of the group in one entity. Morarjee Brembana Ltd, thereby facilitated greater focus and attention to this business. As a consequence of the re-structuring, the name of Morarjee Goculdas Spinning & Weaving Co. Ltd was changed to Morarjee Realties Ltd. In 2005, the 50% shareholding of Manifattura Di Valle Brembana Spa Italy was bought back by Morarjee Realties Ltd. & others, and the name of Morarjee Brembana Ltd was changed to Morarjee Textiles Ltd. This re-structuring was performed to ensure that the Company would be well positioned for the expected liberalization of the textile non quota regime.

Post Restructuring

We now own and operate a 8 million meters per annum weaving capacity for manufacturing of high value cotton shirting and 4.8 mn meters per annum weaving capacity for manufacturing of premium voiles and high fashion printed fabric at Nagpur in Central India. We also run a garment manufacturing unit through our wholly owned subsidiary Integra Apparels & Textiles Pvt. Ltd. in Bangalore. Further, we set up a wholly-owned subsidiary in Italy, Morarjee International s.r.l., to enhance access to European Markets as well as to provide quicker service to customers Our customers include leading international and domestic brands.

Our Company holds 85 % and 100 % in its two subsidiaries viz. Integra Apparels and Textiles Pvt. Ltd. and Morarjee International S.R.I. respectively. Our Company took a stake in Integra Apparels and Textiles Pvt. Ltd., which commenced operations in the year 2004-05, involved in garments manufacturing.. Further, we also have a wholly owned subsidiary in Italy, Morarjee International s.r.l., to enhance access to European Markets as well as to provide quicker service to customers.

Our Corporate Structure is as follows:



Our Company's strategy of focusing on the fast growing high-value and premium segments is beginning to yield results and we registered an encouraging performance during the year ended March 31, 2005. The total income for the year was Rs. 1487.73 mn against Rs. 1097.48 mn in the previous year, registering a growth of 36%. Our EBIDTA margin for the eight months period ended November 30, 2005 and for FY 05 was 14.23% and 13.07% respectively against 9.85 % in the FY 2004. Alongwith that as a result of shedding low value commodity products and introduction of higher value products, our Company achieved a profit after tax of Rs. 62.53 mn for the eight months period ended November 30, 2005 and Rs. 66.4 mn for financial year 2005, against a loss of Rs. 22.5 mn during the year 2003-04.

We believe we are well placed to benefit from the vast opportunity available to Indian textile players and are investing to enhance our value to our customers. We are also expanding our capacity to meet the growing demand for quality fabric from our existing customers as well as to enhance our presence in new geographies for our high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics business.

The Italian subsidiary with its state-of-the-art design studio for creating its seasonal collections, new designs and new products would assist in this regard.

Our subsidiaries along with our expansion plans for the high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics are expected to be significant drivers of our revenues in the coming years.

A) Our Business Model

Our Company is one of the few fully-integrated textile units in the country, from spinning to garmenting. At the same time each of the key process, i.e. spinning, weaving, finishing and processing, and garmenting, operate as separate profit centers and are commercially viable as independent functions.

Our Company would like to be present through the entire value chain of textile industry, and will continue to invest in upgrading its technology, people and other key resources.

B) Our Competitive Advantages

Our capability to exist through out the value chain of textile industry helps us to be one of the dominant players in the global premium and super-premium cotton fabric business. Accordingly, the following are our key strengths, which we believe provide us a competitive edge in our business:

- **Cutting-edge Design:** To maintain its competitive advantage in this key area of product differentiation, our Company continuously invests in upgrading its design capabilities. Our Company has one of the most advanced Design Studios in the country, and has recently invested in a state-of-the-art Design Studio in Italy, which will enable us to develop "European" styled seasonal collections, designs, etc. essential for us to remain a key player in the highly competitive European and US markets.

- **Product Quality:** Another critical success factor to stay ahead in the premium fabric segment is consistency in product quality and finishing. Our Company has managed to maintain quality standards at the highest levels. We are regularly investing in upgrading our fabric processing and finishing facilities to enable us to improve our finished products as well as develop new finishes for the market.

- **Customer Service:** Cutting-edge design and high quality fabric have to be supported by the highest levels of customer service which includes aspects like working with each customer's design team to develop unique collections, producing yardages or desk-loom samples of a customer's design for approval, doing short runs of multiple variants, consistent and timely fulfillment of orders and continuous and real-time customer interaction. To this end, and in order to be closer to Company's key European customers, our Company has set up an office in Legnano, Italy, which caters to the growing needs from this region.

- **Integrated Facilities:** Our Company is one of the few players in the industry having the ability to cater to the entire requirements of its customers – right from the stage of fabric design all the way to conversion of its fabric collections into ready made garments which can then be shipped straight to the shop-floor. Having established its garmenting business, our Company now intends to leverage this competitive advantage to drive up returns from value-added services.

C) Our growth strategy

Post quota regime, the Indian Textile Industry is expected to increase its reach and augment global market share due to its competitive advantages. We believe that exports of value added products will result in a sustainable competitive advantage to companies that manage to achieve the quality, design and service standards required to be in that particular segment of that market. The industry is gearing up to take advantage of increased demand by stepping up its investment in technology and R&D. Our Company also stands to benefit from it.

While consolidating its presence in the domestic market, our Company proposes to further expand its presence in the lucrative export market to take advantage of the recent abolishment of the quota regime. We have already set up a subsidiary for the manufacture and marketing of garments for the overseas markets and a subsidiary to ensure presence (reducing time to market) and distribution capabilities in the European markets.

Further, our Company is also under the process of making the following investments to tap the enhanced growth potential subsequent to removal of quotas:

- Capacity expansion in spinning and weaving
- Setting up of processing house
- Expansion of apparel facilities
- Expansion of international marketing and presence

D) Our Products, Revenue and Customers

i) Our Products

Our products include high value cotton shirting fabrics, premium voiles and high fashion printed fabrics. Details of our products are given below:

A. Yarn dyed Cotton Shirting Fabric

This includes a superfine range of premium 100% cotton shirtings in classic designs and colours made from double yarn in the weaves like Poplin, Twill, Dobby, Royal Oxford, Pique etc. These kinds of collections are exclusively created to suit the seasonal demands of customers all around the world.

Our fabrics are procured by leading garment manufacturers in developed countries such as USA, Europe, Japan, etc catering to premium brands in these geographies. The premium cotton fabric is procured by leading international and domestic brands.

Our designs are made in line with the requirements for the major fashion seasons, Spring-Summer and Autumn-winter, in line with international fashion trends.

B. Premium Voiles and High Fashion Printed Fabrics

Our Company makes premium Voiles and high fashion printed fabrics that caters to the need of people across Middle East, Far East and North African markets for Arab Dressing (Headgear, men & women's dresses) as well as to some developed markets for women's wear.

Our voiles and printed fabrics are exported to leading international brands.

In the domestic market, High Fashion Printed Fabrics are procured mainly by leading garment manufacturing brands.

C. Readymade Apparel

We started garments business in July 2004 by outsourcing the manufacturing activity (capacity of 0.25 million pieces per annum). The Company formally entered the garments business by acquiring 85% stake in a garment manufacturing company, Integra Apparels and Textiles Pvt. Ltd. in FY 2005. This forward integration move focuses on garments for men, women, and kids wear in the international market. Within a short span of time we started our first manufacturing unit for casual top-wear with a capacity of 6 lac pieces per annum. After commissioning of the unit we have further expanded by setting up a dedicated unit for high end formal shirts with a capacity of 0.6 million pieces per annum

All the above units are located in Bangalore which is a major garment manufacturing centre in India.

ii) Our Revenue

We sell our products in domestic as well as in the export market. Our selling arrangement includes direct sales to customers as well as well as through distributors. The details of the domestic and export sales are as follows:

(Rs. in million)

Year	Revenue Earned (in Rs. million)		Total (in Rs. Million)	% of total revenue earned	
	Domestic Market	Overseas Market[2]		Domestic	Overseas
2001-02	278.00	291.93	569.93	48.78%	51.22%
2002-03	354.64	233.35	587.99	60.31%	39.69%
2003-04	528.69	500.11	1,028.80	51.39%	48.61%
2004-05	615.87	865.52	1,481.39	41.57%	58.43%
Eight months period ended November 30, 2005	457.18	602.77	1,059.95	43.13%	56.87%

Geographically our segments can be categorized into Domestic and International segments. Details of revenues from products / geographic segments are given below:

(Rs. In million)

	Shirting	Voile	Total
03-04			
Export	269.59	198.58	468.17
Domestic	446.10	82.60	528.69
Total	715.69	281.17	996.86
04-05			
Export	286.32	546.10	832.42
Domestic	497.08	118.78	615.87
Total	783.40	664.88	1,448.28
For eight months period ending November 30, 2005			
Export	229.07	356.79	585.87
Domestic	366.52	90.66	457.18

[2] Export figure is inclusive of Export Incentive

Total	595.59	447.45	1,043.05

Note: The above figures are excluding DEPB Benefits.

iii) Our Customers

Yarn Dyed Cotton Shirting

In respect of Yarn Dyed Cotton Shirting, in the international market our fabrics are procured by leading garment manufacturers in developed countries such as USA, Europe, Japan, etc catering to premium brands in these geographies. In addition, our fabric is also procured by leading garment manufacturers for export on behalf of leading international brands.
In the domestic market, our customers consist of leading premium brands like Louis Phillipe, Van Heusen, Zodiac and Manzoni.

Premium Voiles and High Fashion Printed Fabrics

We directly export premium voiles to Middles East, Far East and North African markets for Arab Dressing. Our voiles and printed fabrics are also exported to developed markets in the women's wear segment, to leading international brands.

In the domestic market, High Fashion Printed Fabrics are procured mainly by leading international garment manufacturers operating in India.

E) Capacity & Capacity Utilisation

Our installed capacity and our actual production and sales during last four years and for the eight months period ended November 30, 2005 is as under:
]

Particulars	For the year ended March 31, 2002	For the year ended March 31, 2003	For the year ended March 31, 2004	For the year ended March 31, 2005	For the eight months period ended November 30, 2005
Installed Capacity (Looms)	111	111	268	268	272
Installed Capacity (Spindles)*	-	-	26,620	24,332	25,976
PRODUCTION					
Finished Fabrics (Lakh mtrs.)	36.99	37.32	79.52	134.16	94.45
Yarn (Tons)	-	-	253.32	742.48	531.53
SALES					
Finished Fabrics (Lakh mtrs.)	37.96	38.73	81.77	133.75	90.85
Yarn (Tons)	-	-	16.25	87.35	64.00
Net Sales (Rs. Mn)**	569.93	587.99	1,069.84	1,506.70	1,082.42

* Consequent to acquisition of textile business of Morarjee Realties Ltd.
** Sales include sales of DEPB License, waste, etc.

Based on the available loom and spindle capacity, the production of fabrics and yarn respectively, over the years / periods mentioned above, have utilized substantially the full available capacity.

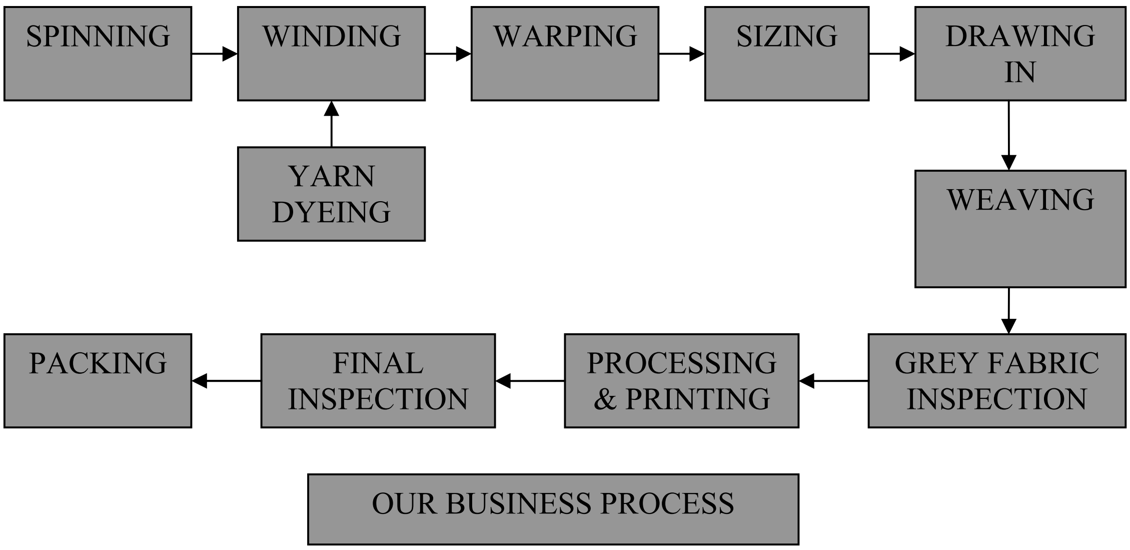
F) Future Strategy and Vision

The Company's vision is to be the preferred partner / associate supplier to leading global apparel brands. For this, Company has identified customer service as the key driver to aid the fine and superfine quality of fabrics manufactured. To augment the service, our Company has set up state of art in-house design studios both in Italy & in India, with modern sampling facilities.

It will be our endeavor to continuously invest and upgrade these facilities with a view to provide best service to the customers. Further, the company is considering the implementation of an ERP package, which will improve service levels.

G) Our Business Process

The manufacturing process has certain distinctive features, which are not normally prevalent in other cotton textile units in India. The Process flow chart of your Company is as shown below:



Details of Process Flow

1. Spinning:
It is a process of simultaneously twisting and drawing the attenuated strand of fibres in to a yarn.
The different process flow of spinning

a. Blow Room:
At the Blow Room level Fiber is opened to remove impurities. Opening of bales sometimes occurs in conjunction with the blending of fibers. Suppliers deliver natural fibers to the spinning mill in compressed bales. The fibers must be sorted based on grade, cleaned to remove particles of dirt, twigs, and leaves, and blended with fibers from different bales to improve the consistency of the fiber mix. Sorting and cleaning is performed in machine known as openers, which consist of a rotating cylinder equipped with spiked teeth or a set of toothed bars. These teeth pull the unbaled fibers apart, fluffing them while loosening impurities. Because the feed of the opener comes from multiple bales, the opener blends the fibers as it cleans and opens them.

b. Carding:
Tufts of fiber are conveyed by air streams to a carding machine, which transports the fibers over a belt equipped with the wire needles. A series of rotating brushes rests on top of the belt. The different rotation speeds of the belt and the brushes cause the fibers to tease out and align into thin, parallel sheets. Many shorter fibers, which would weaken the yarn, are separated out and removed. A further objective of carding is to better align the fibers to prepare them for spinning. The sheet of carded fibers is removed through a

funnel into a loose ropelike strand called a sliver. Opening, blending, and carding are sometimes performed in integrated carders that accept raw fiber and output carded sliver.

c. Sliver lab:
Several slivers are combined into a continuous, rope like strand and fed to a machine known as a drawing frame.

d. Combing:
In coil combing process the short fibres present in the carded sliver is removed. (Voil) The delivered combed sliver consists only of fibres with desired length. In this process along with the short fibre removal some amount of Neps is also removed. Voil extracted differs from fibre to fibre.

e. Draw Frame:
This is also called Finisher Draw Frame and once again several slivers are combined into a continuous, ropelike strand and fed to this machine. The drawing frame contains several sets of rollers that rotate at successively faster speeds. As the slivers pass through, they are further drawn out and lengthened, to the point where they may be five to six times as long as they were originally. During drawing, slivers from different types of fibers (e.g., cotton and polyester) may be combined to form blends. Once a sliver has been drawn, it is termed a roving.

f. Simplex or Speed Frame:
Simplex is a process that uses a frame to stretch the yarn further. The delivered strand of fibers is called Roving. This process imparts a slight twist as it removes the yarn and winds it onto a rotating spindle. The yarn, now termed as roving in ring spinning operations, is made up of a loose assemblage of fibers drawn into a single strand and is about eight times the length and one-eighth the diameter of the sliver, or approximately as wide as a pencil

g. Ring Frame:
The yarn is first fed through another set of drawing or delivery rollers, which lengthen and stretch it still further. It is then fed onto a high- speed spindle. The difference in speed of travel between the guide and spindle determines the amount of twist imparted to the yarn. The yarn is collected on a bobbin.

h. Finishing:
At the finishing process, the yarn produced at the Ring Frame is further winded/ processed on a Paper Cone or other Cones/Tubes so that it can be delivered to customer or sent for further processing. Activities covered under the finishing department are:

i. Autoconer :
In this process, large packages of single yarn are made in form of cones without any hand made knots. In addition to this, this machine also has sensors and removes many yarn faults like neps, uneveness faults, thicks & thins from Ring Frame Yarn etc.

<u>Ply Winding</u>
The purpose of this process is to make a supply package for doublers. Here two strands of yarn are piled and wound on the cheese.

<u>Doubling</u>
Doubling machine is feed cheese, which has two single yarns, wound together. Through Ring Frame Bobbin and the final output contains lot of hand made knots. For Doubling, yarn is also procured from outside.

j. Steaming
In this process the yarn is steamed in big chambers in order to provide it strength. Winding and steaming: Here the doubling bobbins are made into cone. Here some amount of yarn faults is removed through electric clearers as like in autoconers.

k. Singeing and steaming

In this process the protruding fibers from the yarn are burnt while it is passed through the burners. The hairiness level in the tarn is reduced through this process.

2. Yarn Dyeing & Rewinding
This process is optional for Shirting fabric. The grey yarn is taken out for the yarn dyeing process. Yarn dyeing is on cones and in this method yarn is wound on perforated plastic cones and immersed in dye bath. The dye liquor is put into the vessel back and forced through the cones. This type of dyeing is carried out on elevated temperature pressure, which is used in wet colours in yarn. Dyed yarn after drying is rewound on autoconer machine on paper cones for feeding on looms for weaving.

3. Warping
Warping is the process of preparation of warper beams for use in sizing process or directly for use on looms. Warper beam of dyed yarn is prepared on sectional warping machine and warper is used for grey yarn and full colour is prepared on direct warping machine.

4. Sizing
It is the process warp yarn is sized with starch (and other sizing materials) to give necessary tensile strength and smoothness required for weaving. Starch carboxymethyl cellulose (CMC) and polyvinyl alcohol (PVA) are the sizing agent extensively employed in sizing.

5. Drawing - IN
In this process each end of the yarn is yarn dyed is drawn in through the high reed and then gaited on machine for preparing weaver beams for the loom. If new article is same then old article is knotted with new one by knotting machine.

6. Weaving
Fabric is woven on the looms by shedding, picking and beating up process. All these are done on weaving machine.

7. Grey Fabrics Inspection
The fabric so obtained is inspected on grey inspection machine for checking any defects such as floats, missing ends, cracks etc and subsequently to eliminate the same.

8. Processing and Printing

A. Processing
(i) Singeing and Desizing

The fabric is now treated with high temperature on singeing machine, which is electrically controlled to remove the hairs on the yarn, after which Desizing is done which is a process employed to remove the sizing materials present in the grey cloth to make it suitable for further processing. If starch is used as the sizing agent, the following two methods are employed for its removal: -

- Desizing with acid – The grey cloth is treated with dilute sulphuric acid (0.5 %) and washed well.
- Desizing with enzymes – The cloth is dipped in baths and kept for 4 to 8 hours at 55 to 80 degree Celsius. The enzyme hydrolyses starch and converts to readily soluble substances. Then the clothes are subject to mild acid treatment and rinsed well with water.

If polyvinyl alcohol (PVA) or carboxymethyl cellulose (CMC) are used for sizing, they are removed with a detergent / water solution as they are readily soluble in water.

(ii) Washing & Mercerising
After desizing process the fabric is washed with soap solution at 90-degree cel. and mercerized to give lusture, strength, dye affinity and width stability to fabrics. The fabric is then cooled at 14 to 15 degree cel. With caustic soda, which swells the cellulose and fabric shrinks.

(iii) Bleaching
Bleaching of the fabric is done in Jiggers. This treatment is different for whites, full colours and normal colours. This is done to remove impurities and make the fabric white. This is an essential process, used to remove natural colouring materials and to render the clothes white. Alkaline hypochlorite or chlorine is used for bleaching cotton textiles. Bleaching is usually followed by washing with fresh water and then by scouring anti chlorine (treatment with sodium bisulphite) to remove traces of alkali and chlorine.

(iv) Drying
The fabric is dried in a stenter. Finish is also applied here. Different fabrics need different finishes and thus the recipe changes accordingly. The stenter also provides uniformity in the weft. (Across width)

B. Printing

(i) Design Studio: - In this, various types of designs are prepared either manually or on computer. Then tracings are prepared for engraving.

(ii) Engraving: - In this process printing screens are prepared from the tracings.

(iii) Sampling: - In this process printing is done on small scale. These samples are created for customer approval as well as guideline for Bulk printing.

(iv) Printing: - In this process fabric is printed on the rotary or flatbed printing machines.

(v) Ageing: - This process is done for fixation of colours on the printed fabric. Passing the fabric through the loop ager machine does this.

(vi) Washing: - This is done for removing the gum and residual colours from the printed fabric.

9. Final Inspection
The final inspection is carried out by Point system to grade the cloth and to see if there are any defects gone un-noticed earlier or emerged in the processing stage.

10. Packing
The fabric is then rolled on the rolling machine and packed in the roll forms. Thus after final process the fabric goes out of the factory.

H) Our Marketing and Sales

The market for our products can be categorized into international and domestic market. Over a period of time, our Company has carved for itself a niche in the premium product category and strengthened its image in the market place for its product.

Our Company has a full-fledged marketing team led by a team of professionals. We have also enhanced our international presence through our exclusive marketing wholly owned subsidiary in Italy which has a state of the art studio for making seasonal collections, new designs and products. We sell our products directly to the customer as well as through agents.

In the domestic market, MTL supplies shirting fabrics to almost all leading national premium brands for their premium collections including Louis Philliipe, Van Heusen, Manzoni etc. and in the international market, in case of shirting fabrics, to various international brands.

For the premium voile and printed fabrics products, the main markets are Middle-East, African countries, Indonesia, Korea and Switzerland. Our Company is initiating efforts to explore newer markets and / business opportunities, especially in Europe.

Details of Competition

In the domestic market, the other players who offer similar kind of products are Arvind Mills, Ashima Mills, Bharat Vijay Mills, Monti and Premier Mills. In the international market, as our Company is operating in the niche premium product category, it competes with companies from European countries and Turkey. Due to the availability of skilled and relatively low cost labour in the country, our Company has a competitive advantage vis-à-vis its international competitors. .

Export Possibilities and Export Obligations (if any)

More than 50% of our turnover comprises of exports. As mentioned above, in the international market, in case of shirting fabrics, we cater to U.S.A, Europe and Japan markets. For the premium voile and printed fabrics products, the main markets are Middle-east, African countries, Indonesia, Korea and Switzerland. MTL has no export obligations.

I) Our Focus on Quality

We have internalized quality control management systems and quality improvement systems in our plant. We have Quality Audit team reviewing all aspects of quality assurance at our plant, at each production stage. Apart from that, a dedicated in-house management team overlooks the implementation and adherence to quality control policies. The Corporate management takes active interest and reviews the use of IT enabled platforms, which help in monitoring the activities at the plant.

J) Our Suppliers and Raw Material Consumption

Our main raw material consists of cotton, yarn, dyes and chemicals.

COTTON

Our requirement of cotton, which is mainly extra long staple variety, is imported (approx.80%) primarily from Egypt, USA and CIS countries, and the balance requirement of cotton is sourced locally. We normally procure our yearly requirements at the beginning of the season to ensure uninterrupted supplies of the required quality of cotton.

YARN

Approximately 40% of our yarn requirement, mainly of finer count variety is met from our captive spinning capacity. Balance requirement is sourced from various local suppliers. There is abundant domestic supply of the quality of yarn that we require for manufacturing of fabric.

COLOURS AND CHEMICALS

In case of Yarn Dyed Cotton Shirting, the requirements of dyes and chemicals are procured mainly through imports (from European suppliers) and in case of other fabrics, they are procured from reputed local manufacturers.

K) Our facilities and Manpower

Facilities

Our manufacturing plant is situated in Maharashtra Industrial Development Corporation (MIDC), Butibori, Nagpur which is well equipped with all necessary infrastructure facilities.

Human Resources

As of November 30 2005, we have 785 employees. Of these, 405 are technical workmen and managerial and executive staff. In addition, company also engages workmen on contract basis.

We place utmost importance on our “human capital”. Our philosophy is to effectively utilize the potential of our employees and groom them to compete with the challenges ahead. We facilitate consistent improvement in performance, productivity and effectiveness by setting targets through an interactive process. Human resources are being increasingly recognized as critical to the success of an organization and therefore, the following programmes have been initiated to create value for our employees and to improve their contribution to the company's progress:

- Need based Management Development Programs and Competency Mapping
- Kaizen activities: A systematic suggestion scheme has been launched for the employees to enhance their creativity and bring about improvements in their workplace.
- Activities for implementation of standards as per ISO 9001:2000

Our Company has harmonious employee and industrial relations and there is close interaction between the management and workmen to facilitate smooth functioning of our units.

Manufacturing Location

At present we have only one manufacturing facility located at Butibori, which is at a distance of 30 Kms from Nagpur in Maharashtra State.

Plant & Machinery and Manufacturing Process

Our Company has a fully integrated composite textile mill consisting of two plants separately for high quality shirting fabrics and premium voiles & high fashion printed fabrics at Butibori, Nagpur, with 25,976 spindles and 272 looms, and the requisite machinery for processing and printing.

Infrastructure Facilities

Our manufacturing plant is situated in Maharashtra Industrial Development Corporation (MIDC), Butibori, Nagpur, which is adequately equipped with all necessary infrastructure facilities including power, water, roads, transportation facilities, etc.

Power

Our requirement of power of 5200 KVA per month is met by MSEB. We also have stand-by generators of 2685 KVA capacity which takes care of certain critical operations in case of power break down.

Water

Our requirement of water is 2300 KL per day which is met by supplies from MIDC. We have an Effluent Treatment Plant meeting all the standards stipulated by Maharashtra Pollution Control Board.

Insurance

Our operations are subject to hazards inherent in large scale textile manufacturing, such as risk of equipment failure and work accidents. We also are subject to the effects of natural disasters and acts of terrorism. The hazards we face include those that may cause injury and loss of life, damage to and destruction of property and equipment and environmental damage. We have obtained what we consider to be adequate insurance for our facilities, automobiles, for workmen compensation, hospitalization, group personnel accident policies (for our permanent employees), etc, as may be required under the various jurisdictions where our facilities are located. Details of insurance covers taken for our facility located at Nagpur are as follows:

Perils Covered	Policy Number	Sum Insured (Rs. Million)	Sum Insured Includes
Fire, Earthquake (Fire & Shock) & Other Perils	111200 / 11 / 05 / 00244	4.79	Machinery & Accessories (Mumbai
Fire,Flood, Earthquake (Fire & Shock) & Other Perils	111200 / 11 / 05 / 00297	0.80	Computers, Printers & Allied Equipments, Laptops, Design Studio equipments, Telephone system, general equipments, office equipments etc (Mumbai
Fire, Flood & Other Perils	111200 / 11 /		Sock of Cotton & Cotton Yarn

Perils Covered	Policy Number	Sum Insured (Rs. Million)	Sum Insured Includes
	05 / 00326	21.40	(Nagpur)
Fire, Flood & Other Perils	600015417	1,377.48	Buildings, Machinery, Accessories, Equipments, FFF, Stock & Stock in process etc (Nagpur)
Fire, Flood & Other Perils	600015451	77.60	Stock of yarn, finished cloth, stores, spares, packing material, dyes, colours, chemicals, Machinery Accessories, furnace oil, diesel oil etc. (Nagpur)
Fire, Flood & Other Perils	600015059	11.70	Buildings, Machinery, Accessories, Equipments etc. (Nagpur)
Fire, Flood & Other Perils	600015452	1.40	Buildings, Equipments & stock of cloth (Nagpur)
Fire, Flood & Other Perils	111200 / 11 / 06 / 00085	73.00	Stock of Cloth and / or yarn (Nagpur)
Fire, Flood & Other Perils	111200 / 11 / 06 / 00090	3.00	Stock of Cloth (Nagpur)
Fire, Flood, Earthquake (Fire & Shock) & Other Perils	111200 / 11 / 06 / 00214	1.67	Machinery, Accessories, Equipments (Mumbai)
Fire, flood & Other Perils	111200 / 11 / 06 / 00223	30.00	Stock of Cotton, Cloth, Yarn & Clean waste (Nagpur)
Fire, Flood & Other Perils	111200 / 11 / 05 / 00243	26.20	Building, Machinery & Asscessories & stock & stock in process (Nagpur)
Fire, Flood, Earthquake (Fire & Shock) & Other Perils	111200 / 11 / 05 / 00296	6.70	Machinery, Accessories, Equipments (Mumbai)
Fire, Flood & Other Perils	111200 / 11 / 05 / 00319	0.40	Stock of super kerosene oil (Nagpur)
Fire, Flood & Other Perils	111200 / 11 / 05 / 00322	50.00	Stock of Cotton & Yarn (Nagpur)
Fire, Flood & Other Perils	111200 / 11 / 06 / 00164	0.50	Stock of Cotton and / or Yarn waste (Nagpur)
Fire, Flood & Other Perils	111200 / 11 / 05 / 00190	689.19	Building, Machinery, Accessories, equipments, electrical installations / equipments, electronic data processing system, computers, printers, Lap Tops,quality control lab equipments, chemical testing lab equipments, design studio equipments, office equipments, general equipments, staff canteen equipments, screens making machinery / equipments, fork lift, trailer pump, tanks, furniture, fixtures and fittings, Stock & stock in process, raw material, finished goods, semi finished goods, stores, spares, packing material, dyes, colours, chemicals & accesories etc. (Nagpur)

Health and Safety

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

The Environment

Good environmental practice has always been a prime consideration in our development, leading us to seek practical solutions to avoid the production of waste. Our business activity inevitably has an impact on the environment. We seek to minimize this impact as far as possible by operating a policy of sustainable development and constantly researching new ways to reduce pollution, wastage and the amount of resources used, while recycling as much as we can. We view all environmental regulations and legislation as the minimum standard to be attained and strive to exceed them significantly where possible as the needs of the retail industry have changed.

REGULATIONS AND POLICIES

INTRODUCTION

As pointed out in the Industry Overview (on page 47), from January 1, 2005, the textile and clothing sector has become subject to the World Trade Organization (WTO) with the removal of quotas and the end of the WTO's Agreement on Textiles and Clothing (ATC). Protectionist measures against low-cost Asian textile/garment producers were in place since the 1950s, originating from various bilateral trade agreements that the US and various European countries signed with countries such as Japan, Hong Kong and India. Since 1974, the global trade in textile and garments had been governed by the rules of the Multi-Fibre Arrangement (MFA) which imposed quotas on exports of textiles and clothing. The aim behind quota restrictions was to protect the domestic textile/garment industries of rich industrialized countries.

Textiles and clothing are closely related, with textiles providing the major input to the clothing industry. International trade in the two sectors was hitherto regulated by the Agreement on Textiles and Clothing (ATC) at the multilateral level, with various bilateral and regional trade agreements linking the two sectors through rules of origin accompanying preferential market access.

Textiles constitute an important segment of global trade comprising six per cent of the world trade. From January 1, 1995, international textiles and clothing trade went through fundamental change under the 10-year transitional programme of the ATC. Before the Agreement took effect, a large portion of textiles and clothing exports from developing countries to the industrial countries was subject to quotas under a special regime outside normal GATT rules. Under the ATC, WTO Members committed themselves to remove the quotas by January 1, 2005 by integrating the sector fully into the GATT rules. Hence, the developing nations pressed for stamping out the quota regime as a pre-condition to the formation of the WTO.

Policy Initiatives

Over the past five years, the Indian government has removed many of the barriers hindering the sector's growth. But to fulfil the potential of the country's apparel-export industry, the government needs to eliminate the remaining restrictions that perpetuate the lack of scale and poor operational and organizational performance of local manufacturers and that discourage investment, particularly foreign direct investment.

- Regulations still protect small-scale producers in a number of ways. While the production of ready-made garments is no longer reserved for small-scale manufacturers, a few product markets, such as hosiery, still are.

- In addition, Indian manufacturers often choose to set up several small plants, instead of a single big one, to take advantage of labour laws. As a result, Indian apparel/garment making units typically have less number of machines than its counterparts in other countries.

In order to encourage upgradation of textiles sector and to give a fillip to exports of textile products, some of the important initiatives taken by the Government of India are as follows:

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

(ii) <u>Technology Up-gradation Fund Scheme</u>:- In view of the urgent need for stepping up the process of modernization and technology upgradation of the textile industry in India, Ministry of Textiles launched a

Technology Upgradation Fund Scheme (TUFS) for the textile and jute industry for a five years time frame with effect from 01.04.1999 to 31.3.2004, providing for 5% interest reimbursement in respect of loans availed thereunder from the concerned financial institutions for investments in benchmarked technology for the sectors of the Indian textile industries specified thereunder.

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

(iv) Export Promotion Capital Goods (EPCG) Scheme: The scheme facilitates import of capital goods at 5% concessional rate of duty with appropriate export obligation. Import of second hand capital goods is allowed under the EXIM Policy as announced on 31.03.2003.

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

(vi) Duty Exemption Pass Book (DEPB) Scheme: DEPB credit rates have been prescribed for textiles and clothing products.

(vii) Duty Drawback Scheme: The exporters are allowed refund of the excise and import duty suffered on raw materials under the scheme so as to make the products more competitive in the international market.

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

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

(ix) Construction of Apparel International Mart: Apparel Export Promotion Council is constructing an Apparel International Mart at Gurgaon with assistance from Government.

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

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

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

The Water (Prevention and Control of Pollution) Act, 1974 ("Water Act")

Briefly stated, this is an act which provides for the prevention and control of water pollution and the maintenance or restoration of the wholesomeness of water, enacted to ensure that domestic and industrial effluents are not discharged into water-courses without adequate treatment so as to maintain the suitability of water for drinking and irrigation purposes, and the support of marine life.

Central / State Pollution Control Boards were established under this Act. These boards have the function of promoting the cleanliness of streams and wells, to which end they may advise the Government, provide technical assistance, publish data, lay down guidelines etc. The Central / State Governments may also give directions to the boards, as the case may be. In addition, the State Government has the power to obtain information and to take samples of effluents. It may also restrict the application of the Act to certain areas. To this end, it has the power of entry and inspection. The Central / State Governments may also make rules under the Act.

No person shall allow any poisonous, noxious or polluting matter or any matter which is likely to impede the flow of water to enter into any stream. Restrictions have been placed on new outlets and new discharges which are likely to discharge sewage or trade effluents. Where any person who has been called upon to do any work fails to do so, the State Board itself may carry out such work. Emergency measures may also be undertaken in such cases as may warrant the taking of such measures, to remove effluents, mitigate pollution etc. An application may be made for restraining the apprehended pollution of water.

Failure to comply with the provisions of the Water Act might entail penal consequences (imprisonment, fine or both), the degrees of which vary in proportion with the varying degrees of violations.

The Air (Prevention and Control of Pollution) Act, 1981 (The Air Act)

The Air Act provides for the prevention, control and abatement of air pollution and was enacted to adopt an integrated approach for controlling the discharge of industrial emissions, keeping in mind the increasing industrialization, the tendency of industries to congregate in areas which are heavily industrialized and the density of population in such areas.

It should be noted that noise constitutes an air pollutant under the Act, in addition to injurious solid, liquid or gaseous substances. The Central and State Pollution Control Boards constituted under the Water Act have been called upon to exercise similar powers under the Air Act. These boards have the function of improving the quality of air and preventing, controlling or abating air pollution. To this end, these boards may advise the Government, plan and execute programs, collect and disseminate information, provide technical assistance, lay down guidelines etc. The Central / State Governments may also give directions to the boards, as the case may be.

The State Governments have the authority, after consulting the State Board, to declare air pollution areas, where the use of any fuel, any appliance and / or the burning of any material. In such areas, no person shall establish or operate any industrial plant without the previous consent of the State Board. As and when accidental emissions occur, information is required to be provided to the State Board. The State Government may also give instructions for ensuring standards for emission from automobiles.

The State Board has been conferred with the power of entry and inspection, the power to obtain information, and the power to take samples of air or emissions. The State Board may also make an application to Court for restraining persons from causing air pollution. The Central / State Government may make rules in consultation with the Central / State Board, as the case may be.

Failure to comply with the provisions of the Air Act could entail penal consequences (imprisonment, fine or both), the degrees of which vary in proportion with the varying degrees of violations.

HISTORY OF OUR COMPANY AND OTHER CORPORATE MATTERS

Our Company is engaged in the manufacturing of high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics with world class technology and distinct Italian designing as our key differentiators.

We are part of the Morarjee Group, established in the year 1875, which is one of India's oldest and most experienced textiles manufacturing houses.

Morarjee Goculdas Spinning and Weaving Company Limited (subsequently known as Morarjee Realties Limited) was of the flagship companies of the Morarjee Group, set up its textile operations in Mumbai. It was incorporated on August 10, 1871 as a public limited company and thereafter set up its first mill in Mumbai. In 1980, the company acquired a second composite textile unit at Lower Parel, Mumbai. Subsequently, it shifted its textile operations from Mumbai to Nagpur as the operations become unviable in terms of cost and labour unrest.

Morarjee Goculdas Spinning and Weaving Company Limited was earlier a company engaged primarily in the textile business. The hardships and difficulties of the textile industry took its toll on MRL and it started shifting towards real estate. In 1995, MRL set up Morarjee Brembana Limited as a 50:50 joint venture with Manifattura Di Valle Brembana SPA Italy, a leading Italian textile company, to manufacture high quality cotton shirting fabrics with its manufacturing unit at MIDC Area, Butibori, Nagpur. In 2005 as part of the re-structuring of the Morarjee Group, the 50% shareholding of Manifattura Di Valle Brembana Spa Italy was bought back by Morarjee Realties Ltd. & others, and the name of Morarjee Brembana Ltd was changed to Morarjee Textiles Limited.

In the meanwhile, Morarjee Realties Limited gradually increased its focus on the upcoming real estate development business and pursuant to the difficulties and hardships faced by Textile Industry, Morarjee Realties Limited undertook a business re-organization in 2003 whereby it sold and transferred its entire textile business for manufacture of high quality cotton shirting fabrics to Morarjee Textiles Limited (then known as Morarjee Brembana Limited) which resulted in concentration of the entire textile business in one company – Morarjee Textiles Limited, thereby facilitating greater management focus and attention on this business. This re-structuring was also performed to ensure the Company would be well positioned for the liberalized textile non quota regime.

Under the business reorganization, MRL transferred 19396240 shares held in the Company, to the MGM Shareholders Benefit Trust, which was set up for the benefit of the shareholders of MRL, with the ultimate intention that these shares would ultimately be held by the shareholders of MRL. It also transferred its entire Preference Shareholding (comprising of 1,000,000 Preference Shares of Rs. 100 each aggregating to Rs. 10 crores) to the Shareholders Trust. The equity shareholding of MTL consequent to this reorganization was as follows:

MRL	: 13,151,000 shares (40%)
Shareholders Trust	: 19,396,240 shares (59%)
MGM Shareholders ESOP Scheme	: 328,760 shares (1%)

In the mean time, pursuant to the scheme of arrangement sanctioned by Hon'ble Bombay High Court vide its order dated September 20, 2004 between MTL through a a scheme of Arrangement between MTL and its equity shareholders, MTL bought back 32,493,450 equity shares from its shareholders at a token consideration of Rs. 0.10 per share and cancelled the said shares, resulting in reduction of MTL's equity capital from Rs. 428.80 million to Rs. 103.80 million. Under this scheme, following equity shareholders of MTL offered the following shares: -

MRL	13,876,286
Shareholders Trust	18,617,164

Total 32,493,450

Further, pursuant to the Scheme of Arrangement of Morarjee Realties Limited, approved by Honorable High Court of Judicature at Bombay, vide its order dated November 4, 2004, between Morarjee Realties Limited (formerly known as Morarjee Goculdas Spg. And Wvg. Co. Ltd.) and its members whereby investments held by MRL in the equity share capital of MTL – comprising of 92,74,714 equity shares of Rs. 10 each fully paid up of MTL – were distributed to the equity shareholders of MRL without any payment, in the ratio of 10:21 as on January 5, 2005, which was the Recod date fixed by MRL for this purpose.

Objects of our Company

Our objects as contained in our Memorandum of Association include:

1. to carry on the business of manufacturing and selling of fabrics.
2. to carry on the business of manufacturing and marketing of high value quality shirting products.
3. to carry on business of manufactures, imports and exports, wholesale and retails dealers of and in men's, women's and children's clothing.

Important milestones achieved by the Company are as follows:

YEAR	EVENT
April'95	Agreement to form a 50-50 joint venture between The Morarjee Goculdas Spg. & Wvg. Co.Ltd (MGL) and Manifattura Di Valle Brembana (MVB), Italy.
July'95	Incorporation of the Company as Morarjee Brembana Ltd
Jan'98	Commercial production at Nagpur
Sept'03	Buy-out of MVB's equity by MGL
Oct'03	Transfer of MGL's textile undertaking to Morarjee Brembana Ltd
Oct'04	Restructuring of Company's Equity Share Capital
Jan'05	Formation of subsidiary in Italy – Morarjee International S.R.L
Jan'05	Change of name from Morarjee Brembana Ltd to Morarjee Textiles Ltd
March'05	Listing of equity shares on Bombay Stock Exchange Limited
March'05	Investment in subsidiary – Integra Apparels & Textiles Private Limited – Forward integration into garment manufacturing

CHANGES IN MEMORANDUM AND ARTICLES OF ASSOCIATION OF COMPANY:

Changes in Authorized Capital

Equity Shares (Rs.)	Preference shares (Rs.)	Total (Rs.)	EGM/AGM	Date of AGM/EGM
200,000,000	-	200,000,000	On incorporation	July 14, 1995
300,000,000	-	300,000,000	EGM	October 12, 1996
320,000,000	-	320,000,000	EGM	November 10, 1997
400,000,000	-	400,000,000	EGM	December 11, 1998
400,000,000	100,000,000	500,000,000	EGM	October 14, 1999
430,000,000	100,000,000	530,000,000	EGM	June 17, 2004

Other Changes

S. No.	Particulars	Date of EGM
1	Adoption of new set of Articles pursuant to conversion of Company into public limited Company	November 18, 1996
2	Change in name of the Company from Morarjee Brembana Private Limited to Morajee Brembana Limited	November 18, 1996
3	Change in name of the Company from Morarjee Brembana Limited to Morajee Textiles Limited	November 5, 2004

CURRENCY OF PRESENTATION IS INDIAN RUPEES.

The currency of presentation in this Draft Letter of Offer is Rupees unless otherwise specified.

Unless stated otherwise, the financial data in this Draft Letter of Offer is derived from the audited financial statements of Morarjee Textiles Limited prepared in accordance with Indian GAAP included else where in this Draft Letter of Offer. At present our financial year commences on April 1 and ends on March 31. In this Draft Letter of Offer, any discrepancies in ay table between the total and the sums of the amounts listed are due to rounding off.

Unless otherwise specified the following conversion rate used in the Audited Report as appearing in this Draft Letter of Offer is:

Currency		
Euro	As on November 30, 2005	Rs.53.90
	Weighted Average	Rs.54.21

DIVIDENDS

We have paid dividends for the year ending March 31, 2005 and we expect to continue to pay dividends in the future. The following are the dividend payouts in last five years by our Company:

F. Y.	Dividend per Equity Share of Rs. 10 each (Amount in Rs.)	Amount (In Rs. million)(1)
2001-2002	Nil	Nil
2002-2003	Nil	Nil
2003-2004	Nil	Nil
2004-2005	1.5	19.32

(1) Excluding dividend tax where applicable

MANAGEMENT

Board of Directors

The following table sets forth details regarding our Board of Directors as on March 13, 2006: -

	Name, Designation, Address, Occupation and Term	**Nationality**	**Age (years)**	**Other Directorships in Indian companies**
1.	Mr. Ajay G. Piramal S/o Late Mr. Gopikisan Piramal 95A, Benzer Terrace, Abdul Gaffar Khan Road, Worli Seaface, Mumbai 400018 Designation: Chairman (Non executive) Occupation: Industrialist First appointed on July 25, 1995	Indian	50	Indian Public Limited Companies: and private companies which are subsidiaries of public companies 1. Nicholas Piramal India Limited 2. Morajee Realties Ltd. 3. Allergan India Pvt. Ltd. 4. Kojam Fininvest Ltd. 5. Gujarat Glass Private Limited 6. NPIL Fininvest Pvt. Ltd. 7. Piramal Healthcare Pvt. Ltd 8. Boots Piramal Healthcare Pvt. Ltd. 9. State Bank of India 10. Piramal Enterprises Ltd Indian Private Limited Companies: 1. Rajiv Piramal Investments Pvt. Ltd. 2. Papillon Investment Pvt. Ltd. 3. Piramal Finance & Investment Pvt. Ltd. 4. Hyacinth Investments Pvt. Ltd. 5. Tally-Ho Investments Pvt. Ltd. 6. Piramal Chemicals Pvt. Ltd. 7. Piramal Aromatics Pvt. Ltd. 8. Rosella Investments Pvt. Ltd. 9. Vintage Investments Pvt. Ltd. 10. Nandan Piramal Investments Pvt. Ltd. 11. Piramal Texturising Pvt. Ltd. 12. Glass Engineers Pvt. Ltd. 13. Legend Pharma Pvt. Ltd. 14. Vulcan Investments Pvt.

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
				Ltd. 15. PEL Management Services Pvt Ltd. 16. NPIL Research & Development Pvt Ltd. 17. GGL Holdings Pvt Ltd. 18. NPIL Holdings Pvt Ltd. 19. PEL Holdings Pvt Ltd. 20. Akshar Fincom Pvt Ltd. 21. Adelwise Investments Pvt Ltd. 22. Gopikishan Piramal Pvt Ltd. 23. Piramal Management Services Pvt Ltd. 24. Indiareit Fund Advisors Pvt Ltd. Section 25 Companies 1. India Polo Promotion Foundation. 2. Pratham – India Education Initiative.
2.	Mrs Urvi A Piramal W/o (Late) Mr. Ashok Piramal CLIFF, 2nd Floor, 11 Carmichael Road, Mumbai 400026 Designation: Vice Chairperson (Non Executive) Occupation: Industrialist First appointed on February 1, 2005	Indian	53	Indian Public Limited Companies and private companies which are subsidiaries of public companies: 1. Morarjee Realties Limited 2. Nicholas Piramal India Limited 3. G.P. Electronics Limited 4. Piramal Polymers Limited` 5. PMP Components Private Limited 6. Piramyd Retail & Merchandising Pvt. Ltd 7. Piramyd Retail Limited Indian Private Limited Companies: 1. Crossroads Shoppertainment Pvt. Ltd. 2. Maxplaza Trading Co. Pvt. Ltd. 3. Oneup Mercantile Co. Pvt. Ltd 4. Onestar Mercantile Co. Pvt. Ltd. 5. Miranda Few Tools Pvt Ltd (formerly known as Supersoft Trading Co. Pvt. Ltd.) 6. Onestar Trading Co. Pvt. Ltd. 7. Topzone Mercantile Co. Pvt. Ltd.

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
				8. Goldlife Mercantile Co. Pvt. Ltd. 9. Seastar Trading Co. Pvt. Ltd. 10. Cityline Constructions Pvt. Ltd. 11. Superplaza Mercantile Co. Pvt. Ltd. 12. Topflag Trading Co. Pvt. Ltd. 13. Topwave Mercantile Co. Pvt. Ltd. 14. Supersoft Mercantile Co. Pvt. Ltd. 15. Newzone Mercantile Co. Pvt. Ltd. 16. Alltime Mercantile Co Pvt Ltd. 17. Ashok Piramal Enterprises Pvt Ltd. 18. Ashok Piramal Management Corpn Ltd. 19. Blackpool Trading Co Pvt Ltd. 20. Cineline Trading Co Pvt Ltd. 21. Goldflag Mercantile Co Pvt Ltd. 22. Highzone Mercantile Co Pvt Ltd. 23. Newone Trading Co Pvt Ltd. 24. Oneline Mercantile Co Pvt Ltd. 25. Peninsula IT Parks Pvt Ltd. 26. Peninsula Trustee Ltd. 27. Surewin Trading Co Pvt Ltd. 28. Toptech Mercantile Co Pvt Ltd. 29. L&T Crossroads Pvt. Ltd. 30. Pureview Trading Company Pvt. Ltd.
3.	Mr. Ranjan Sanghi S/o Suraj Prakash Sanghi 21, Mistri Court, 4th Floor, Dinshaw Vaccha Road, Mumbai 400020 Designation: Director (Independent) Occupation: Industrialist First appointed on February 1, 2005	Indian	61	<u>Indian Public Limited Companies:</u> 1. Suraj Sanghi Finance Ltd. 2. Kemp and Company Ltd. 3. Amzel Automotive Ltd. 4. Bajaj Auto Finance. Ltd. 5. HDFC Trustee Company Ltd. 6. G.P. Electronics Ltd. <u>Indian Private Limited Companies</u> 1. Akhil Sanghi Finance Pvt Ltd. 2. Bombay Auto Ancillary & Invt Pvt Ltd. 3. J D Jones & Co (Bombay)

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
				Pvt Ltd. 4. Kapil Auto Pvt Ltd. 5. Krishna Sanghi Inv Pvt Ltd. 6. Mohan Three Wheelers Pvt Ltd. 7. Nabtech E-solutions Pvt Ltd. 8. Project Automobiles (Bombay) Pvt Ltd. 9. Rajesh Sanghi Auto Traders Pvt Ltd. 10. Rama Sanghi Auto Pvt Ltd. 11. Sah & Sanghi Auto Agencies Pvt Ltd. 12. Tyresoles (India) Pvt Ltd 13. Tyresoles Concessionaries Pvt Ltd. 14. Spirax Marshall Pvt Ltd. <u>Partner</u> 1. Sah & Sanghi.
4.	Mr. Shailesh Haribhakti S/o Mr. Vishnubhai Haribhakti 7, FIRPOS, 47A Bhulabhai Desai Road, Mumbai 400026 Designation: Director (Independent) Occupation: Chartered Accountant First appointed on February 18, 2005	Indian	50	<u>Indian Public Limited Companies:</u> 1. Pantaloon Fashion (India) Ltd. 2. Ambuja Cement Eastern. Ltd. 3. Mahindra Gesco Developers Ltd. 4. Indian Petrochemicals. Corporation Ltd. 5. Kotak Mahindra Private Equity Trustees Ltd. 6. BOBCARDS Ltd. 7. JBF Industries Limited 8. Jindal South West Holdings Ltd. 9. Bihar Caustics and Chemicals Limited 10. Everest Kanto Cylinders Limited 11. Fortune Financial Services Limited 12. Blue Star Ltd. 13. The Associated Cement Companies Ltd. 14. Hercules Hoists Ltd.
5.	Mr. Aditya Mangaldas S/o Harshavadan Mangaldas 12 Ocean View, 100 Bhulabhai Desai Road, Mumbai 400026	Indian	42	<u>Indian Public Limited Companies:</u> 1. The Victoria Mills Ltd. 2. Devadit Mangaldas Investment Co 3. Arrow Webtex Ltd.

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
	Designation: Director (Independent) Occupation: Businessman First appointed on February 18, 2005			4. A Mangaldas Apparels Pvt Ltd. 5. Bromelia Trading Pvt Ltd. Partner a. Adarsh Enterprises Trustee 1. Mangaldas Foundation. 2. Kanchan Gauri Mangaldas Foundation. 3. Devyani Harshavadan Mangaldas Foundation. 4. Giridhardas Harivallabhdas Charitable Trust. 5. Kadam School of Dance 6. Dhristikon Dance Foundation
6.	Mr. Harshvardhan Piramal S/o Mr. Ashok G. Piramal C-3, Seaface Park, 1st Floor, 50, Warden Road, B. Desai Road Mumbai 400026 Designation: Vice Chairman (Executive) Occupation: Industrialist First appointed on June 1, 2004	Indian	32	Indian Companies: 1. Bmk Laboratories P. Ltd. 2. Crossroad Shoppertainment P. Ltd. 3. Fresca Fine Dinning P. Ltd. 4. Genequest India P. Ltd. 5. Goldlife Mercantile Co. P. Ltd. 6. Integra Apparels & Textiles Private Ltd. 7. Maxplaza Trading Co. P. Ltd. 8. Millennium Broadcast Company P. Ltd. 9. Nicholas Piramal (I) Ltd. 10. NPIL – Dr. Phadke Path Laboratories P. Ltd. 11. NPIL – Laboratory & Diagnostics P. Ltd. 12. Onestar Mercantile Co. P. Ltd. 13. Onestar Trading Co. P. Ltd. 14. Oneup Mercantile Co. P. Ltd. 15. Peninsula Facility Management Services P. Ltd. 16. Seastar Trading Co. P. Ltd 17. Superplaza Mercantile Co. P. Ltd. 18. Supersoft Mercantile Co. P. Ltd.

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
				19. Miranda Few Tools Pvt Ltd (formerly known as Supersoft Trading Co. Pvt. Ltd.) 20. Topflag Trading Co. P. Ltd. 21. Toptech Mercantile Co. P. Ltd. 22. Topwave Mercantile Co. P. Ltd 23. Topzone Mercantile Co. P. Ltd 24. NPIL Pathlabs Private Limited 25. Esecure Solutions India Pvt. Ltd. 26. Piramyd Retail Limited 27. Ashok Piramal Enterprises Pvt Ltd. 28. Ashok Piramal Management Corpn Ltd. 29. Blackpool Trading Co Ltd. 30. Goldspot Trading Co Pvt Ltd. 31. NPIL Dr Golwilkar Laboratories Pvt Ltd. 32. Peninsula Investment Management Co Ltd. 33. Pureview Trading Co Pvt Ltd. 34. Truetime Trading Co Pvt Ltd. 35. Winstar Trading Co Pvt Ltd.
7.	Mr. P. K. Gothi S/o Mr. N.D.Gothi 102 Ashok House Beach House Co-op HSG Society, Gnadhigram Road, Juhu , Mumbai-400049 Designation: Managing Director (Executive) Occupation: Service First appointed on July 25, 1995	Indian	56	Indian Public Company(s): 1. Integra Apparels & Textiles Private Ltd. 2. Kamal Realty Ltd. 3. Piramal Polymers Ltd. 4. Morarjee Goculdas Spg & Wvg Pvt. Ltd. 5. The Swastik Safe Deposit & Investments Ltd. 6. Piramal KDs Superstores Pvt. Ltd. 7. Morarjee Castiglioni (India) Pvt. Ltd. 8. Pacific Piramal Trading Pvt. Ltd. 9. East India Cotton Association.
8.	Mr. Takao Yajima	Japanese	46	Flex Company Limited, Japan

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
	S/o Mr. Hisakazu Yajima 6-5-19 Ooizumimachi, Nerima-ku, Tokyo, Japan Occupation: Director (Independent) First appointed on January 18, 2005			
9.	Dr. Giuseppe Callegari S/o Mr. Lugi Viale Vigliani 13 Postal Code 20148 Milan, Italy Designation: Director (Non executive) Occupation: Consultant First appointed on January 1, 2005	Italian	67	Morarjee International s.r.l
10.	Mr. Shobhan Thakore s/o Mr. Madhukant Thakore 509, Cumbala Crest, 42-A, G. Deshmukh Marg, Mumbai 400 026 Occupation: Solicitor Designation: Director (Independent) First appointed on January 19, 2006	Indian	58	<u>Indian Companies:</u> 1. Alkyl Amines Chemicals Ltd. 2. Bharat Forge Ltd. 3. Camphor & Allied Products Ltd. 4. Carrao PNH Components (India) P. Ltd. 5. Scandent Solutions Corpn. Ltd. 6. Turbo Gears India P. Ltd. 7. DSP Merrill Lynch Fund Managers (Member Advisory Board) 8. Carraro India Limited (Alternate) <u>Partnerships:</u> Partner, AZB & Partners
11.	Mr. Mahesh Gupta S/o Mr. Srikirshna Gupta 402 Ashok House Beach House CHS Gandhigram Road Juhu, Mumbai 400 049 Occupation : Service Designation: Director (Executive)	Indian	49	1. Ceat Ltd. 2. Morarjee Realties Ltd. 3. Peninsula Investment Management Company Ltd. 4. Piramyd Retail Ltd. 5. Raychem RPG Ltd. 6. RPG Life Sciences Ltd.

	Name, Designation, Address, Occupation and Term	Nationality	Age (years)	Other Directorships in Indian companies
	First appointed on January 19, 2006			

Brief Biography of Our Directors

1. **Mr. Ajay G. Piramal**

Mr. Ajay Piramal (Voter ID: MT/05/030/030155, PAN No.: AAEPP7726Q), 50 years of age is a B. Sc (Hons.), Masters in Management Studies from J.B. Institute of Management Studies and Advanced Management Programme from Harvard Business School, USA.

Mr. Ajay G. Piramal is a reputed industrialist. He is the Chairman of the Company and also the Chairman of MRL.

Further, Mr. Ajay G. Piramal is the Chairman of NPIL, the flagship company of the Piramal Group. As Chairman of NPIL, he has over the years, successfully led the Company to the present position it occupies as on of the leading companies in the pharmaceutical industry in India.

Mr. Piramal also leads the Piramal Group of Companies, having interests amongst others, in healthcare, textiles, glass containers, auto components and cutting tools.

2. **Mrs. Urvi A. Piramal**

Mrs. Urvi A. Piramal, 53 years of age (Voter ID: Not available; PAN: AAJPP8861F; Driving License: Not available) has a Bachelor of Science degree from the Bombay University (1972) and attended the Advanced Management Program at the Harvard Business School (1993).

Mrs. Piramal oversees a professionally managed business group in India, with a turnover exceeding Rs. 3,000 crores, and plays an important role in formulating and executing the Piramal group's strategies. The group has interests inter alia in Textiles (Morarjee Mills), Pharmaceuticals (Nicholas Piramal India Ltd), Real Estate (Morarjee Realties Ltd), Retail (Crossroads and Piramyd), and Cutting Tools (Miranda Tools), Auto Electrical Components (PMP Components Ltd), Hard Ferrite (G.P. Electronics Ltd).

Some of the eminent positions held by Mrs. Urvi Piramal are:

- Member of Technology and Quality Improvement Committee of Indian Merchants' Chamber (2004-2005)
- Committee Member of Award's Sub-Committee of Indian Merchant's Chambers
- Past President of the Inner Wheel Club of Bombay North
- Trustee of Piramal Education Trust, Gopikrishna Piramal Memorial Hospital Trust and Ashok G Piramal Trust
- Chairperson of Supply Chain & Retail Business (Internal Trade) Committee of Indian Merchants' Chamber for 2004-2005

Some of the accolades and awards received by Mrs. Urvi Piramal are:

- Awarded the Qimpro Gold Standard Award 1996 for excellence in Managing Quality improvement programmes which are dedicated to education and healthcare
- Won the Outstanding Industrialist Award for the year 1994 presented by the Marinelines Junior Chamber
- Cheminor Award 1995 from the India Institute of Materials Management

Mrs. Piramal is committed to promoting quality within the Piramal group. As a member of the Technology and Quality Improvement Committee, she had helped in instituting the prestigious IMC-Ramkrishna Bajaj National Quality Award

Being a keen wildlifer herself, she has co-founded the Wildlife Conservation Trust during March 2002, which is dedicated to the protection of tigers and India's wildlife.

Mrs. Piramal has also been the conscience keeper of the Piramal group, ensuring its commitment to society and the environment. She oversees projects on greening the environment, as well as children's' education and healthcare.

3. Mr. P.K. Gothi

Mr. P.K. Gothi, 56 year of age, is a graduate in engineering with a Gold Medal from the University of Roorkee

Mr. Gothi is the Managing Director of the Company since November 1, 1998. He has more than thirty one years experience in diversified industries. After working in reputed Companies like Hindustan Copper Ltd, Hindustan Electro-graphites and Carbon Corporation Limited, Mr. P.K. Gothi joined Piramal Enterprises as Executive Director of G.P. Electronics Limited. He then moved to Miranda Tools as Executive Director and later to the Corporate Office as President of Piramal Enterprises Ltd. He was the Managing Director of Morajee Realties Limited (formerly Morajee Goculdas Spg. & Wvg. Co. Ltd.) for over 4 years till the demerger of its textile business to form the Company.

4. Mr. Harshvardhan A. Piramal

Mr. Harshvardhan Piramal, 32 years of age has completed his Bachelor of Science with specialisation in Physics from the Kings College London, U.K. followed by MBA with specialization in Finance & Strategy from the London Business School, U.K.

Mr. Harshvardhan Piramal was appointed as Deputy Managing Director of the Company on June 1, 2004 and is currently designated as Executive Vice Chairman. He was associated with Piramal Enterprises Limited where he handled diverse projects and acquired experience in the areas of marketing, strategic planning, finance and project evaluation.

Mr. Harshvardhan Piramal has also been actively associated with various social projects. He is the Co-founder of the Indian Wildlife Conservation Trust. He is also an active sportsman and has won various awards in polo and soccer.

5. Dr. Giuseppe Callegari

Dr. Giuseppe Callegari 67 years of age, holds a degree in Economics and a Masters in General management. Dr. Giuseppe Callegari has an experience of over 40 years, of which the last 25 years he was the CEO of various textile companies in Italy, including Manifattura Di Valle Brembana SPA Italy ("Brembana").He has also served as the Director of the Company (then known as Morajee Brembana Ltd.) for a period of eight years as representative of the Joint Venture Partner, Brembana. Consequent to the cessation of the JV, he stepped down from the Board of the Company. He has also recently ceased to be the CEO of Brembana.

In view of his experience and skills in marketing and contacts, he was again appointed as Director of the Company in his individual capacity.

6. Mr. Takao Yajima

Mr. Takao Yajima, 46 years of age is an Industrialist and owns Garments manufacturing unit in Japan, China and Indonesia. He is the President of Flex Company Limited, Japan Company and a Japanese National. He has wide experience in the international textile market.

Mr. Yajima is an engineering graduate (Aerospace division) from University of Tokyo.

7. Mr. Ranjan Sanghi

Mr. Ranjan Sanghi, 61 years of age is a Law Graduate and has been associated with the automobile industry since over 25 years. He is the Director of Shah & Sanghi Group of Companies and manages the trading, manufacturing and investment operations of the entire Shah & Sanghi Group having a turnover of over Rs. 40,000 million.

8. Mr. Shailesh Haribhakti

Mr. Shailesh Haribhakti, 50 years of age is a senior Chartered Accountant and the Managing Partner of Haribhakti & Co., and CEO of Haribhakti Group, having a presence of more than five decades in the areas of accounting, financial and management services in India. He has been with the Haribhakti Group since 1978.

Mr. Haribhakti has made vast contributions to the corporate world and society through various leadership roles. He served as the President o India Merchants Chembur for 2003 – 04 and as Chairman – Corporate Governance Committee of ASSOCHAM in 2001. He also served as ASSOCHAM Nominee on the J.R. Verma Committee on Sweat Equity, Employee Stock Option Plan & Privately Placed Equity and on the Naresh Chandra Committee on Corporate Governance.

9. Mr. Aditya Mangaldas

Mr. Aditya Mangaldas, 42 years of age is an engineering graduate from L D College, Ahmedabad. He also completed his MBA from Badson College, USA. He has been the Chairman and Managing Director of the Victoria Mills Ltd since October 1999.

10. Mr. Mahesh Gupta

Mr. Mahesh S. Gupta, 49 years of age has a Honours Degree in B.Com; L.L.B (Gen). , F.C.A., F.C.S.. He has an outstanding academic record-Rank Holder and a Silver Medalist in Company Secretaries Final examination. Mr. Gupta has over 26 years of professional experience in all aspects of the finance function, including treasury, mergers & acquisitions, operational review, strategic planning, direct taxation and Co. Law matters, etc. Mr. Gupta has worked with 'Piramal Group' for over 17 years including last 9 years as Group CFO. He was on the Board of several Companies in the Piramal Group including Wholetime Director of Nicholas Piramal India Ltd., and also worked with RPG group as Group CFO and Management Board Member and as CEO-Welspun India Ltd. Mr. Gupta has been associated with a number of Professional Bodies and currently he is a member on various committees including Member Governing Council of Indian Association Corporate CFOs & Treasurers (InACT).

Mr. Gupta was awarded the CFO of the Year Award, Special Commendation for Financial Excellence (Mergers & Acquisitions Category) by IMA (formerly known as EIU), New Delhi. Mr. Gupta is presently employed as Group Executive Director with 'Piramal Group' for their Realities, Textile, Retail & Engineering businesses.

11. Mr. Shobhan Thakore

Mr. Shobhan Thakore, 58 years of age and senior partner of AZB & Partners has completed his B.A and Bachelor of Law from the Bombay University. He is a qualified solicitor and is a member of the Law Society of England and Wales.
Mr. Thakore has vast experience in the field of commercial laws and is a member of the Advisory Board of DSP Merrill Lynch Investment Managers Limited.

Compensation of our Directors

The compensation paid by us to our directors for the fiscal year ended 2004-05 are provided below:

A. Non-Executive Directors

No sitting fee, remuneration or other form of compensation was paid to our Non Executive Directors during the fiscal 2004-05. In the meeting held on April 28, 2005, the Board authorized the payment of sitting fees to Non Executive Directors. Further, 2 of our directors, Mr. Mahesh Gupta and Mr. Shobhan Thakore were appointed subsequent to fiscal 2004-05 viz. on January 19, 2006.

B. Executive Directors

Name of Director	All elements of remuneration package	Performance bonus	Total
	In Rs. Million	In Rs. Million	In Rs. Million
Mr. P.K. Gothi	2.94		
Mr. Harshvardhan Piramal	2.83	-	-

The appointment is subject to termination by three months notice in writing on either side. The appointment is for a period of five years with effect from October 2, 2003. No severance is payable to The Managing Director.

Terms and Conditions of Appointment of Executive Directors

Abstract of the terms and conditions of and memorandum of interest regarding appointment of:

1. Mr. Harshvardhan A Piramal as Executive Vice Chairman of the Company

At the Board of Directors meeting held on 15th December 2005 have approved the revised terms of remuneration of Mr Harshvardhan A Piramal, Executive Vice Chairman of the Company with effect from 1st April 2005 for the remainder of the tenure upto 31st May 2007.

At the Extra Ordinary General Meeting held on 21st August 2004, shareholders have granted the authority to the Board to grant increments and alter and vary from time to time the amount and the type of perquisites payable to Mr Harshvardhan A Piramal.

The particulars of revised terms of remuneration payable to Mr Harshvardhan A Piramal are as under:

REMUNERATION:

Salary:
Basic Salary of Rs 3,20,000 (Rupees Three Lacs Twenty Thousand Only) per month subject to such annual increments as the Board may determine and approve;

Perquisites:
Reimbursement of Medical Expenses upto a maximum of Rs. 1,00,000/- per annum.

Reimbursement of Leave Travel Expenses upto a maximum of Rs 1,50,000 per annum.

Retirement Benefits:
Contribution to Provident Fund, Superannuation Fund, Gratuity Fund as per the rules of the company.

Minimum Remuneration:
Notwithstanding anything herein, wherein any financial year during the currency of the tenure of the executive vice-chairman, the Company has no profits or its profits are inadequate, the Company will pay

remuneration by way of salary and perquisite as specified above, subject to the requisite approvals being obtained.

All other terms and conditions as approved by the shareholder of the Company shall continue to remain valid.

The Directors concerned or interested in the above are Mr Harshvardhan Piramal, himself and Mr Ajay G Piramal and Mrs Urvi A Piramal (relatives of Mr Harshvardhan Piramal).

Copy of the Resolution passed at the Board may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturday, Sunday and holidays.

2. Mr. P K Gothi as Managing Director of the Company

At the Board of Directors meeting held on 15th December 2005 have approved the revised terms of remuneration of Mr P K Gothi, Managing Director of the Company with effect from 1st April 2005 for the remainder of the tenure upto 30th September 2006.

At the Extra Ordinary General Meeting held on 26th November 2003, shareholders have granted the authority to the Board to grant increments and alter and vary from time to time the amount and the type of perquisites payable to Mr P K Gothi.

The particulars of revised terms of remuneration payable to Mr P K Gothi are as under :

REMUNERATION:

Salary:
Basic Salary of Rs 2,10,000 (Rupees Two Lacs Ten Thousand Only) per month subject to such annual increments as the Board may determine and approve;

Accommodation:
Rent-free company accommodation or house rent allowance in lieu thereof, subject to a maximum of Rs. 150,000 per month.

Perquisites:
Reimbursement of Medical Expenses upto a maximum of Rs. 1,00,000/- per annum.

Reimbursement of Leave Travel Expenses upto a maximum of Rs 1,25,000 per annum.

Commission:
Commission @ 1% of net profit.

Retirement Benefits:
Contribution to Provident Fund, Superannuation Fund, Gratuity Fund as per the rules of the company.

Minimum Remuneration:
Notwithstanding anything herein, wherein any financial year during the currency of the tenure of the Managing Director, Company, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisite as specified above, subject to the requisite approvals being obtained.

All other terms and conditions as approved by the shareholder of the Company shall continue to remain valid.

No director other than Mr. P K Gothi may be considered to be concerned or interested in the above.

Copy of the Resolution passed at the Board may be inspected at the Registered Office of the Company between 11.00 a.m. and 1.00 p.m. on all working days except Saturday, Sunday and holidays.

Shareholding of Our Directors in our Company

The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as at the date of this Draft Letter of Offer.

Name of Directors	Number of Equity Shares (As on March 22, 2006)
Mr. Ajay G. Piramal	481
Mrs. Urvi A. Piramal	289
Mr. P.K. Gothi*	3734
Mr. Harshvardhan Piramal	NIL
Dr. Giuseppe Callegari	NIL
Mr. Takao Yajima	NIL
Mr. Ranjan Sanghi	840
Mr. Shailesh Haribhakti	2
Mr. Aditya Mangaldas	NIL
Mr. Mahesh Gupta	NIL
Mr. Shobhan Thakore	NIL

*** Includes holdings in Joint names**

None of our Directors have transacted in the shares of the Company in the last six months.

Changes in Our Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Ajay G. Piramal	July 25, 1995	--	
P K Gothi	July 25, 1995	--	
Harshvardhan Piramal	June 1, 2004	--	
Jaydev Mody	October 11, 2003	February 1, 2005	Resigned
N Santhanam	October 11, 2003	February 1, 2005	Resigned
Dr. G Callegari	October 31, 1998	October 11, 2003	Resigned
	January 1, 2005		
Takao Yajima	January 18, 2005	--	
Urvi A. Piramal	February 1, 2005	--	
Ranjan Sanghi	February 1, 2005	--	
Shailesh Haribhakti	February 18, 2005	--	
Aditya Mangaldas	February 18, 2005	--	
Mahesh Gupta	January 19, 2006	--	
Shobhan Thakore	January 19, 2006	--	

Corporate Governance

There are seven Board Level Committees in our Company, which have been constituted and function in accordance with the relevant provisions of the Act and the Listing Agreement.. A brief on some of these Committees, their scope, composition and meetings for the current year is given below:

i. Audit Committee

<u>Members</u>

- Mr. Shailesh Haribhakti (Chairman),
- Mr. Ranjan Sanghi
- Mr. Aditya Mangaldas

The Audit Committee is comprised of 3 independent directors. The Audit Committee met 3 times during the course of this fiscal year, on June 24, 2005, October 27, 2005 and January 19, 2006.

Scope and terms of reference

The scope of the Audit Committee as defined under Clause 49 of the Listing Agreement dealing with Corporate Governance and the provisions of the Act. The Audit Committee acts as a link between the management, the statutory, cost and internal auditors and the Board of Directors and oversees the financial reporting process.

ii. Investors Grievances Committee

Members

- Mrs. Urvi Piramal (Chairperson)
- Mr. P.K.Gothi

The Investors Grievances Committee is comprised of one executive and one non-executive director. The Investors Grievances Committee met four times during the course of this fiscal year, on June 27, 2005, July 28, 2005, October 27, 2005 and January 19, 2006.

Scope and Terms of Reference

The committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement to look into the redressal of grievances of investors like non receipt of share certificates, non-receipt of balance sheet, non-receipt of dividend warrants etc. Company has appointed Amtrac Management Services Limited as its Registrar and Share Transfer Agents in compliance with SEBI directive and the power relating to share transfers has been delegated by the Board to Amtrac Management Services Limited.

iii. Remuneration Committee

Members

- Mr.Shailesh Haribhakti (Chairperson)
- Mrs. Urvi Piramal
- Mr. Ranjan Sanghi
- Mr. Shobhan Thakore

The Remuneration Committee is comprised of three independent directors and one non-executive directors. The Remuneration Committee met once during the course of this fiscal year, on January 19, 2006.

Scope and Terms of Reference

The committee was constituted in terms of the non mandatory requirement of Clause 49 of the Listing Agreement to determine on behalf of shareholders with agreed terms of reference, the company’s policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

iv. Bank Committee

Members

- Mr.P.K.Gothi
- Mrs. Urvi Piramal
- Mr. Harshvardhan Piramal

The Bank Committee is comprised of one non-executive director and two executive directors.

Scope and Terms of Reference

The committee was constituted for considering the proposals concerning opening of Bank accounts, revision in operation of the bank accounts which are already opened and even for closure of the accounts so that as and when the need arise, Committee can pass requisite resolutions and the matter need not wait for the Board Meeting.

v. Borrowing Committee

Members

- Mr.Harshvardhan Piramal
- Mrs. Urvi Piramal
- Mr. P.K.Gothi

The Borrowing Committee is comprised of one non-executive director and two executive directors. The Borrowing Committee met twice during the course of this fiscal year, on July 20, 2005 and September 8, 2005.

Scope and Terms of Reference

The committee was constituted to facilitate quick decision making in connection with borrowings of funds, with the authority to borrow funds upto such limit as may be decided by the Board.

vi. Share Transfer Committee

Members

- Mr. Harshvardhan Piramal
- Mrs. Urvi Piramal
- Mr. P.K.Gothi

The Share Transfer Committee is comprised of one non-executive director and two executive directors.

Scope and Terms of Reference

The committee was constituted to approve transfer/ transmission of shares / other securities of the Company, to issue certificate/s of shares/ other securities on allotment thereof and on split/ consolidated/ renewal thereof and to issue duplicate certificates under the Seal of the Company.

vii. Issue of Rights / Warrants Committee

Members

- Mrs. Urvi Piramal

- Mr. Harshvardhan Piramal
- Mr. P.K.Gothi
- Mr. Mahesh Gupta

The Issue of Rights/ Warrants Committee is comprised of two non-executive directors and two executive directors. The Issue of Rights/ Warrants Committee met [once] during the course of this fiscal year, on January 19, 2006.

Scope and Terms of Reference

The Board has appointed this Committee to oversee and administer the activities to be undertaken for this Issue.

Key Managerial Personnel

The details of our key managerial personnel are as follows:

Name	Age	Designation	Qualifications	Previous Employment	Total years of Experience	Date of Joining	Gross Salary* (in Rs. million)
Mr. Bharat Bhushan Sharma	50	Chief Operating Officer	B.Text (Tech) from Technological Institute of Textiles, Bhiwani and MBA from B.K. School of Business Management, Gujarat University.	He was the CEO of different Strategic Buisness Unit of Arvind Mills Ltd.	28	April 2003	2.55
Mr. Girish Rao	47	President – Sales & Marketing	Bachelor of Science from University of Bombay followed by Post Graduate Master's Diploma in Business Administration, Marketing and Finance from Institute of Management Development & Research, Pune.	Malwa Industries Limited	25	July 2005	2.06
Mr. Bharat S. Sanghavi, 50 years	50	Chief Financial Officer	He is a Commerce Graduate and is a member of The Institute of Chartered	Hinduja Group	25	October 2003	1.99

Name	Age	Designation	Qualifications	Previous Employment	Total years of Experience	Date of Joining	Gross Salary* (in Rs. million)
			Accountants of India & The Institute of Company Secretaries of India.				
Mr. S C Kashimpuria	50	Company Secretary	Commerce Graduate and is also a member of The Institute of Company Secretaries of India.	Modern Sintex India Limited	29	October 2003	0.92

All the abovementioned key managerial personnel are permanent employees of our Company. The remuneration of each of our key personnel is as per the statement pursuant to Section 217(2A) of the Act and the Companies (Particulars of Employees) Rules, 1975.

Brief profile of the Key Managerial Personnel

Mr. Bharat Bhushan Sharma
Mr. Bharat Bhushan Sharma, 50 years, Chief Operating Officer is with our company since May 2003. He has 28 years of experience in the textile industry of which 11 years he was the CEO of different SBU's of Arvind Mills Ltd. The

He has done B.Text (Tech) from Technological Institute of Textiles, Bhiwani and has done his MBA from B.K. School of Business Management, Gujarat University.

Mr. Girish Rao
Mr. Girish Rao, 47 years, President –Sales & Marketing is with our company since July'05. He has over 25 years of rich experience in various capacities working in India & abroad viz Thailand & Hongkong.
He has done his Bachelor of Science with specialization in Physics & Mathematics from University of Bombay followed by Post Graduate Master's Diploma in Business Administration, Marketing and Finance from Institute of Management Development & Research, Pune.

Mr. Bharat S. Sanghavi
Mr. Bharat S. Sanghavi, 50 years, Chief Finance Officer is with our company since February 1997. He has a total experience of approximately 25 years.

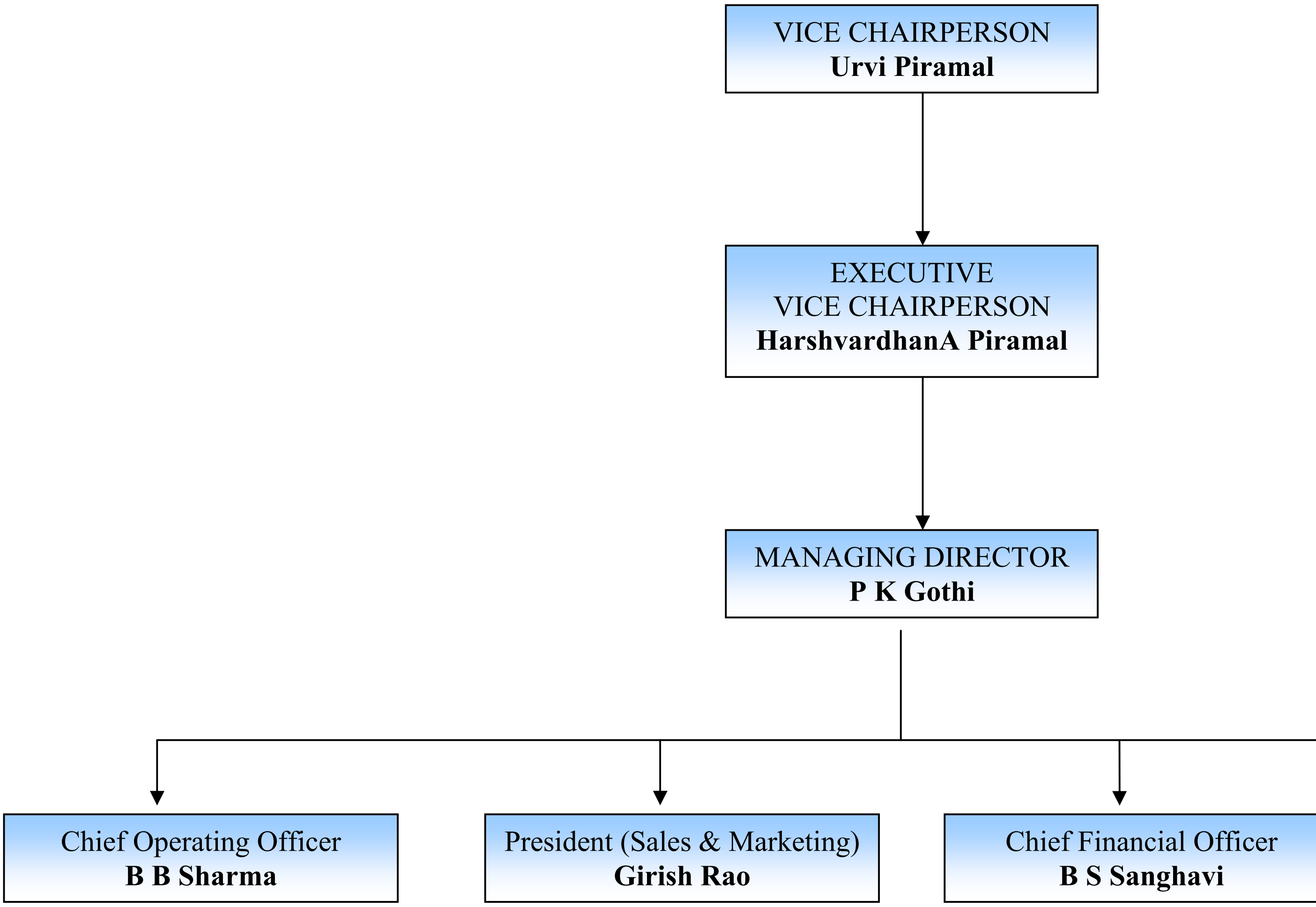
He is a Commerce Graduate and is also a member of The Institute of Chartered Accountants of India & The Institute of Company Secretaries of India.

Mr. S C Kashimpuria
Mr. S C Kashimpuria, 49 years, the Company Secretary, has been associated with various companies of our Group since 1980 and he has a total experience of over 29 years in various capacities.

He is a Commerce Graduate and is also a member of The Institute of Company Secretaries of India.

Organizational Structure Chart

The organization structure of our Company is given below:



Shareholding of key managerial personnel in our Company as on March 22, 2006:

Name of Key Managerial Personnel	No. of Equity Shares held (Pre-Issue)
Mr. Bharat Bhushan Sharma	Nil
Mr. Girish Rao	Nil
Mr. Bharat S. Sanghavi	918
Mr. S.C.Kashimpuria	150

Interest of Promoters, Directors and key managerial personnel

Except as stated in "Related Party Transactions" on page 112 of this Draft Letter of Offer, and to the extent of shareholding in our Company, our Promoters and Promoter Group do not have any other interest in our business.

All Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee. The managing director will be interested to the extent of remuneration paid to him for services rendered by him as officer of the Company. All our directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in the Company, or that may be subscribed for and allotted to them, out of the present Issue in terms of the Letter of Offer and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners and/or trustees.

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in our Company, if any.

Details of loans taken by key managerial personnel in our Company

As on November 30, 2005 we had no loans outstanding to our Directors or any of the Key Managerial Personnel except the following.

Name of the Key Managerial Personnel	Loan Amount	Rate of Interest	EMI Amount	Outstanding Amount	Nature of Loan
B. B. Sharma	1,550,000	6%	17,965	1,116,000	Housing / Personal
S. C. Kashimpuria	600,000	6%	9,520	136,000	Housing

Except as stated otherwise in this Draft Letter of Offer, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of this Draft Letter of Offer in which our Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them. Our Directors and our key managerial personnel have not taken any loan from our Company.

Changes in our key managerial employees during the last three years

Name	Designation	Date of joining/leaving	Reasons

Mr. B. B. Sharma	Chief Operating Officer	May 1, 2003	-
Mr. Bharat S. Sanghvi	Chief Financial Officer	October, 2003	-
Mr. S. C. Kashimpuria	Company Secretary	October, 2003	-
Savita H. Rao	Vice President – Marketing (Shirting)	May 20, 2005	Resigned
Robert Lobo	Chief Executive Officer	October 7, 2004	Resigned
Ramesh Sharma	Vice President (Marketing – Voiles and Printed Fabrics)	September 5, 2005	Resigned

PROMOTERS AND [PROMOTER GROUP[[3]

Mr. Ajay G. Piramal	
	Mr. Ajay G. Piramal, aged 50 is the Chairman of the Company For more details see the section on "Management" on page 75 of this Draft Letter of Offer. Voter ID: MT/05/030/030155 PAN No.: AAEPP7726Q

Mrs. Urvi Piramal	
	Mrs. Urvi Piramal, aged 53 is the Vice Chairperson of the Company. For more details see the section on "Management" on page 75 of this Draft Letter of Offer. Passport No.: 2-1581931 PAN No.: AAJPP8861F

Our Promoter Group Companies

1. Nicholas Piramal India Limited

Nicholas Piramal India Limited ("NPIL") was incorporated under the Companies Act, 1956 on April 26, 1947 and has its registered office at Nicholas Piramal Tower, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013

The main business of NPIL is the manufacturing and marketing of pharmaceutical and healthcare products such as bulk drugs and formulations.

Shareholding Pattern as on December 31, 2005

No.	Name of the Shareholder	No. of Shares	% shareholding
1	Promoters of NPIL	105,576,368	50.51
2	FI, Banks, Mutual Funds and FII	43,927,414	21.02
3	Private bodies corporate	5,326,158	2.55
4	NRI/Overseas corporate bodies	3,112,782	1.49
5	Public	26,737,686	12.79
6	Others	24,322,725	11.64
	Total	209,013,133	100.00

Board of Directors

1. Mr. Ajay G. Piramal
2. Mr. G.P. Goenka

3. Mr. Rajesh Khanna
4. Mr. Y.H. Malegam
5. Dr. Swati A.Piramal
6. Ms. Urvi A.Piramal
7. Mr. Harshvardhan A. Piramal
8. Mr. S. Ramadorai
9. Mr. R.A. Shah
10. Mr. Deepak Satwalekar
11. Mr. N. Vaghul
12. Mr. Vijay Shah
13. Mr. Michael Fernandes
14. Mr. Keki Dadiseth

Financial Performance

The operating results of NPIL for the Fiscal, 2003, 2004 and 2005 are as hereunder:

(Rs. mn except per share data)

	As at and for the year ended March 31,		
	2003	**2004**	**2005**
Net Sales and other Income	10,459.6	13,675.3	12,760.7
Profit after tax (before adjustments)	1,181.1	1,880.1	1,695.7
Equity capital (par value Rs. 2 per share)	380.00	380.00	380.00
Reserves & Surplus (Excl. Revaluation)	3257.80	3529.60	4543.00
Earnings per share	29.67	47.06	8.80
Book value per Share	95.73	102.88	25.91

Stock Market data

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
September 2005	301.00	260.55	December 2005	299.50	263.00
October 2005	296.90	225.20	January 2006	287.00	235.50
November 2005	293.90	238.00	February 2006	252.80	226.15

Source: www.bseindia.com

Market price as at March 22, 2006 was Rs. 254.10

2. G.P. Electronics Limited

G.P. Electronics Limited ("GP Electronics") was incorporated under the Companies Act, 1956 on September 23, 1982 with its registered office at 3rd Floor, Nicholas Piramal Tower, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013.

The main business of G.P. Electronics is manufacturing of and dealing in hard ferrites.

Shareholding Pattern as on December 31, 2005

No.	**Name of the Shareholder**	**No. of Shares**	**% shareholding**
1	Promoters of GP Electronics	3,065,007	63.05
2	FI, Banks and Mutual Funds	12,335	0.25
3	Private bodies corporate	174,446	3.59
4	NRI/Overseas corporate bodies	888	0.02
5	Public	1,608,187	33.08
	Total	4,860,863	100.00

Board of Directors

1. Ms. Urvi A Piramal
2. Mr. Shreyas Doshi
3. Mr. Shyam Ghia
4. Vice Admiral S. Jain (Retired)
5. Mr. S N Somani
6. Mr. Ranjan Sanghi
7. Mr. M J Tibrewala

Financial Performance

The operating results of GP Electronics for the Fiscal 2003, 2004 and 2005 are as hereunder:

(Rs. mn except per share data)

	As at and for the year ended March 31,		
	2003	**2004**	**2005**
Net Sales and other Income	147.25	137.30	143.97
Profit/ (loss) after tax (before adjustments)	(0.019)	(4.15)	(5.70)
Equity capital (par value Rs. 10 per share)	48.60	48.60	48.60
Reserves & Surplus (Excl. Revaluation)	123.61	119.45	113.75
Earnings per share	(0.004)	(0.86)	(1.17)
Book value per Share	35.43	34.48	33.40

Stock market data

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
September 2005	42.20	27.10	December 2005	24.25	19.05
October 2005	29.30	22.50	January 2006	24.70	21.00
November 2005	28.00	22.00	February 2006	23.60	18.70

Source: www.bseindia.com

Market price as at March 22, 2006 was Rs. 16.20.

3. Morarjee Realties Limited

Morarjee Realties Ltd ("Morarjee Realties" or "MRL") was incorporated on August 10, 1871, as Morarjee Goculdas Spinning and Weaving Company Limited and has changed its name to Morarjee Realties Ltd. vide a resolution passed at the extraordinary general meeting on January 15, 2004, and has its registered office at 106, Peninsula Centre, Dr. S. S. Rao Road, Parel, Mumbai, 400 0012.

The main businesses of Morarjee Realties are development, marketing and acquisition of real estate.

Shareholding Pattern as at December 31, 2005

No.	**Name of the Shareholder**	**No. of Shares**	**% shareholding**
1	Promoters of MRL	10,204,785	52.39
2	FI, Banks and Mutual Funds	2,220,467	11.40
3	Private bodies corporate	1,483,248	7.62
4	NRI/Overseas corporate bodies	224,066	1.15
5	Public	5,344,334	27.44
	Total	19,476,900	100.00

Board of Directors

1. Mr. Ajay G. Piramal

2. Ms. Urvi A Piramal
3. Mr. Rajeev Piramal
4. Mr. Jaydev Mody
5. Mr. D M Popat
6. Mr. H M Kothari
7. Mr. P A Akbar Ali
8. Mr. C M Hattangadi
9. Mr. Amitabha Ghosh
10. Mr. Mahesh Gupta
11. Mr. Rajesh Jaggi

Financial Performance

The operating results of Morarjee Realties for the year ending September 30, 2002, 18-month period ending March 31, 2004 and year ending March 31, 2005 are as hereunder:

(Rs. mn except per share data)

Particulars	For the period ended		
	September 30,-2002	**March 31, 2004**	**March 31, 2005**
Net Sales and other Income	2,426.7	6,427.1	641.40
Profit / (loss) after tax (before adjustments)	(445.4)	(721.8)	(95.2)
Equity capital (par value Rs. 10 per share)	195.30	195.30	195.30
Reserves & Surplus (Excl. Revaluation, Dr. balance in P&L)	1,448.9	1,171.0	1,027.22
Earnings per share	(22.9)	(37.1)	(4.89)
Book value per Share	3.8	(68.3)	(71.9)

Stock Market data

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
September 2005	393.00	292.70	December 2005	309.50	210.00
October 2005	310.00	164.20	January 2006	413.85	267.00
November 2005	246.50	185.00	February 2006	411.80	322.30

Source: www.bseindia.com

Market price as at March 22, 2006 was Rs. 510.50.

4. Kojam Fininvest Limited

Kojam Fininvest Limited was incorporated under the Companies Act, 1956 on June 30, 2003 with its registered office at Gajera Road, Uchhad Village, Jambusar, Baruch – 392150.

The main object of Kojam Fininvest Limited is to carry out investments, to acquire, sell or dispose off or deal in shares, debentures, bonds and other securities issued or guaranteed by any Company, corporation, firm, trust, institution or other body corporate or by any govt., municipal, local or other statutory body or other authority, whether situated in India or out of India.

Shareholding pattern as at December 31, 2005

No.	**Name of the Shareholder**	**No. of Shares**	**% shareholding**
1	Promoters of Kojam Fininvest Limited	6,023,417	60.23
2	FI, Banks, Mutual Funds	151,038	1.51

	and FIIs		
3	Private bodies corporate	868,402	8.68
4	NRI/Overseas corporate bodies	182,536	1.83
5	Public	2,493,721	24.94
6	Others	280,886	2.81
	Total	10,000,000	100.00

Board of Directors of Kojam Fininvest Limited

1. Mr. Ajay G. Piramal
2. Mr. N L Bhatia
3. Mr. Gautam Doshi
4. Mr. N Santhanam
5. Mr. S M Kulkarni

Financial Performance

The operating results of Kojam Fininvest Limited for the year ended March 31, 2004 and March 31, 2005 are as hereunder:

(Rs. mn except per share data)

Particulars	**For the period ended**	
	March 31,- 2004	**March 31, 2005**
Net Sales and other Income	0.10	19.60
Profit / (loss) after tax (before adjustments)	(1.80)	14.80
Equity capital (par value Rs. 10 per share)	100.00	100.00
Reserves & Surplus (Excl. Revaluation, Dr. balance in P&L)	-	-
Earnings per share	(0.20)	1.48
Book value per Share	9.60	9.60

Stock Market Data

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
September 2005	219.00	156.10	December 2005	297.50	256.25
October 2005	235.00	152.00	January 2006	295.00	252.25
November 2005	290.90	188.00	February 2006	254.00	198.35

Source: www.bseindia.com

Market price as at March 22, 2006 was Rs. 186.55.

5. Piramyd Retail Limited

Piramyd Retail Limited was incorporated under the Companies Act, 1956 on March 18, 2005 with its registered office at 106, Peninsula Centre, Dr. S. S. Rao Road, Parel, Mumbai 400 012.

The main business of Piramyd Retail Limited is retail.

Shareholding Pattern as at December 31, 2005

No.	**Name of the Shareholder**	**No. of Shares**	**% shareholding**

1	Promoters of Piramyd Retail Limited	12,985,000	64.93
2	FI, Banks and Mutual Funds	1,351,000	6.76
3	Private bodies corporate	2,202,879	11.01
4	NRI/Overseas corporate bodies	35,951	0.18
5	Public	2,269,037	11.35
6	Others	1,156,133	5.78
	Total	20,000,000	100.00

Board of Directors

1. Ms. Urvi A. Piramal
2. Mr. Nandan A. Piramal
3. Mr. Harshvardhan A. Piramal
4. Mr. Rajeev A. Piramal
5. Mr. Jaydev Mody
6. Mr. Berjis Desai
7. Mr. Homi Aibara
8. Mr. Arvind Singhal
9. Mr. Mahesh Gupta

Financial Performance

The operating results of Piramyd Retail Limited for the period from March 28, 2005 to June 30, 2005 are as hereunder:

(Rs. mn except per share data)

	March 28, 2005 to June 30, 2005
Net Sales and other Income	153.98
Profit/ (loss) after tax (before adjustments)	1.25
Equity capital (par value Rs. 10 per share)	10.00
Reserves & Surplus (Excl. Revaluation)	1.25
Earnings per share	1.25
Book value per Share	11.25

Stock Market data

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
September 2005	N.A.	N.A.	December 2005	166.80	116.00
October 2005	N.A.	N.A.	January 2006	254.70	152.50
November 2005	N.A.	N.A.	February 2006	227.40	175.50

Source: www.bseindia.com

Market price as at March 21, 2006 was Rs. 175.40

6. The Dawn Mills Company Limited

The Dawn Mills Company Limited ("Dawn Mills") was incorporated under the provisions of Act No VI of 1882 of the Legislative Council of India on March 30, 1914 with its registered office at Dawn Mills Premises, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013.

The main business of Dawn Mills was manufacture of readymade garments, fabrics, knitted fabrics, hosiery, waste and yarn and trading in ladies undergarments through its subsidiary namely Dawn Apparels Limited.

Shareholding Pattern as on March 22, 2006

No.	Name of the Shareholder	No. of Shares	% shareholding
1	Promoters of Dawn Mills	181509	72.60%
2	FI, Banks and Mutual Funds	375	0.15%
3	NRI/Overseas corporate bodies	358	0.14%
4	Clearing Member	660	0.27%
5	Private Corporate Bodies / Public	67098	26.84%
	Total	**250000**	**100%**

Board of Directors

1. Ms. Urvi A Piramal
2. Mr. Rajeev A Piramal
3. Mr. Jaydev Mody

Financial Performance

The operating results of Dawn Mills for the Fiscal 2003, 2004 and 2005 are as hereunder:

(Rs. mn except per share data)

	As at and for the year ended March 31,		
	2003	**2004**	**2005**
Net Sales and other Income	384.81	448.96	344.16
Profit/ (loss) after tax (before adjustments)	5.24	17.65	7.63
Equity capital (par value Rs. 10 per share)	12.50	12.50	12.50
Reserves & Surplus (Excl. Revaluation)	99.91	116.19	120.97
Earnings per share	20.96	70.59	30.51
Book value per Share	403.13	482.75	516.35

Stock market data

Month	High (Rs.)	Low (Rs.)	Month	High (Rs.)	Low (Rs.)
September 2005	4349.95	3425.00	December 2005	4309.00	3826.00
October 2005	3935.75	2501.00	January 2006	4470.00	3836.00
November 2005	4295.15	2955.00	February 2006	4566.75	3900.00

Source: www.bseindia.com

Market price as at March 22, 2006 was Rs. 5255..

The Equity Shares are held by our Promoters through companies, trusts, HUFs owned/controlled by them. The ventures forming part of the promoter group include**:**

s. No.	Name of Promoter Group Ventures	Directors
1.	Alibagh Farming and Agriculture Company Private Limited	Mr. Jaydev Mody Ms. Zia Mody
2.	Aryanish Finance & Investment Pvt Ltd	Mr Girish Parlikar Mr Deepak Lulla

3.	Bombay Motors Pvt Ltd	Mr Jaydev Mody Mr Girish Parlikar Mr S R Dubey Mr S N Lolayekar Mr Deepak Lulla
4.	Cineline Trading Company Pvt Ltd	Mrs Urvi A Piramal Mr Rajeev A Piramal Ms Roopali R Piramal
5.	Creole Holdings Company Pvt Ltd	Mr Deepak Lulla Mr Girish Parlikar Mr Darius Khambatta
6.	Crossroads Shoppertainment Pvt Ltd	Mrs. Urvi A. Piramal Mr. Harshvardhan A. Piramal Mr. Jaydev Mody
7.	Glass Engineers Private Limited	Mr. Ajay G. Piramal Dr. Swati A. Piramal Ms. Lalita G. Piramal Mr. Kamal M. Tibrewala
8.	Goldflag Mercantile Company Pvt Ltd	Mrs Urvi A Piramal Mr Rajeev A Piramal Ms Roopali R Piramal
9.	Goldlife Mercantile Company Pvt Ltd	Mrs Urvi A Piramal Mr Harsh A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal
10.	Goldspot Trading Company Pvt Ltd	Mr Harshvardhan A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal
11.	Highzone Mercantile Company Pvt Ltd	Mrs Urvi A Piramal Mr Rajeev A Piramal Ms Roopali R Piramal
12.	L & T Crossroads Pvt Ltd	Mrs Urvi A Piramal Mr Jaydev Mody Mr N Sivaraman Mr Vivek Gadgil
13.	Legend Pharma Private Limited	Mr. Ajay G. Piramal Dr. Swati A. Piramal Ms. Lalita G. Piramal Mr. Nirav Shah Mr. Vijay Shah
14.	Maxplaza Trading Company Pvt Ltd	Mrs Urvi A Piramal Mr Harsh A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal

15.	Miranda Few Tools Pvt Ltd	Mrs. Urvi Piramal Mr. Harsh Piramal Mr Jack Olivier Moser Mr David Douglas Aldridge Mr Phillipe Alain Moser (Alt Dir. To Jack Olivier Moser) Mr Henery Holton Gorrell (Alt Dir to David Douglas Aldridge) Mr. Rajeev Piramal (Alt. Dir to Urvi Piramal) Mr. Nandan Piramal (Alt Dir to Harsh Piramal)
16.	Morarjee Castiglioni (India) Pvt Ltd	Mr. Pramodkumar Gothi Mr. Pierluigi Colombo Mr. Giorgio Colombo Mr. Dario Colombo (Alt Dir to GC)
17.	Nandan Piramal Investments Private Limited	Mr. Ajay G Piramal Dr. Swati A. Piramal Mr. M. J. Tibrewala Mr. Arvind Agarwal
18.	Nandini Piramal Investments Private Limited	Mr. Chandrakant Khetan Mr. Vijay Garg Mr. Sunil Kulkarni
19.	Newone Trading Company Pvt Ltd	Ms Urvi A Piramal Mr Nandan A Piramal Mr Jaydev Mody
20.	Newzone Mercantile Company Pvt Ltd	Mrs Urvi A Piramal Mr Rajeev A Piramal Ms Roopali R Piramal
21.	Oneline Mercantile Company Pvt Ltd	Ms Urvi A Piramal Mr Nandan A Piramal Mr Jaydev Mody
22.	Onestar Mercantile Company Pvt Ltd	Mrs Urvi A Piramal Mr Harsh A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal
23.	Onestar Trading Company Pvt Ltd	Mrs Urvi A Piramal Mr Harsh A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal
24.	Oneup Mercantile Company Pvt Ltd	Mrs Urvi A Piramal Mr Harsh A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal
25.	Pavurotti Finance & Investment Pvt Ltd	Mr Girish Parlikar Mr Deepak Lulla

26.	Piramal Aromatics Private Limited	Mr. Ajay G. Piramal Dr. Swati A. Piramal Ms. Lalita G. Piramal Mr. Niranjan Shah Mr. Arvind Agarwal
27.	Piramal Chemicals Private Limited	Mr. Ajay G. Piramal Dr. Swati A. Piramal Ms. Lalita G. Piramal Mr. M. J. Tibrewala Mr. Arvind Agarwal
28.	Piramal Polymers Ltd	Ms Urvi A Piramal Mr P K Gothi Mr S C Kashimpuria
29.	Piramyd Retail And Merchandising Pvt Ltd	Ms Urvi A Piramal Mr Jaydev Mody Mr Abel Correa (Manager)
30.	Piramal Texturizing Private Limited	Mr. Ajay G. Piramal Dr. Swati A. Piramal Ms. Lalita G. Piramal Mr. Niranjan Shah Mr. Arvind Agarwal
31.	PMP Components Pvt Ltd	Ms Urvi A Piramal Mr Rajeev A Piramal Mr S N Somani
32.	Renato Finance & Investments Pvt Ltd	Mr Rajeev A Piramal Mr S C Kashimpuria
33.	Rosella Investments Private Limited	Mr. Ajay G. Piramal Dr. Swati A. Piramal Ms. Lalita G. Piramal Mr. K. M. Tibrewala Dr. Prakash Malhotra
34.	Savoy Finance and Investments Private Limited	Mr. Chandrakant Khetan Mr. Vijay Garg Mr. Arvind Agarwal Mr. Sunil Kulkarni
35.	The Swastik Safe Deposit & Investments Private Limited	Mr Chandrakant Khetan Mr C M Hattangdi Vice Adml S Jain Mr P K Gothi
36.	Seastar Trading Company Pvt Ltd	Ms Urvi A Piramal Mr Rajeev A Piramal Mr Jaydev Mody
37.	Superplaza Mercantile Company Pvt Ltd	Ms Urvi A Piramal Mr Harsh A Piramal Ms Reshma A Piramal
38.	Supersoft Mercantile Company Pvt Ltd	Ms Urvi A Piramal Mr Harsh A Piramal Ms Reshma A Piramal
39.	Surewin Trading Company Pvt Ltd	Ms Urvi A Piramal

		Mr Nandan A Piramal Mr Jaydev Mody
40.	Swati Piramal Investments Private Limited	Mr V C Vadodaria Mr J C Saigal Mr Arvind Agarwal
41.	Thundercloud Technologies (India) Pvt Ltd	Mr S C Kashimpuria Mr Abel Correa
42.	Topflag Trading Company Pvt Ltd	Ms Urvi A Piramal Mr Harshvardhan A Piramal Ms Reshma A Piramal
43.	Toptech Mercantile Company Pvt Ltd	Mrs Urvi A Piramal Mr Harshvardhan A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal
44.	Topwave Mercantile Company Pvt Ltd	Ms Urvi A Piramal Mr Harsh A Piramal Ms Reshma A Piramal
45.	Topzone Mercantile Company Pvt Ltd	Ms Urvi A Piramal Mr Harshvardhan A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal Mr Jaydev Mody Mr Rajesh Jaggi
46.	Truetime Trading Company Pvt Ltd	Mr Harshvardhan A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal
47.	Vintage Investments Private Limited	Mr Ajay G Piramal Dr Swati A Piramal Mrs Lalita G Piramal Mr Nirav Shah Mr Vijay Shah
48.	Vulcan Investments Private Limited	Mr Ajay G Piramal Dr Swati A Piramal Mrs Lalita G Piramal Mr M J Tibrewala Mr Arvind Agarwal
49.	Winstar Trading Company Pvt Ltd	Mr Harshvardhan A Piramal Mr Rajeev A Piramal Mr Nandan A Piramal
50.	Blackpool Trading Co Pvt Ltd	Ms Urvi A Piramal Mr Harshvardhan A Piramal Mr Rajeev Piramal Mr Nandan A Piramal Mr Jaydev Mody
51.	Cityline Constructions Pvt Ltd	Ms Urvi A Piramal Mr Rajeev A Piramal Mr Jaydev Mody

		Mr Javed Tapia Mr Raj K Bahansali
52.	Ffusion Designerwear Pvt Ltd.	Mr V Hariharan Mr Vinay Ulpe
53.	Fresca Fine Dining Pvt Ltd	Mr. Jaydev Mody Mr. Harshvardhan A. Piramal
54.	Integra Apparels And Textiles Pvt. Ltd.	Mr R. Krishnakumar Mr P. K. Gothi Mr Harshvardhan A. Piramal
55.	Kamal Realty Ltd.	Mr. Pramodkumar Gothi Mr. Vijay Garg Mr. Bharat Sanghavi
56.	Morarjee Goculdas Spg & Wvg Pvt Ltd.	Mr. Pramodkumar Gothi Mr. Bharat Sanghavi
57.	Peninsula Facility Management Services Pvt. Ltd.	Mr Jaydev Mody Mr. Harshvardhan A. Piramal
58.	Peninsula Investment Management Co. Ltd	Mr. Rajeev Piramal Mr. Harsh Piramal Mr. Nandan Piramal Mr. Jaydev Modi Mr. Rajesh Jaggi Mr. Mahesh Gupta
59.	Peninsula Trustee Ltd	Mrs. Urvi A. Piramal Mr. Bahram Vakil Mr. Narendra Aneja Mr. Prakash Chhabria
60.	Peninsula IT Parks Pvt Ltd	Mr Rajeev A Piramal Ms Urvi A Piramal Mr Jaydev Mody
61.	Peninsula Townships Development Private Limited	Mr Harsh A Piramal Mr Rajeev A Piramal Jaydev Mody
62.	Peninsula Mega-City Development Private Limited	Mr Harsh A Piramal Mr Rajeev A Piramal Jaydev Mody
63.	Peninsula Realty Private Limited	Mr Harsh A Piramal Mr Rajeev A Piramal Jaydev Mody
64.	Peninsula Mega-Property Private Limited	Mr Harsh A Piramal Mr Rajeev A Piramal Jaydev Mody
65.	Cromwell Tools Pvt Ltd.	Mr. Sunil M. Kulkarni

		Mr. Jaydev Mody
66.	Weststar Elastometers Pvt Ltd	Mr Jaydev Mody Mr Chand Arora Mr Bezan Dinkoo Chenoy
67.	Antartica Trading Co Pvt Ltd	Mr Rajesh Jaggi Mr Deepak Lulla
68.	Ashok Piramal Enterprises Pvt Ltd	Ms Urvi A Piramal Mr Harshvardhan A Piramal Mr Rajeev Piramal Mr Nandan A Piramal
69.	Ashok Piramal Management Corpn Ltd	Ms Urvi A Piramal Mr Harshvardhan A Piramal Mr Rajeev Piramal Mr Nandan A Piramal
70.	Alltime Mercantile Company Private Limited	Ms Urvi A Piramal Mr Nandan A Piramal Mr. Jaydev Mody

For details of shareholding of our Promoters and Promoter Group, refer to the section “Capital Structure” on page 30 of this Draft Letter of Offer.

Our group companies are same as those mentioned in the Promoter Group. Please refer to Chapter on Promoters and Promoter Group (on Page 95) of this Draft Letter of Offer.

Company with which the promoters have disassociated during the preceding three years:

Promoters have not disassociated themselves from any company during the preceding three years.

Companies for which applications have been made to the Registrar of Companies for striking off their names:

There are no Companies for which applications have been made to the Registrar of Companies for striking off their names.

Common Pursuits

There is no other group company which is in the same business as that of the Company.

SUBSIDIARIES

We have two subsidiaries being: (i) Integra Apparels Private Limited. (ii) Morarjee International s.r.l. Bracketed numbers indicate losses/ negative figures.

I. Integra Apparels & Textiles Private Limited.

The Company has set up a subsidiary company, Integra Apparels & Textiles Pvt. Ltd which was incorporated on July 02, 2004. The subsidiary was set up to vertically integrate and provide a comprehensive service to its customers and the Company by initiating its own garments business. The subsidiary focuses on garments for women, men and children's wear in the international market.

The Company holds 85% of the equity share capital of Rs. 5 million. The Board of Directors of Integra Apparels & Textiles Private Limited is as follows:

1. Mr. Harshvardhan A. Piramal
2. Mr. P.K. Gothi
3. Mr. Krishna Kumar.

The company had initially outsourced the manufacturing activity. However, within a short span of time, we started our first manufacturing unit for casual top-wear with a capacity of 6 lac pcs per annum. After commissioning of the unit we have further expanded by setting up a dedicated unit for high end formal shirts with a capacity of 6 lacs pcs per annum.

All the above units are located in Bangalore which is a major garment manufacturing centre in India.

<u>*Shareholding as on March 22, 2006:*</u>

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	R Krishnakumar	5,000	1.00
2.	R Ramraj	5,000	1.00
3.	K Krishnakumar jointly with Jayashree Krishnakumar	36,000	7.20
4	Ashishkumar Shrivastava jointly with Nishila Shrivastava	11,000	2.20
5.	R Ramaraj jointly with Sunita Ramraj	4,000	0.80
6.	C Parmeshwar jointly with Manisha Gangadharan	7,000	1.40
7.	K Sainath with S Devashri	7,000	1.40
8.	Morarjee Textiles Limited	425,000	85.00
	TOTAL	**500,000**	**100.00**

<u>*Financial performance*</u>

The operating results of Integra Apparels & Textiles Private Limited from the date of incorporation to March 31, 2005 is as under:

(in Rs. Millions except per share data)

	For the period from July 2, 2004 to March 31, 2005
Total Income	26.97
Profit after tax	(9.13)
Equity capital (par value Rs. 10 per share)	5.00
Reserves (including debit balance of P/L)	4.37
Basic Earnings per share	(18.27)
Book value per Share (of Rs. 10 each)	18.73

II. Morarjee International S.R.l..

In a major initiative to make the Company truly global, a 100% subsidiary, Morarjee International s.r.l., has been registered in Italy on 27.01.2005 with a capital of Euro 10,000.00. Based in Legnano, Italy, the administrator of the company is Dr. Giuseppe Callegari. The company is supported by a talented team of Italian designers and marketers for better access to European market. The company also has an independent design set up for making collections and new developments.

Board of Directors

Dr. Giuseppe Callegari

Shareholding as on March 22, 2006

S. No	Name of Share Holder	No. of shares	Percentage of holding
1.	Morarjee Textiles Limited	10,000	100.00

Financial performance

The operating results of Morarjee International s.r.l from date of incorporation to March 31, 2005 is as under:

(in Rs. Millions except per share data)

	For the period from January 27, 2005 to March 31, 2005
Total Income	NIL
Profit after tax	(5.21)
Equity capital (par value Rs. 10 per share)	0.54
Reserves	NIL
Basic Earnings per share	(521.32)
Book value per Share (of Rs. 10 each)	(467.42)

Note: For conversion rates please refer to "Currency of Presentation"

OUR JOINT VENTURE COMPANIES

(a) Morarjee Castiglioni (I) Pvt. Ltd.

Morarjee Castiglioni (I) Pvt. Ltd. was set up in 1996-97, as a 50:50 Joint Venture between Morarjee Goculdas Spinning and Weaving Company Limited (now known as Morarjee Realties Limited) and Manifattura Castiglioni SPA of Italy (MCS), a leading Italian producer of home furnishing fabrics.

In 2003, to facilitate business re-organization and concentration of the entire textile business in one company, the entire textile business of Morarjee Realties Limited including this Joint Venture was transferred to Morarjee Textiles Limited (then known as Morarjee Brembana Limited).

Board of Directors

- Mr. P K Gothi
- Mr. Pierluigi Colombo
- Mr. Giorhio Colombo
- Mr. Dario Colombo (Alternative of Mr. Giorhio Colombo)

Shareholding as on March 22, 2006

Morarjee Textiles Limited (subsequent to purchase from Morarjee Realties Limited)	50%
Manifattura Castiglioni SPA of Italy	50%

Financial performance

(in Rs. Millions except per share data)

Particulars	**For the period ended**			
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**November 30, 2005**
Total Income	15.04	2.27	0.09	0.03
Profit after tax	(1.42)	(4.42)	(0.05)	(0.02)
Equity capital (par value Rs. 10 per share)	20.00	20.00	20.00	20.00
Reserves	0.34	(4.08)	(4.13)	(4.15)
Basic Earnings per share	(0.71)	(2.21)	(0.03)	(0.01)
Book value per Share (of Rs. 10 each)	9.98	7.89	7.87	7.86

RELATED PARTY TRANSACTIONS

As a policy, we enter into transactions with related parties on an arms-length basis.

The list of related parties and the transactions entered into are as follows:

Sl. No.	Name of Parties to Contract/ Arrangement	Date on which Contract or arrangement placed before the Board for approval	Name(s) of interested Directors
1.	Thundercloud Technologies (I) Pvt. Ltd.	April 28, 2005	Mr. Ajay Piramal Mrs. Urvi Piramal Mr. HarshvardhanPiramal
2.	Integra Apparels & Textiles Pvt. Ltd.	April 28, 2005	Mr.P.K.Gothi Mr. HarshvardhanPiramal
3.	Morarjee International S.r.l., Italy	April 28, 2005	Dr.Giuseppe Callegari
4.	Flex Japan Company Ltd.	April 28, 2005	Mr. Takao Yajima
5.	Integra Apparels Limited	June 27, 2005	Mr.P.K.Gothi Mr. HarshvardhanPiramal
6.	Thundercloud Technologies India. Pvt. Ltd.	June 27, 2005	Mr. Ajay Piramal Mrs. Urvi Piramal Mr. HarshvardhanPiramal
7.	Morarjee International S.r.l., Italy	June 27, 2005	Dr.Giuseppe Callegari
8.	Flex Japan Company Ltd.	June 27, 2005	Mr. Takao Yajima
9.	Integra Apparels Textiles Pvt. Limited	July 28, 2005	Mr.P.K.Gothi Mr. HarshvardhanPiramal
1(	Integra Apparels Textiles Pvt. Limited	July 28, 2005	Mr.P.K.Gothi Mr. HarshvardhanPiramal

For details of related party transactions please refer to page no 112 of this Draft Letter of Offer.

FINANCIAL INFORMATION

AUDITORS' REPORT

The Board of Directors,
Morarjee Textiles Ltd.,
106, Peninsula Centre,
Dr S. S. Rao Road,
Parel, Mumbai 400 012

1. We have examined the accompanying 'Statement of Adjusted Profit and Loss Account" (**Annexure – I**) and "Statement of Adjusted Assets and Liabilities **(Annexure – II**)" of Morarjee Textiles Ltd. (the Company) for the each of the financial year ended 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and for the period ended 30th November, 2005 (8 Months) read together with the Notes thereon. These statements reflects the 'Profit and Losses' and 'Assets and liabilities' for each of the relevant period as extracted from the Profit and Loss Account and Balance Sheet for relevant period audited by us after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000.

2. The summary of significant accounting policies adopted by the Company is enclosed as **Annexure-'III'** to this report.

3. The Notes to the 'Statement of Profit and Losses and Adjusted Assets and Liabilities' are enclosed as **Annexure-'IV'** to this report.

4. We have examined the Statement of "Accounting Ratios" of the Company for each of the financial periods ended 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and 30th November 2005 (8 Months), enclosed as **Annexure-'V'** and report that, in our opinion, the accounting ratios have been computed from the figures as stated in the 'Statement of Adjusted Assets and Liabilities'' of the Company referred to paragraph 1 above.

5. We have also examined the accompanying 'Statement of Rates of Dividend (**Annexure – VI**) paid in respect of any class of shares by the Company in respect of each of the financial periods ended on 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and 30th November 2005 (8 Months) & report that the same found to be correct.

6. We have also examined the accompanying statement of Tax Shelter, Agewise Analysis of Sundry Debtors, Analysis of Loans and Advances, Capitalization Statement (enclosed as **Annexure-'VII, VIII, IX and X respectively)** of the company for each of the financial period ended 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March , 2004 , 31st March, 2005 and 30th November 2005 (8 Months) and report that in our opinion, these have been correctly computed from the figures as stated in Statement of Adjusted Assets and Liabilities and adjusted Profit and Loss of the company as referred para 1 above.

7. Principal Terms of Loans & Assets charged as Security are as per **Annexure XI** attached 'herewith'.

8. We have also examined the accompanying statement of Unsecured Loans taken by company as per **Annexure XII.**

9. We have also examined the accompanying statement of Cash Flow for each of the financial periods ended 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and 30th November 2005 (8 Months), enclosed as **Annexure-'XIII'**

10. We have also examined the accompanying statement of Other Income for each of the financial periods ended 31st March, 2001, 31st March, 2002, 31st March, 2003, 31st March, 2004, 31st March, 2005 and 30th November 2005 (8 Months), enclosed as **Annexure-'XIV'**

11. This report is being issued by us for the purpose of incorporating the same in the Prospectus to be issued by the Company in respect of the proposed issue of Equity Shares of the Company on "Right" basis.

For SHAH & CO.,
CHARTERED ACCOUNTANTS

Mumbai
Date: 19.01.2006

H.N. SHAH

PARTNER
Membership No. 8152

Annexure I Statement of Adjusted Profit and Loss Account for the last five years ended March 31 and for the period ended November 30, 2005

(Rs. in million)

PARTICULARS	For 8 months ended on 30.11.2005	March 31, 2005	March 31, 2004	March 31, 2004	March 31, 2004	March 31, 2004
INCOME						
Sales						
Export Sales	6,299.56	8,916.96	5,080.72	2,397.04	3,007.96	3,418.92
Domestic Sales	4,979.93	6,726.03	5,738.03	4,143.93	3,636.57	1,926.17
	11,279.49	**15,642.99**	**10,818.75**	**6,540.97**	**6,644.53**	**5,345.09**
Less: Excise Duty & Sales Return	680.00	829.17	530.78	661.07	945.24	453.39
	10,599.49	**14,813.82**	**10,287.97**	**5,879.90**	**5,699.29**	**4,891.70**
Increase/(Decrease) in Stock	297.02	27.48	686.56	(50.40)	20.71	100.47
Other Income	7.17	36.01	0.30	2.15	6.84	32.52
	10,903.68	**14,877.31**	**10,974.83**	**5,831.65**	**5,726.84**	**5,024.69**
EXPENDITURE						
Material Consumed	3,657.78	5,469.95	4,676.25	2,358.22	2,403.26	2,364.49
Manufacturing Expenses	3,314.62	4,483.63	3,012.43	1,654.59	1,514.16	1,303.90
Employees' Emoluments	869.68	1,250.69				269.50

PARTICULARS	For 8 months ended on 30.11.2005	March 31, 2005	March 31, 2004	March 31, 2004	March 31, 2004	March 31, 2004
			916.24	421.85	368.13	
Admn, Selling & Other Expns	1,509.61	1,728.82	1,178.04	452.39	460.08	486.94
Depreciation	522.38	716.30	561.04	513.14	495.18	312.44
Financial Charges	404.29	563.69	744.83	561.97	1,162.03	1,248.69
Miscellaneous Expns w.off			110.56	104.28	129.83	221.61
	10,278.36	**14,213.08**	**11,199.39**	**6,066.44**	**6,532.67**	**6,207.57**
Profit before tax	**625.32**	**664.23**	**(224.56)**	**(234.79)**	**(805.83)**	**(1,182.88)**
Other Adjustments						
Prior Period Adjustment			0.92	5.62	4.30	7.34
	625.32	**664.23**	**(225.48)**	**(229.17)**	**(810.13)**	**(1,190.22)**
Provision for Tax						
Current Tax (Mat)	52.62					
Deferred Tax	-	-	-	-	-	-
Fringe Benefit Tax	21.23					
Net Profit after tax as per						
Audited Statement of A/c (A)	**551.47**	**664.23**	**(225.48)**	**(229.17)**	**(810.13)**	**(1,190.22)**
Brought forwards Profit/(Loss)	363.91	(3,813.53)	(3,588.05)	(3,358.88)	(2,548.76)	(1,358.53)
From previous year						

PARTICULARS	For 8 months ended on 30.11.2005	March 31, 2005	March 31, 2004	March 31, 2004	March 31, 2004	March 31, 2004
Profit/(Loss) available for appropriation	**915.38**	**(3,149.30)**	**(3,813.53)**	**(3,588.05)**	**(3,358.89)**	**(2,548.75)**
Add:						
Transfer from Debenture Redemption Reserve				-	-	-
Transfer from Share Premium	-			-	-	-
Surplus on Capital Restructuring*	-	3,766.85				
Less:						
Adjusted Against Reserve		33.30	45.17	-	-	-
Proposed Devidend on						
-Equity		155.74		-	-	-
-Distribution Tax		21.84				
-Preference		37.50		-	-	-
-Distribution Tax		5.26				
Balance Carried forward to Balance Sheet	**915.38**	**363.91**	**(3,768.36)**	**(3,588.05)**	**(3,358.89)**	**(2,548.75)**

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

Annexure II – Statement of Adjusted Assets and Liabilities as on March 31 for the last five years and as on November 30, 2005

(Rs. in million)

	PARTICULARS	For 8 months ended on 30.11.2005	March 31, 2005	March 31, 2004	March 31, 2004	March 31, 2004	March 31, 2004
A.	**Fixed Assets**						
	Gross Block	1,666.90	1,501.93	1,401.52	1,060.69	1,031.66	993.42
	Less: Depreciation	414.50	365.44	298.97	243.06	191.74	142.22
	Net Block	1,252.40	1,136.49	1,102.55	817.63	839.92	851.20
	Add: Capital Work in Progress	26.56	11.33	3.80	12.70	2.43	2.43
	Total	1,278.96	1,147.82	1,106.35	830.33	842.35	853.63
	Less: Revaluation Reserve				-		
	Net Block after adj of Rev Res	1,278.96	1,147.82	1,106.35	830.33	842.35	853.63
B.	**Investments**	24.04	24.04	47.21	-	-	-
C.	**Current Assets, Loans & Adv**						
	Inventories	326.27	309.56	298.45	141.37	140.94	135.99
	Sundry Debtors	246.47	220.86	178.41	90.09	113.55	49.05
	Cash and Bank Balances	4.18	3.23	2.62	0.39	2.47	0.96
	Loans and Advances	232.36	111.21	231.13	50.77	46.29	17.67
	Total	809.28	644.86	710.61	282.62	303.25	203.67

	PARTICULARS	For 8 months ended on 30.11.2005	March 31, 2005	March 31, 2004	March 31, 2004	March 31, 2004	March 31, 2004
D	**Liabilities and Provisions**						
	Secured Loans	919.90	509.72	706.92	614.15	682.67	616.79
	Unsecured Loans	248.39	386.39	488.37	61.61	8.78	77.03
	Current Liabilities and Provisions	508.28	540.03	329.46	86.29	125.34	114.42
	Deferred Tax Liabilities						
	Total	1,676.57	1,436.14	1,524.75	762.05	816.79	808.25
E.	**Preference Shares**	100.00	100.00	100.00	100.00	100.00	100.00
F.	**Net Worth (A+B+C-D-E)***	335.71	280.58	239.42	250.90	228.81	149.04
G.	**Represented by**						
	Paid up Share Capital						
	- Equity Shares	103.83	103.83	328.76	328.76	328.76	328.76
	- Advance against Equity	-	-	287.50	292.02	254.52	104.52
	Reserves and Surplus	231.88	176.74	(376.84)	(358.81)	(335.89)	(254.88)
	Less:						
	Revaluation Reserve	-	-	-	-	-	-
	After Adjustment of Revaluation Reserve	231.88	176.74	(376.84)	(358.81)	(335.89)	(254.88)
	Total	335.71	280.57	239.42	261.97	247.39	178.40

	PARTICULARS	For 8 months ended on 30.11.2005	March 31, 2005	March 31, 2004	March 31, 2004	March 31, 2004	March 31, 2004
H.	**Misc. Expns upto the extent not w.off**	-	-	-	11.06	18.58	29.36
I.	**Net Worth (G-H)***	335.71	280.57	239.42	250.92	228.81	149.04
The accompanying significant accounting policies and notes are integral part of this statement.							

* For Detail Refer to Note A

(Rs. in million)

	30.11.2005	31.03.2005
Note A - Reserve and Surplus	**Amount**	**Amount**
1. General Reserve		
- Opening balance	140.35	4.52
Add: Transfer from Advance share application money		132.50
Add: Transferred from Profit and Loss Account		3.33
	140.35	**140.35**
2. Capital Restructuring Account		
3,24,93,450 Equity Shares cancelled under Capital Restructuring Scheme		324.93
Add: Transfer from Share Premium Account		55.00
Less: Consideration paid against cancellation of Equity Shares		3.25
	-	376.69
Less: Amount Transferred to Profit and Loss Account	-	**376.69**
	-	**-**
3. Share Premium		
Received during the year		55.00
Less:- Transferred to Capital Restructuring Account	**-**	**55.00**
		-
4. Profit and Loss Account	**91.54**	**36.39**
	231.88	**176.74**
	435.71	**380.56**

Annexure III – Significant Accounting Policies

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Financial statements have been prepared on the basis of historical cost on accrual basis and are in accordance with the requirements of the Companies Act, 1956.

Fixed Assets

All fixed assets are stated at historical cost. In respect of Assets acquired under new project expansion / restructuring, interest cost on borrowings and other related expenses during trial runs and up to satisfactory commencement of commercial production have been capitalised to Plant and Machinery. The Accounting Standard - 10 of the Institute of Chartered Accountants of India has been complied with in this respect.

Depreciation

Depreciation has been provided on straight line method on all fixed assets except Leasehold Land at the rate specified in Schedule XIV to the Companies Act, 1956. Premium on leasehold land is amortised over the period of lease.

Foreign Exchange Transaction

Transactions in foreign exchange are accounted at exchange rates prevailing on the date of transaction or remittance / realisation of the amount during the year. Any exchange, gains/losses arising out of subsequent fluctuations in the rates are accounted for in the profit and loss accounts.

Inventory

Raw Material, Work in Process and Spares are valued at cost and cost is arrived at weighted average basis. Finished Goods valued at cost or market value whichever is lower in accordance with AS-2 of the ICAI.

Miscellaneous Expenditure

Preliminary expenses, Term Loan Processing Charges, Marketing and Selling Arrangement Service and Strike Period Expenditure are written off over a period of 5 years.

Technical/Other Consultancy Fees and Exim Bank Loan Prepayment Premium are written off over period of 3 years from the date of completion of the Consultancy services research activities.

Revenue Recognition

Revenue is recognised only when there is no significant uncertainty as to the measurability / collectability of amount.

Retirement Benefits

Retirement Benefits to employees are provided for by way of payment to Provident Fund. Company's contribution in respect of Provident Fund and present liability for future payment of Gratuity are charged against revenue expenses every year. Leave encashment is accounted as when paid.

Investments

Investments are stated at cost.

Annexure IV – Notes to the Statement of Adjusted Profits and Losses and Adjusted Assets and Liabilities

1. Contingent liability in respect of (Rs. in million)

		Period ended 30.11.05	As at 31.03.05	As at 31.03.04	As at 31.03.03	As at 31.03.02	As at 31.03.01
a)	Estimated amount of contracts remaining						
	to be executed on Capital Account	46.56	30.11	3.80	12.70	2.43	2.43
b)	Letter of Credit	28.48	52.77	23.85	41.82	53.21	38.03
c)	Disputed liability with Central Excise						
	Authorities	130.10	161.49	214.99	152.80	128.44	80.28
d)	Counter Guarantees issued to Banks	3.42	8.30	7.89	9.50	5.10	2.95
e)	Bill Discounted	18.99	10.25	17.92	4.85	-	-
f)	Dividend to Preference Share Holders	-	-	56.25	45.00	33.75	22.50
g)	Non Fulfillment of Export Obligation	-	-	-	-	-	23.93

2. **CAPITAL STRUCTURE**

(Rs. in million)

Share Capital (as of November 30,2005)		Rs in million
A. Authorised Capital	Face Value	Aggregate Value
43000000 Equity Shares of Rs. 10 each	430.00	430.00

Share Capital (as of November 30,2005)		Rs in million
1000000 5% Redeemable Cumulative	100.00	100.00
Non - Conv. 1st Preference Share of		
Rs 100 each		
B. Issued, Subscribed and paid up Capital		
10382550 Equity Shares of Rs. 10 each		
fully paid-up	103.83	103.83
1000000 5% Redeemable Cumulative		
Non - Conv. 1st Preference Share of		
Rs 100 each fully paid-up	100.00	100.00

FINANCIAL STRUCTURE - RATIONALIZED in previous year

With a view to rationalize the financial structure of the Company, during the year ended March 31, 2005, 10,000,000 equity shares of Rs.10/- each have been issued and allotted at a premium of Rs.5.50 per share, whereby the paid up equity share capital of the company has increased by Rs.100.00 million and share premium account credited by Rs.55 million. For this purpose the authorized share capital has been increased from Rs.400 million to Rs. 430 million. The terms of the 1,000,000 redeemable cumulative preference shares of Rs.100/- each have also been modified by revising the rate of dividend from 11.25% to 5% and extending the redemption period by making the preference shares redeemable any time after November 15, 2014 but before November 15, 2019. In view of the modification of rights attached to Preference Shares, the said shares shall be non cumulative up to June 30, 2004 and shall carry cumulative dividend of 5% per annum with effect from July 01, 2004. The advance against Equity of Rs. 287.50 million has been settled by making payment of Rs. 155 million and the balance Rs. 132.50 million has been cancelled and transferred to General Reserve.

REDUCTION OF SHARE CAPITAL – SETTING OFF CARRIED FORWARD LOSSES IN PREVIOUS YEAR

In continuation of the exercise to rationalize the company's financial structure, the Board of Directors had formulated a scheme u/s 391 and section 100 read with section 78 of the Companies Act, 1956 for purchase by the Company of its own equity shares from the Company's shareholders at minimal token consideration of 10p (Ten Paise) per share and then cancellation of such purchased shares resulting in reduction of equity share capital and the amount in share premium account of the Company correspondingly setting off the Company's accumulated losses. The equity shareholders of the Company had offered for purchase by the Company 32,493,450 equity shares. The scheme has been sanctioned by the Hon'ble Bombay High Court and upon giving effect to the scheme, (a) the equity share capital of the Company Rs.428.76 million stands reduced by Rs.324.93 million to Rs.103.83 million. The carried forward Losses of Rs.381.35 million as at 31.03.04 stands set off against (a) the reduction of share capital of Rs.321.68 million (net of consideration) and (b) the share premium of Rs.55 million leaving balance loss of Rs.4.67 million.

3. Company has provided present liability for future payment of Gratuity to the employees at year end on the basis of the report of actuarial valuation.

4. The aggregate amount of Investments, Loans and other outstanding balances with subsidiary companies are as follows:

(Rs. in million)

	30.11.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Investment in -Govt. Securities(Unquoted)	0.06	0.06	0.06	-	-	-
Investment in Equity Shares (Unquoted)						
PMP Components Pvt. Ltd.	-	-	40.74	-	-	-
Morarjee International Srl	0.56	0.56		-	-	-
Integra Apparels and Textiles Pvt. Ltd.	17.00	17.00		-	-	-
Morarjee Castiglioni (I) Pvt. Ltd.	6.41	6.41	6.41	-		
Morarjee Goculdas Spg & Wvg Pvt. Ltd	-	-	-	-		
(Formerly- Morarjee Legler Pvt. Ltd)						
Morarjee Goculdas Spg & Wvg Pvt. Ltd	-	-	-	-	-	-
(Share applicaion money of Rs 31900500)						
(Formerly- Morarjee Legler Pvt. Ltd)						
Amount recoverable						
PMP Components Pvt. Ltd.	-	-	53.00			
Morarjee International Srl	8.98	2.83				
Integra Apparels and Textiles Pvt. Ltd.	93.62	8.03				
Debtors, Loans and advances includes						

	30.11.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
a) Amount outstanding from a Directors	Nil	Nil	Nil			
The Company is engaged in manufacture of textile products which as per Accounting						
Standard - AS-17 is considered only reportable business segment.						

6. As required by Accounting Standard - As 18 "Related Parties Disclosure" issued by The Institute of Chartered Accountants of India are as follows.

7. A. Summary of the transactions with the related parties as follows

(Rs. in million)

Nature of Transaction	**30.11.2005**	**31.03.2005**	**31.03.2004**	**31.03.2003**	**31.03.2002**
Purchases of Goods/Services					
Controlling Companies	-	-	106.69	67.60	4.84
Subsidiaries	24.88				
Associates Companies	1.59	7.63	3.30	2.29	1.90
Total	**26.47**	**7.63**	**109.99**	**69.89**	**6.74**
Sales of Goods					
Controlling Companies			40.99	12.98	2.14
Subsidiaries	22.17	12.44			
Associates Companies		5.47	1.19		
Total	**22.17**	**17.91**	**42.18**	**12.98**	**2.14**

Loan/Deposit Received from					
Controlling Companies			167.75	80.73	156.35
Associates Companies		200.00	-	-	183.05
Total	**-**	**200.00**	**167.75**	**80.73**	**339.40**
Loan given / Repaid to related parties					
Controlling Companies			176.40	60.53	-
Subsidiaries	90.02	10.83	53.00		
Associates Companies	0.44	0.48	88.30	-	-
Total	**90.46**	**11.31**	**317.70**	**60.53**	**-**
Loan repaid by related party					
Controlling Companies			-	-	-
Subsidiaries		53.00	-		
Associates Companies		56.49	-	-	-
Total	**-**	**109.49**	**-**	**-**	**-**
Equity Shares and Application Money					
Controlling Companies	-	-	-	37.50	150.00
Subsidiaries	-	17.56	40.74		
Associates Companies	-	-	6.41	-	-
Total	**-**	**17.56**	**47.15**	**37.50**	**150.00**
Buy Back of Euity Shares					
Controlling Companies	-	1.39	-	-	-

Associates Companies	-	1.86	-	-	-
Total	**-**	**3.25**	**-**	**-**	**-**
Purchase of Textile Undertaking					
Controlling Companies		-	43.20	-	-
Associates Companies		-	-	-	-
Total	**-**	**-**	**43.20**	**-**	**-**
Interest paid					
Controlling Companies	-	-	-	0.49	10.52
Associates Companies	-	-	-	-	4.74
Total	**-**	**-**	**-**	**0.49**	**15.26**
Interest Received					
Controlling Companies	-	-		-	-
Subsidiaries	2.22	0.03			
Associates Companies	-	-	9.41	-	-
Total	**2.22**	**0.03**	**9.41**	**-**	**-**
Remuneration to					
Key Management Peronnel	5.52	8.62	4.69	2.08	1.62
Total	**5.52**	**8.62**	**4.69**	**2.08**	**1.62**
Rent paid					
Relatives of key management personnel	0.92	1.38	**-**	**-**	**-**
Total	0.92	1.38	**-**	**-**	**-**
BALANCE OUTSTANDING					
Outstanding Payable	-	-	-	-	28.18

Joint Venture Companies	14.69	14.69	14.69	-	-
Associate Companies	200.37	200.86	1.04	1.62	3.93
Total	**215.06**	**215.50**	**15.73**	**1.62**	**32.10**
Outstanding Receivables					
Controlling Companies	-	-	-	4.96	**-**
Subsidiaries	113.14	18.69	53.00	-	**-**
Associate Companies	3.21	3.45	71.10	-	**-**
Total	**116.35**	**22.14**	**124.10**	**4.96**	**-**

B. **List of Related Parties with whom transaction have taken place during the year**

	30.11.05	31.03.05	31.03.04	31.03.03	31.03.02
a) Controlling Companies					
	-	-	Morarjee Gokuldas Spg & Wvg Co. Ltd.	Morarjee Gokuldas Spg & Wvg Co. Ltd.	Morarjee Gokuldas Spg & Wvg Co. Ltd.
		Manifatura Di Valle Brembana SPA	Manifatura Di Valle Brembana SPA	Manifatura Di Valle Brembana SPA	Manifatura Di Valle Brembana SPA
b) Subsidiary Company					
	-	PMP Components Pvt. Ltd.	PMP Components Pvt. Ltd.	-	-
	Morarjee Intl Srl	Morarjee Intl Srl	-	-	-
	Integra Apparels & Textiles Pvt. Ltd.	Integra Apparels & Textiles Pvt. Ltd.	-	-	-
c) Associates Companies					
	Gujarat Glass Ltd	Gujarat Glass Ltd	Gujarat Glass Ltd	Gujarat Glass Ltd	Gujarat Glass Ltd
	Morarjee Gokuldas Spg & Wvg Co.Pvt. Ltd. (Formerly- Morarjee Legler Pvt. Ltd.)	Morarjee Legler Pvt. Ltd.	Morarjee Legler Pvt. Ltd.	Morarjee Legler Pvt. Ltd.	Morarjee Legler Pvt. Ltd.
	Thundercloud Technologies Pvt. Ltd.	Thundercloud Technologies Pvt. Ltd.	Thundercloud Technologies Pvt. Ltd.	Thundercloud Technologies Pvt. Ltd.	Thundercloud Technologies Pvt. Ltd.
	Nicholas Piramal India Ltd.	Nicholas Piramal India Ltd.	-	-	NPIL Fininvest Ltd

	30.11.05	31.03.05	31.03.04	31.03.03	31.03.02
	Piramal Enterprises Ltd.	Piramal Enterprises Ltd.	-	-	Swastik Safe Dep & Invt. Ltd.
	Piramal Health Care Pvt. Ltd.	Piramal Health Care Pvt. Ltd.	-	-	-
	Pyramid Retail & Merchandise Pvt. Ltd.	Pyramid Retail & Merchandise Pvt. Ltd.	-	-	-
	Morarjee Realties Ltd (Formerly - Morarjee Gokuldas Spg & Wvg Co. Ltd.)	Morarjee Realties Ltd (Formerly - Morarjee Gokuldas Spg & Wvg Co. Ltd.) part of the year controlling company	-	-	-
	PMP Components Pvt. Ltd.		-	-	-
d) Joint Venture Companies					
	Morarjee Castiglioni (I) Pvt. Ltd.	Morarjee Castiglioni (I)Pvt. Ltd.	Morarjee Castiglioni (I) Ltd.	-	-
e) Key Management Personnel					
	Mr. Harshvardhan Piramal	Mr. Harshvardhan Piramal	Mr. Ajay Pirmal	Mr Ajay Piramal	Mr. Ajay Piramal
	Mr. P.K. Gothi	Mr. P.K. Gothi	Mr. P.K. Gothi(part of the year)	Mr. Leonard F. Polli	Mr Vincenzo Polli
		Mr. Robert Lobo (Part of the Year)	Mr. Harshwardhan Piramal	Mr. P.K. Gothi	Mr. P.K. Gothi
			Mr. Robert Lobo	Mr. Robert Lobo	Dott. G. Callegari
					Mr. Robert Lobo
f) Relatives of Key Management Personnel					

	30.11.05	31.03.05	31.03.04	31.03.03	31.03.02
	Mrs. Bhakti P. Gothi	Mrs. Bhakti P. Gothi	-	-	-
Note: The above information has been determined to the extent such parties have been identified on the basis of					
information provided by the Company and approved by the Board of Directors of the Company, which has been					

8. As required by Accounting Standard - 20 issued by the Institute of Chartered Accountants of India, the reporting in respect of Earning Per Share (EPS) Basic & Diluted is as follows

(Rs in million)

	30.11.2005	2004-05	2003-04
Profit/(Loss) after tax	55.15	66.42	(225.48)
Less: Dividend on Preference Shares	3.80	4.28	
Profit/(Loss) available to equity			
shareholders	51.35	62.14	(225.48)
Weighted average no. of equity shares for basic EPS (No. of shares)	10,382,550	26,837,062	32,876,000
Nominal Value of Equity Share (Rs. Per Equity Share)	10.00	10	10
Basic Earning Per Equity Share (Rs. Per Equity Share)	4.95	2.32	(0.69)

9. As per the requirement of Accounting Standard 22 issued by Institute of Chartered Accountants of India applicable from period 1.4.2001. The accumulated deferred tax assets of the company not taken in accounts amounting to Rs.899.94 (Previous Year Rs. 108.32 million) as per conservative policy of the company.

	2002-03	2003-04	2004-05	1.4.05 to 30.11.05	Changes during FY 2005-06
Deferred Tax Liability					
Accelerated Depreciation	166.57	180.19	192.94	215.99	23.05
Accelerated Amortisations	6.04	0			
Total	172.61	180.19	192.94	215.99	23.05
Deferred Tax Assets					
Accelerated Amortisations		-0.13	0.08	0	0
Unabsorbed Depreciation	211.39	268.66	252.18	256.99	4.81
B/f Business Losses	55.97	54.64	48.99	48.99	
Total	267.36	323.17	301.25	305.98	4.81
Net Deferred Tax Assets	94.75	142.98	108.31	89.99	(18.24)

Note: Deferred Tax Liability during the period ended 30th Nov., 2005 is amounting to Rs. 18.24 million and net deferred tax assets Rs 89.99 million.

10. Figures of period ended 30.11.2005 is not comparable with previous all financial year

11. Previous year's figures have been regrouped wherever necessary.

12. Auditors having following qualifications in the auditors report of earlier years, which have been given below, and which have been duly remedied by the Company. No such qualifications exists from the financial years 2002-03 onwards

i.

The Company does not have an Internal Audit Systems commensurate with The Company does not have an Internal Audit Systems commensurate with the size and nature of the business of the company (in the financial year 2000-01 and 2001-02)

ii. In the Financial Year 2000-01 auditors has a qualification regarding claim raised by the excise department on the company amounting to Rs. 80.28 million, regarding duty payable on future export obligation amounting to Rs. 23.93 million regarding trial run expenditure and interest capitalization amounting to Rs. 17.23 million, regarding all balance confirmations from debtors and creditors, regarding non provisions of depreciation during strike period for 120 days proportionately.

iii. In the Financial Year 2001-02 auditors has a qualification regarding claim raised by the excise department on the company amounting to Rs. 128.40 million and regarding trial run expenditure and interest capitalization amounting to Rs. 0.85 million,

iv. In the Financial Year 2001-02, 2002-03,2003-04, 2004-05 and period ended 30.11.2005 (8 Months) the inventories have been valued in accordance with the accounting standard 2 (revised) valuation of inventories issued by the Institute of Chartered Accountants of India, Excise Duty on Finished Goods at the factory, amounting to Rs.5.40 million, Rs 3.57 million, Rs 5.05 million, Rs.2.04 million and Rs.3.73 million respectively has been provided and the same has been included in the value of the closing inventory. This has no effect on the profit and loss account of the year.

v. During the Financial Year 2003-04 balance in deferred revenue expenditure has been fully charged to profit and loss account which has resulted in increase of loss by Rs. 3.06 million.

13 The company has taken vehicles on an operating basis for a period of 60 months. The lease rentals are payable on monthly basis by the Company.
Future minimum lease rentals payable as per agreement:

(Rs. in million)

	30.11.2005	31.03.2005
a) Not later than one year	2.04	1.35
b) Later than one year but not later than five years	6.19	4.93
c) Later than five years	-	-

Lease payment recognised in profit and loss account for the year is Rs. 1.06 million (previous year Rs. 0.84 million)

Annexure V Statement of Accounting Ratios

(Rs. in million)

Sl No	Particulars	Period ended 30.11.05	For the Financial Year ended on				
			31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
1	Earning Per Share	4.95	2.32	(0.68)	(0.71)	(2.45)	(3.60)
	(Before Extra Ordinary Items)						
2	Earning Per Share	4.95	2.32	(0.69)	(0.70)	(2.46)	(3.62)
	(After Extra Ordinary Items)						
3	Return on Net Worth (%)	15.30%	22.15%	-9.38%	-9.36%	-35.22%	-79.37%
	(Before Extra Ordinary Items)						
4	Return on Net Worth (%)	15.30%	22.15%	-9.42%	-9.13%	-35.41%	-79.86%
	(After Extra Ordinary Items)						
5	Net Assets Value per Share	32.33	27.02	7.28	7.63	6.96	4.53

Note:

1) Earning Per Share (Before Extra Ordinary Items)	Adjusted Profit after tax before extra ordinary items / No. of shares
2) Earning Per Share (After Extra Ordinary Items)	Adjusted Profit after tax after extra ordinary items / No. of shares
3) Return on Net worth (%) (Before Extra Ordinary Items)	Adjusted Profit after tax before extra ordinary items / Net Worth
4) Return on Net worth (%) (After Extra Ordinary Items)	Adjusted Profit after tax after extra ordinary items / Net Worth
5) Net Assets Value per Share	Net Worth excluding Preference Shares Capital / No. of Equity Shares

Annexure VI – Statement of Dividends Declared

Preference Shares
The Board of Directors has recommended dividend @ 5% per Preference Shares of Rs. 100/- each for the period 1.7.04 to 31.3.05

Equity Shares
The Board of Directors has recommended dividend @ 15% per Equity Shares of Rs. 10/ each for the year ended 31.03.2005

(Rs. in million)

	Equity				Preference			
Period	No of Shares	Dividend %	Amount	Dividend Tax	No of Shares	Dividend %	Amount	Dividend Tax
31st March 2005	10382550	15%	15.57	2.18	1,000,000.00	5%	3.75	0.53

Annexure VII – Tax Shelter Statement

(Rs. in million)

			Year ended	Period ending
			31.03.2005	**30.11.2005**
Book Profit / (Loss)			*66.42*	62.53
Tax at Notional Rate (on Book Profit)			24.31	21.05
Adjustments			(58.41)	(76.82)
- Diff between Tax dep & Book Dep			(59.91)	(76.77)
- Other adjustments			1.50	(0.05)
- Set off of B/fd business loss			8.01	Nil
Net adjustment			66.42	(76.82)
Tax Saving on Net adjustment			24.31	21.05
Total Taxation			Nil	Nil
			Ref Note No	Refer Note
Note :			1 & 2	3

1. For the year ended 31.03.2005, as per section 115 JB of the Income Tax Act, 1961, ("the Act"), the Company has set off its book profit of Rs. 6,64,22,954/- against brought forward unabsorbed depreciation amounting to Rs. 10,46,88,765/- and therefore Minimum Alternate Tax Liability does not arise
2. In the preceding four financial years starting from 1.04.2001 and ending on 31.03.2001 and ending on 31.03.2004, the Company has incurred losses. Hence there was no saving on Income Tax in these years.

3. For the period ending 30th November 2005, the company has book profit of Rs. 62.53 million. On the aforesaid book profit, the company's liability to pay tax as per provisions of section 115JB shall be Rs. 5.26 million. The liability to pay tax is arrived before considering set off lower of brought forward loss or unabsorbed depreciation as per provisions of section 115JB of the Act

4. Total future tax benefit i.e. deferred tax assets amounting to Rs 89.99 million as on 30.11.2005

Annexure VIII – Agewise analysis of Sundry debtors

(Rs. in million)

Accounting year period ended on	More than 180 days	Less than 180 days	Total Sundry Debtors
30th November 2005	15.71	230.76	246.72
31st March, 2005	20.04	200.82	220.86
31st March, 2004	15.29	163.12	178.41
31st March, 2003	26.26	63.84	90.09
31st March, 2002	29.49	84.06	113.55
31st March, 2001	5.12	43.93	49.05
31st March, 2000	119.70	95.98	215.67

Annexure IX – Analysis of Loans and Advances

(Rs. in million)

	30.11.2005
Deposit with Excise/Sales Tax Authorities	62.99
Deposits and other advances	21.38
DEPB Receivable	14.00
Advances to Staff	6.66
Advances to Suppliers	14.91
Prepaid	3.96
Loans with Subsidiary	105.74
Loans to Co. with directors are interested	0.07
Others	2.65
Total	**232.36**

Annexure X- Capitalisation Statement

(Rs. in million)

CAPITALISATION STATEMENT	As on
	30.11.2005
PARTICULARS	**AMOUNT**
BORROWING:	
Short Term Debt	644.54
Long Term Debt	523.75
Total Debts	**1,168.29**
SHAREHOLDERS FUND	
Share Capital (Paid up Capital)	203.83
Reserves & Surplus	231.88
Total Shareholders Fund	**435.71**
TOTAL CAPITALISATION	**1,604.00**
DEBT EQUITY RATIO	**2.68:1**

Annexure XI

Principal Terms of Loans and Assets charged as Security

(Rs. in million)

	30.11.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Particulars	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**	**Amount**
SCHEDULE 2 : LOAN FUNDS						
A) Secured Loans						
EXIM BANK						
FOREIGN CURRENCY TERM LOAN			237.09			
RUPEE TERM LOAN	31.25	37.50	43.75	309.56	309.56	309.56
- Repayable in half yearly equal instalments of Rs. 0.31 million ending on 01.11.2010 (Secured by way of Equitable Mortgage on Company's Immovable Properties at Butibori, Nagpur and by a charge created on Co's moveable assets including its moveable plant and Machinery spares ,tools and accessories and other movables, both present and future, subject to prior charge of Company's Bankers						
TERM LOAN - ALLAHABAD BANK	492.50	150.00				
- Repayable in quarterly qual instalments of Rs 6.23 million starting from June 06 and Rs 18.75 million starting from March 07 (Secured by a paripassu charge on the movable assets including its moveable plant and						

	30.11.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
machinery, spare, tools and accessories secured by a parripassu equitable mortgage on company's immovable properties at Butibori, Nagpur)						
TERM LOAN - I C I C I LTD				185.69	260.69	241.2
(Secured by way of Equitable Mortgage on Company's Immovable Properties at Butibori, Nagpur and by a charge created on Co's moveable assets including its moveable plant and Machinery spares ,tools and accessories and other movables, both present and future, subject to prior charge of Company's Bankers						
CASH CREDIT/PACKING CREDIT FROM BANKS	396.15	322.22	426.08	118.89	112.41	66.03
(Secured by way of hypothecation of Current Assets of the Co. viz.,Raw Materials, Stock- In - Process, Finished Goods, consuamables stock and spares , book debts and other moveable both present and future and secured by pari passu second charge created on Co's moveable assets including its moveable plant and machinery, spares, tools and accessories and other moveable, both present and future.						
TOTAL	**919.90**	**509.72**	**706.92**	**614.14**	**682.66**	**616.79**
NOTE: Repayment Schedule given above is applicable only for 30.11.2005						

Annexure XII – Analysis of Outstanding Unsecured Loans Taken by the Company

(Rs. in million)

	Period		1.04.2005 30.11.2005	Rate of Int	Repayment Schedule
1	**FROM : CORPORATE BODIES**				
	Ashok Cutting Tools Ltd		48.39		On Demand
			48.39		
	FROM : OTHERS				
	UTI Bank Ltd		100.00	8.25%	21.01.2006
	Yes Bank Ltd		100.00	8.00%	17.02.2006
			200.00		
		TOTAL	248.39		
2	**Year ended 2004-05**				
	FROM : CORPORATE BODIES				
	Ashok Cutting Ltd.		46.39		On Demand
			46.39		
	FROM : OTHERS				
	Allahabad Bank		100.00	7.00%	23.07.2005 paid
	Ing Vyasa Bank		240.00	6.20%	27.09.2005 paid
			340.00		
		TOTAL	386.39		
3	**Year ended 2003-04**				

	Period		1.04.2005 30.11.2005	Rate of Int	Repayment Schedule
	FROM : CORPORATE BODIES				
	GUJARAT GLASS LTD.		0.48		On Demand
	NOZAKI FINANCE & INVESTMENTS PVT LTD		400.30		- do -
			400.78		
	FROM : OTHERS				
	Citi Bank		87.59	Libor + .75%	03.04.2004
		TOTAL	488.37		
4	**Year ended 2002-03**				
	FROM : CORPORATE BODIES				
	GUJARAT GLASS LTD.		0.99		On Demand
	Morarjee Legler Pvt. Ltd.		0.56		- do -
	Morarjee Gokuldas Spg & Wvg Co. Ltd.		0.05	8.00%	- do -
			1.60		
	FROM : OTHERS				
	Credit Lyonnias		60.00	8.50%	On Demand
		TOTAL	61.60		
5	**Year ended 2001-02**				
	FROM : CORPORATE BODIES				
	GUJARAT GLASS LTD.		0.99		On Demand
	Morarjee Legler Pvt. Ltd.		0.56		- do -

	Period		1.04.2005 30.11.2005	Rate of Int	Repayment Schedule
	Morarjee Gokuldas Spg & Wvg Co. Ltd.		7.23	14.35%	- do -
		TOTAL	8.78		
6	**Year ended 2000-01**				
	FROM : CORPORATE BODIES				
	GUJARAT GLASS LTD.		0.99		On Demand
	Morarjee Legler Pvt. Ltd.		0.58		- do -
	Morarjee Gokuldas Spg & Wvg Co. Ltd.		2.07		- do -
	Renato Finance & Investments Ltd.		0.08		- do -
	Swastik Safe Deposits Investment Ltd.		73.32	15.50%	- do -
		TOTAL	77.04		

Annexure XIII Cash Flow Statements

(Rs. in million)

		30th Nov., 2005		31st March 2005		31st March 2004		31st March 2003		31st March 2002		31st March 2001	
		Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
A.	**CASH FLOW FROM OPERATING ACTIVITIES**												
	Net Profit (Loss) Before Tax and Extraordinary items:												
	Net Profit/(Loss) for the year		55.15		66.42		(22.46)		(23.48)		(80.58)		(118.29)
	Add: Miscellaneous Expenses w/off		0.00		0.00		11.06		10.43		12.98		22.16
	Less: Prior Period Adjustments		0.00		0.00		(0.09)		0.56		0.43		0.73
			55.15		66.42		(11.49)		(12.49)		(68.03)		(96.86)
	Add: Provision for Tax - Mat/Fbt	7.39											
	Depreciation	52.24		71.63		56.10		51.31		49.52		31.24	
	Interest Expenses	42.77		56.93		74.48		56.15		116.20		124.87	
	Loss on Sale of Investment	-		0.24									
	Less:Interest Income	2.34		0.56									
	Profit on Sale of Assets	0.05		0.85		0.02							
			100.00		127.39		130.56		107.46		165.72		156.11
			155.15		193.81		119.07		94.97		97.69		59.25
			-		-		-		-		-		-
	Operating Profit Before Working Capital Changes		155.15		193.81		119.07		94.97		97.69		59.25
	Adjustments for Changes in Working Capital												
	(Increase)/ Decrease in Trade and Other Receivables	(77.88)		107.41		273.53		(18.98)		(56.32)		85.13	
	(Increase) /Decrease in Inventories	(16.72)		(11.10)		157.09		0.43		(4.96)		(1.59)	
	Increase/(Decrease) in Trade	(39.31)		191.83		(247.37)		33.58		22.61		(15.11)	

		30th Nov., 2005		31st March 2005		31st March 2004		31st March 2003		31st March 2002		31st March 2001	
	Payables												
			(133.91)		288.14		183.25		15.03		(38.67)		68.43
	Cash from Operating Activities		**21.24**						79.94		59.02		127.68
	Less: Extra Ordinary item							2.91		2.20		16.13	
	Less: Income Tax Paid (MAT/FBT)		5.31										
	Net Cash From Operating Activities		**15.93**		481.95		(64.18)		77.03		56.82		111.55
B.	**CASH FLOW FROM INVESTING ACTIVITIES**												
	Purchase of Fixed Assets	(168.42)		(138.41)		(332.14)		(39.31)		(38.24)		(27.26)	
	Sale of Fixed Assets	4.17		7.10		0.04		0.00		0.00		0.00	
	Loans to Subsidiaries	(91.75)		(10.86)		0.00		0.00		0.00		0.00	
	Purchase of Investments	0.00		(17.56)		(47.21)		0.00		0.00		0.00	
	Sale of Investments	0.00		40.50		0.00		0.00		0.00		0.00	
	Net Cash Used in Investing Activities		**(256.00)**		**(119.23)**		(379.31)		(39.31)		(38.24)		(27.26)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**												
	Proceeds from Long Term Borrowings	342.50		390.00		403.90		0.00		19.50		(39.12)	
	Repayment of Long Term Borrowings	(6.25)		(243.34)		(214.42)		(75.00)		0.00		0.00	
	Issue of Equity Share with premium	0.00		155.00		0.00		37.50		0.00		28.76	
	Refund of Advance against Equity	0.00		(155.00)		0.00		0.00		150.00		75.76	
	Consideration against cancellation of Shares	0.00		(3.25)		0.00		0.00		0.00		0.00	
	Increase/ (Decrease) in Short term Borrowings	(64.06)		(445.84)		334.91		59.30		(58.68)		(39.61)	

		30th Nov., 2005		31st March 2005		31st March 2004		31st March 2003		31st March 2002		31st March 2001	
	Interest Paid	(31.16)		(59.66)		(78.68)		(61.62)		(127.89)		(118.76)	
	Net Cash Used in Financing Activities		**241.03**		**(362.09)**		445.71		(39.82)		(17.07)		(92.97)
	Net Increase in Cash and Cash Equivalents (A)+(B)+(C)		0.96		0.63		2.22		(2.10)		1.51		(8.68)
	Cash and Cash Equivalents at the beginning of the year		3.23		2.62		0.39		2.47		0.96		9.64
	Cash and Cash Equivalents at the end of the year		**4.19**		**3.25**		2.61		0.37		2.47		0.95

Annexure XIII Statement of Other Income

(Rs. in million)

	30.11.2005	31.03.2005	31.03.2004	31.03.2003	31.03.2002	31.03.2001
Insurance Claim	0.66	2.29		0.11	0.18	0.05
Interest (Other)				0.05	0.02	0.02
Miscelaneous Receipts	0	0.46	-	0.06	0.49	3.18
Profit on Sale of Assets	0.06	0.85	0.01			
	0.72	3.60	0.01	0.22	0.69	3.25

CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors,
Morarjee Textiles Ltd.,
106, Peninsula Centre,
Dr S. S. Rao Road,
Parel, Mumbai 400 012

1.0 We have examined the accompanying 'Statement of Adjusted consolidated Profit and Loss Account" (**Annexure – I**) and "Statement of Adjusted consolidated Assets and Liabilities **(Annexure – II**)" of Morarjee Textiles Ltd. (the Company) for the each of the financial year ended 31st March, 2004, 31st March, 2005 and for the period ended 30th November, 2005 (8 Months) read together with the consolidated Notes thereon. These statements reflects the 'Profit and Losses' and 'Assets and liabilities' for each of the relevant period as extracted from the Profit and Loss Account and Balance Sheet for relevant period audited by us, and in case of subsidiaries, we have relied on accounts audited by others Qualified accountants as per the requirement of Laws of respective countries and after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.18.7 of the Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000.

2.0 The summary of consolidated significant accounting policies adopted by the Company is enclosed as **Annexure-'III'** to this report.

3.0 The consolidated Notes to the 'Statement of adjusted consolidated Profit and Losses and Adjusted consolidated Assets and Liabilities' are enclosed as **Annexure-'IV'** to this report.

4.0 We have examined the Statement of "Accounting Ratios" of the Company for each of the financial periods ended 31st March, 2004, 31st March, 2005 and 30th November 2005 (8 Months), enclosed as **Annexure-'V'** and report that, in our opinion, the accounting ratios have been computed from the figures as stated in the 'Statement of Adjusted consolidated Assets and Liabilities'' of the Company referred to paragraph 1 above.

5.0 We have also examined the accompanying 'Statement of Rates of Dividend (**Annexure – VI**) paid in respect of any class of shares by the Company in respect of each of the financial year ended, 31st March, 2004, 31st March, 2005 and 30th November 2005 (8 Months) & report that the same found to be correct.

6.0 We have also examined the accompanying statement of Tax Shelter, Agewise Analysis of Sundry Debtors, Analysis of Loans and Advances, Capitalization Statement (enclosed as **Annexure-'VII, VIII, IX and X respectively)** of the company for each of the financial period , 31st March , 2004 , 31st March, 2005 and 30th November 2005 (8 Months) and report that in our opinion, these have been correctly computed from the figures as stated in Statement of Adjusted consolidated Assets and Liabilities and adjusted consolidated Profit and Loss of the company as referred para 1 above.

7.0 Principal Terms of Loans & Assets charged as Security are as per **Annexure XI** attached 'herewith'.

8.0 We have also examined the accompanying statement of Unsecured Loans taken by company as per **Annexure XII.**

9.0 We have also examined the accompanying statement of consolidated Cash Flow for each of the financial periods ended 31st March, 2004, 31, March, 2005 and 30th November 2005 (8 Months), enclosed as **Annexure-'XIII'**

10.0 We have also examined the accompanying statement of Other Income for each of the financial periods ended 31st March 2004, 31st March 2005 and 30th November 2005 (8 Months), enclosed as **Annexure-'XIV'**

11.0 This report is being issued by us for the purpose of incorporating the same in the Prospectus to be issued by the Company in respect of the proposed issue of Equity Shares of the Company on "Right" basis.

For SHAH & CO.,
CHARTERED ACCOUNTANTS

H.N. SHAH

PARTNER
Membership No. 8152

Place: Mumbai
Date: 19.01.2006

(Rs. in million)

Annexure - I STATEMENT OF ADJUSTED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR LAST TWO YEARS AND FOR THE PERIOD ENDED ON 3OTH NOVEMBER, 2005

PARTICULARS	For 8 months ended on	For The Year Ended On 31st March	
	30.11.2005	2005	2004
INCOME			
Sales			
Export Sales	646.82	910.72	519.83
Domestic Sales	511.10	896.77	778.00
DEPB	18.17	36.18	37.59
	1,176.10	**1,843.66**	**1,335.43**
Less: Excise Duty & Sales Return	68.00	116.00	831.24
	1108.10	**1,727.66**	**1,252.31**
Increase/(Decrease) in Stock	36.86	(6.32)	71.92
Other Income	.83	9.53	4.82
	1,145.79	**1,730.87**	**1,329.05**
EXPENDITURE			
Material Consumed	387.36	680.29	581.96
Manufacturing Expenses	343.28	468.36	314.44
Employees' Emoluments	118.58	156.97	131.65
Admn, Selling & Other Expns	150.78	206.96	141.86
Depreciation	53.97	82.27	65.19
Financial Charges	42.60	59.16	80.74
Miscellaneous Expns w.off	-	-	11.06
	1,096.58	**1,654.00**	**1,326.89**
Profit before tax	**49.21**	**76.86**	**2.16**
Other Adjustments VRS w/off		20.46	20.46
Prior Period Adjustment	-	-	0.09
	49.21	**56.41**	**(18.39)**
Provision for Tax			
Current Tax (Mat)	5.26		0.32

Deferred Tax	-	(1.85)	1.22
Fringe Benefit Tax	2.37		
Net Profit after tax as per			
Audited Statement of A/c (A)	**41.58**	**58.26**	**(19.92)**
Brought forwards Profit/(Loss)	30.85	(378.73)	(373.48)
from previous year			
Profit/(Loss) available for appropriation	**72.44**	**(320.47)**	**(393.40)**
Add:			
Transfer from Debenture Redemption Reserve			
Share of Minority Interest Adjusted	1.40		
Surplus on Capital Restructuring*	-	376.69	
Less:			
Adjusted Against Reserve		3.33	-
Capital Loss adj against purchase consideration			14.68
Proposed Devidend on			
-Equity	-	15.57	-
-Distribution Tax	-	2.18	-
-Preference	-	3.75	-
-Distribution Tax	-	0.53	-
Balance Carried forward to Balance Sheet	**73.84**	**30.85**	**(378.73)**
The accompanying significant accounting policies and notes are integral part of this statement.			

- For Details Refer Note A

(Rs. in million)

	30.11.2005	31.03.2005
Note A – Reserve and Surplus	**Amount**	**Amount**
1. General Reserve		
- Opening balance	**140.35**	**4.52**
Add: Transfer from Advance share application money		**132.50**
Add: Transferred from Profit and Loss Account		**3.33**
	140.35	**140.35**
2. Capital Restructuring Account		
3,24,93,450 Equity Shares cancelled under Capital Restructuring Scheme		**324.93**
Add: Transfer from Share Premium Account		**55.00**
Less: Consideration paid against cancellation of Equity Shares		**3.25**
	-	376.69
Less: Amount Transferred to Profit and Loss Account	-	376.69
	-	**-**
3. Share Premium		
Received during the year		**55.00**
Less:- Transferred to Capital Restructuring Account	**-**	**55.00**
		-
4. Foreign Exchange Reserve		
Opening Balance	**0.06**	
Adjustment for the period	**(0.09)**	**0.06**
	(0.03)	**0.06**
4. Profit and Loss Account	**73.84**	**30.85**
	214.16	**171.26**

(Rs. in million)

Annexure – II STATEMENT OF ADJUSTED CONSOLIDATED ASSETS AND LIABILITIES FOR LAST TWO YEARS AND FOR THE EIGHT MONTHS PERIOD ENDED ON 30TH NOVEMBER, 2005

	PARTICULARS	**For 8 months ended on**	**For the Year Ended March 31,**	
		30.11.2005	**2,005**	**2004**
A.	**Fixed Assets**			
	Gross Block	1,715.59	1,507.28	1,620.88
	Less: Depreciation	416.56	365.76	341.81
	Net Block	1,299.04	1,141.52	1,279.07
	Add: Capital Work in Progress	28.42	15.39	3.80
	Total	1,327.46	1,156.91	1,282.87
	Less: Revaluation Reserve			
	Net Block after adj of Rev Res	1,327.46	1,156.91	1,282.87
	Goodwill on consolidation	8.46	9.07	
B.	**Investments**	0.07	0.07	6.48
C.	**Current Assets, Loans & Adv**			
	Inventories	366.02	320.13	335.45
	Sundry Debtors	262.03	221.21	221.71
	Cash and Bank Balances	9.67	4.89	7.97
	Loans and Advances	152.87	113.69	189.89
	Total	790.58	659.93	755.01
D	**Liabilities and Provisions**			
	Secured Loans	919.90	509.72	736.92
	Unsecured Loans	248.39	388.37	531.92
	Current Liabilities and Provisions	538.81	549.90	365.29
	Minority Interest	-	1.40	
	Deferred tax liability			9.05
	Total	1,707.11	1,449.39	1,643.17
E.	**Preference Shares**	100.00	100.00	100.00
F.	**Net Worth (A+B+C-D-E)***	319.46	276.57	301.19
G.	**Represented by**			
	Paid up Share Capital			
	- Equity Shares	103.83	103.83	328.76
	- Advance against Equity	-	-	287.50

	Reserves and Surplus	214.16	171.26	(374.21)
	Capital Reserve on Consolidation	1.48	1.48	79.59
	Less:			
	Revaluation Reserve	-	-	-
	After Adjustment of Revaluation Reserve	214.16	171.26	(374.21)
	Total	319.46	276.57	321.64
H.	**Misc. Expns upto the extent not w.off**			20.46
I.	**Net Worth (G-H)***	319.46	276.57	301.19
The accompanying significant accounting policies and notes are integral part of this statement.				

Annexure III: Significant Accounting Policies

Schedule No. 15: - Accounting Policies

a) Basis of Accounting
The Financial statements have been prepared on the basis of historical cost on accrual basis and are in accordance with the requirements of the Companies Act, 1956.

b) Fixed Assets
All fixed assets are stated at historical cost. In respect of Assets acquired under new project expansion / restructuring, interest cost on borrowings and other related expenses during trial runs and up to satisfactory commencement of commercial production have been capitalised to Plant and Machinery. The Accounting Standard - 10 of the Institute of Chartered Accountants of India has been complied with in this respect.

c) Depreciation
Depreciation has been provided on straight line method on all fixed assets except Leasehold Land and design and archives at the rate specified in schedule in Schedule XIV to the Companies Act, 1956. Premium on leasehold land is amortised over the period of lease. In case of foreign subsidiary the depreciation on fixed assets is provided on written down value / straight line method as the case may be and at rates permissible under applicable local laws or at such rates so as to written off the value of assets over their useful life.

d) Foreign Exchange Transaction
Transactions in foreign exchange are accounted at exchange rates prevailing on the date of transaction or remittance / realisation of the amount during the year. Any exchange, gains/losses arising out of subsequent fluctuations in the rates are accounted for in the profit and loss accounts.

e) Inventory
Raw Material, Work in Process and Spares are valued at cost and cost is arrived at weighted average basis. Finished Goods valued at cost or market value whichever is lower in accordance with AS-2 of the ICAI, except in case of subsidiary work in progress is valued at purchase cost of Raw Material and Finished Goods are valued at Selling Price.

f) Research and Development
The Revenue expenditure on R & D is charged to Profit and Loss account.

g) Miscellaneous Expenditure
Preliminary expenses, Term Loan Processing Charges, Marketing and Selling Arrangement Service and Strike Period Expenditure are written off over a period of 5 years.

Technical/Other Consultancy Fees and Exim Bank Loan Prepayment Premium are written off over period of 3 years from the date of completion of the Consultancy services research activities.

h) Revenue Recognition
Revenue is recognised only when there is no significant uncertainty as to the measurability / collectability of amount.

i) Voluntary Retirement Scheme
In case of Subsidiary compensation paid on voluntary retirement scheme has been deferred and one half has been charged to Profit and Loss Account.

j) Translation of Foreign Currency Statements
In translation the financial statements of foreign entities for incorporation in the consolidated financial statement, the assets and liabilities are translated at the exchange rate prevailing at the balance sheet date of respective subsidiaries and income and expense items are translated at the average rate of

exchange for the year. The resulting exchange differences are classified as foreign exchange translation reserve.

k) Retirement Benefits
Retirement Benefits to employees are provided for by way of payment to Provident Fund. Company's contribution in respect of Provident Fund and present liability for future payment of Gratuity are charged against revenue expenses every year. Leave encashment is accounted as when paid. In case of subsidiary Gratuity Liability has been provided for by payment to Gratuity Fund.

l) Investments
Investments are stated at cost.

m) Lease Accounting
In respect of operating leases, lease rentals are accounted on accrual basis in accordance with the respective lease agreements.

n) Goodwill
Goodwill is written off over a period of 10 years

Annexure IV NOTES TO THE STATEMENT OF AUJUSTED CONSOLIDATED PROFITS AND LOSSES AND ADJUSTED CONSOLIDATED ASSETS AND LIABILITIES

1) Contingent Liability in respect of

(Rs. in million)

S. No.	Contingent Liability in respect of	Period ended 30.11.2005	As at 31.03.05	As at 31.03.05
A	Estimated amount of contracts remaining to be executed on Capital Account	71.23	71.94	5.91
B	Letter of Credit	28.48	58.27	24.82
C	Disputed liability with Central Excise Authorities	130.10	161.49	214.99
D	Counter Guarantees issued to Banks	7.30	8.30	7.89
E	Bill Discounted	18.99	10.25	17.92
F	Dividend to Preference Share holders	-	-	56.25
g	Disputed demands pending with various appellate authorities on account of sales tax	-	-	0.61

2) CAPITAL STRUCTURE

Share Capital (as of November 30, 2005)

(Rs. in million)

	Face Value	Aggregate Value
A. Authorised Capital		
43000000 Equity Shares of Rs. 10 each	430.00	430.00
1000000 5% Redeemable Cumulative Non Convertible 1st Preference Share of Rs. 100 each	100.00	100.00
B. Issued, Subscribed and paid up Capital		
10382550 Equity Shares of Rs. 10 each fully paid up	103.83	103.83
1000000 5% Redeemable Cumulative Non Convertible 1st Preference Share of Rs. 100 each	100.00	100.00

IN CASE OF PARENT COMPANY – FINANCIAL STRUCTURE – RATIONALIZED IN PREVIOUS YEAR 2004-05

With a view to rationalize the financial structure of the Company, during the year ended March 31, 2005, 10,000,000 equity shares of Rs.10/- each have been issued and allotted at a premium of Rs.5.50 per share, whereby the paid up equity share capital of the company has increased by Rs.100.00 million and share premium account credited by Rs.55 million. For this purpose the authorized share capital has been increased from Rs.400 million to Rs. 430 million. The terms of the 1,000,000 redeemable cumulative preference shares of Rs.100/- each have also been modified by revising the rate of dividend from 11.25% to 5% and extending the redemption period by making the preference shares redeemable any time after November 15, 2014 but before November 15, 2019. In view of the modification of rights attached to Preference Shares, the said shares shall be non cumulative up to June 30, 2004 and shall carry cumulative dividend of 5% per annum with effect from July 01, 2004. The advance against Equity of Rs. 287.50 million has been settled by making payment of Rs. 155 million and the balance Rs. 132.50 million has been cancelled and transferred to General Reserve.

REDUCTION OF SHARE CAPITAL – SETTING OFF CARRIED FORWARD LOSSES IN PREVIOUS YEAR

In continuation of the exercise to rationalize the company's financial structure, the Board of Directors had formulated a scheme u/s 391 and section 100 read with section 78 of the Companies Act, 1956 for purchase by the Company of its own equity shares from the Company's shareholders at minimal token consideration of 10p (Ten Paise) per share and then cancellation of such purchased shares resulting in reduction of equity share capital and the amount in share premium account of the Company correspondingly setting off the Company's accumulated losses. The equity shareholders of the Company had offered for purchase by the Company 32,493,450 equity shares. The scheme has been sanctioned by the Hon'ble Bombay High Court and upon giving effect to the scheme, (a) the equity share capital of the Company Rs.428.76 million stands reduced by Rs.324.93 million to Rs.103.83 million. The carried forward Losses of Rs.381.35 million as at 31.03.04 stands set off against (a) the reduction of share capital of Rs.321.68 million (net of consideration) and (b) the share premium of Rs.55 million leaving balance loss of Rs.4.67 million.

3) **Company has provided present liability for future payment of Gratuity to the employees at year end on the basis of the report of actuarial valuation**

4) The aggregate amount of Investments, Loans and other outstanding balances with subsidiary companies are as follows:

(Rs. in million)

	30.11.2005	31.03.2005	31.03.2004
Investment in Govt. Securities (Unquoted)	0.06	0.06	0.06
Investment in Equity Shares (Unquoted)			
Morarjee Goculdas Spinning & Weaving Private Limited (formerly – Morarjee Legler Private Limited)	0.00	0.00	0.00
Debtors, Loans and advances include Advances to Company in which directors are interested.	-	-	-
Morarjee Goculdas Spinning and Weaving Private Limited. (Formerly – Morarjee Legler Private Limited	0.07	0.07	56.07

5) As required by Accounting Standard – AS 18 "Related Parties Disclosures" issued by The Institute of Chartered Accountants of India are as follows.

(Rs. in million)

Nature of Transaction	30.11.2005	31.03.2005	31.03.2004
Purchases of Goods / Services			
Controlling Companies	-	-	106.69
Associate Companies	1.59	7.63	6.23
Total	1.59	7.63	112.92
Sales of Goods			
Controlling Companies	-	-	40.99
Associate Companies	-	5.47	1.49
Total	-	5.47	42.49
Loan Deposit / Received from			
Controlling Companies	-	-	167.75
Associate Companies	-	200.00	2.7
Total	-	200.00	1704.53
Loan given / Repaid to related parties			
Controlling Companies	-	-	176.40
Associate Companies	0.44	0.48	88.29
Total	0.44	0.48	264.69
Loan repaid by related party			
Associate Companies	-	56.00	-
Total	-	56.00	-
Equity Shares and Application Money			
Associate Companies	-	-	6.41
Key Managerial Position	-	0.55	-
Total	-	0.55	6.41
Buy Back of Equity Shares			
Controlling Companies	-	1.39	-
Associate Companies	-	1.86	-
Total	-	3.25	-
Purchase of Textile Undertaking			
Controlling Companies	-	-	43.20
Associate Companies	-	-	-
Total	-	-	43.20
Interest Paid			
Controlling Companies	-	-	-
Associate Companies	-	-	2.31
Total		-	2.31
Interest Received			
Controlling Companies	-	-	-
Associate Companies	-	-	0.94
Total	-	-	0.94
Remuneration to			
Key Managerial Personnel	6.89	8.54	6.88
Total	6.89	8.54	6.88
Rent Paid			
Relatives of Key Managerial Personnel	0.92	1.38	-
Total	0.92	1.38	-
Balance Outstanding			
Outstanding Payable			
Associate Companies	200.37	200.86	54.59

Total	200.37	200.86	54.59
Outstanding Receivables			
Associate Companies	3.21	3.45	56.41
Total	3..21	3.45	56.41

B. List of Related Parties with whom transaction have taken place during the year

	30.11.05	**31.03.05**	**31.03.04**
Controlling Companies	-	-	Morarjee Gokuldas Spg & Wvg Co. Ltd.
Associate Companies	● Morarjee Realties Limited (formerly – Morarjee Goculdas Spg & Wvg Co Ltd) ● Gujarat Glass Limited ● Morarjee Goculdas Spg & Wvg Co. Pvt. Ltd. (Formerly Morarjee Legler Pvt. Ltd.) ● Thudercloud Technologies Pvt Ltd ● Nicholas Piramal India Limited ● Piramal Enterprises Limited ● Piramal Health Care Pvt. Ltd. ● Pyramid Retail & Merchandise Pvt. Ltd. ● Miranda Tools ● GP Electronics Limited ● Surewin Trading Co. Pvt. Ltd. ● Highzone Mercantile Co. Pvt. Ltd.	● Gujarat Glasss Limited ● Morarjee Legler Pvt. Ltd. ● Thundercloud Technologies Pvt Ltd ● Nicholas Piramal India Limited ● Piramal Enterprises Limited ● Piramal Health Care Pvt. Ltd. ● Pyramid Retail & Merchandise Pvt. Ltd. ● Miranda Tools ● GP Electronics Limited ● Surewin Trading Co. Pvt. Ltd. ● Highzone Mercantile Co. Pvt. Ltd. ● Morarjee Realties Limited part of the year controlling company (Formerly – Morarjee Goculdas Spg and Wvg Co. Ltd.)	● Gujarat Glasss Limited ● Morarjee Legler Pvt. Ltd. ● Thundercloud Technologies Pvt Ltd ● Morarjee Castiglioni (I) Pvt. Ltd. ● Morarjee Gokuldas Spg & Wvg Co Ltd ● Miranda Tools ● G. P. Electronics Ltd. ● Swastik Safe Deposits and Investments Pvt. Ltd. ● BMK Laboratories Pvt. Ltd. ● Nozaki Finance & Investments Pvt. Ltd.
Key Managerial Personnel	Mr. Harshvardhan Piramal Mr. P. K. Gothi Dr. Giuseppe Callegri Mr. R. Krishnakumar	Mr. Rajeev A. Piramal Mr. Harshvardhan Piramal Mr. P. K. Gothi Mr. Robert Lobo (Part of the Year) Mr. S. M. Kulkarni Mr. S. N. Somani Dr. Giuseppe Callegri Mr. R. Krishnakumar	Mr. Ajay G. Piramal Ms Urvi A. Piramal Mr. Rajeev A. Piramal Mr. P. K. Gothi Mr. Harshvardhan Piramal Mr. S. Santhanam Mr. Robert Lobo Mr. S. M. Kulkarni Mr. S. N. Somani
Relatives of Key Managerial Personnel	Mrs. Bhakti P. Gothi	-	-

6) Segment wise Revenue, Results, and Capital Employed

(Rs. in million)

	30.11.05	31.03.05	31.03.04
1) Segment Revenue			
- Textiles	1,108.10	1,481.43	1,028.80
- Auto Ancillary	-	246.23	223.51
	1,108.10	**1,727.66**	**1,252.31**
2) Segment Results			
- Textiles	90.99	113.89	51.99
- Auto Ancillary	-	12.61	24.54
Less:	**90.99**	**126.50**	**76.54**
- Financial Expenses	42.60	59.16	80.74
- Other unallocable expenditure net off unallocable income	(0.83)	(9.53)	(4.82)
- Prior period / Exceptional items	-	20.46	20.55
- Income Taxes	7.63	(1.85)	-
	41.58	58.26	(19.92)
3) Other Information			
Segment Assets			
- Textiles	2,126.57	1,825.97	1,770.43
- Auto Ancillary	-	-	273.93
Unallocated Corporate Assets	**2,126.57**	**1,825.97**	**2,044.36**
Segment Liabilities			
- Textiles	1,707.11	1,449.39	1,524.75
- Auto Ancilliary	-	-	109.38
Unallocated Corporate Assets	-	-	-
	1,707.11	**1,449.39**	**1,634.13**
Capital Expenditure			
- Textiles	209.57	128.52	332.14
- Auto Ancilliary	-	4.27	7.36
Unallocated Corporate Assets	-	-	-
	209.57	**132.79**	**339.50**
Depreciation			
- Textiles	53.97	71.70	56.10
- Auto Ancilliary	-	10.57	9.08
	53.97	82.27	65.19
Non Cash expenses other than depreciation	0.61	-	11.06
	0.61	**-**	**11.06**

7. As required by Accounting Standard – 20 issued by the Institute of Chartered Accountants of India, the reporting in respect of Earning Per Share (EPS) Basic and dilute is as follows: -

(Rs. in million)

	30.11.2005	2004-05	2003-04
Profit/(Loss) after tax	41.58	58.26	(19.92)
Add: Share of Minority Interest Adjusted	1.40	-	-
Less: Dividend on Preference Shares	3.8	42.76	
Profit/(Loss) available to equity shareholders	39.18	53.98	(19.92)
Weighted average no. of equity shares			
for basic EPS	10,382,550	26,837,062	32,876,000
Nominal Value of Equity Shares	10.00	10.00	1000
Basic Earning Per Equity Shares (In Rs)	3.77	2.01	(0.61)

8) As per the requirement of Accounting Standard 22 issued by Institute of Chartered Accountants of India applicable from period 1.4.2001. In case of parent company the accumulated deferred tax assets of the company not taken in accounts amounting to Rs.899.94 (Previous Year Rs. 108.32 million) as per conservative policy of the company.

(Rs. in million)

	2003-04	2004-05	1.4.05 to 30.11.05	Changes during FY 2005-06
Deferred Tax Liability	-	-	-	-
Accelerated Depreciation	180.19	192.94	215.99	23.05
Accelerated Amortisations	0	-	-	-
Total	**180.19**	**192.94**	**215.99**	**23.05**
Deferred Tax Assets				
Accelerated Amortisations	-0.13	0.08	0	0
Unabsorbed Depreciation	268.67	252.18	256.99	4.81
B/f Business Losses	54.64	48.99	48.99	-
Total	**323.16**	**301.26**	**305.98**	**4.81**
Net Deferred Tax Assets	**142.98**	**108.32**	**89.99**	**(18.24)**

Note: Deferred Tax Liability during the period ended 30th Nov., 2005 is amounting to Rs. 18.24 million and net deferred tax assets Rs. 89.99 million

II) Working for Subsidiary

The accumulated deferred tax assets of the company have not been taken in accounts amounting to Rs 7.60 million for the period ended 30.11.2005.

III) Working for Joint Venture

The accumulated deferred tax assets of the company not taken in accounts amounting to Rs 1.62 million for the period ended 30.11.2005.

9) Figures of period ended 30.11.2005 is not comparable with previous all financial year.

10) Previous year's figures have been regrouped wherever necessary.

11) Auditors having following qualifications in the auditor's report of earlier years, which have been given below, and which have been duly remedied by the Company

i) In case of parent company in the Financial Year 2001-02, 2002-03, 2003-04, 2004-05 and period ended 30.11.2005 2004-05 and period ended 30.11.2005 (8 Months) the inventories have been valued in accordance with the Accounting Standard 2 (revised) valuation of inventories issued by the Institute of Chartered Accountants of India, Excise duty on Finished Goods at the factory, amounting to Rs 5.05 million, Rs. 2.04 million and Rs. 3.73 million respectively has been provided and the same has been included in the value of the closing inventory. This has no effect on the profit and loss account of the year.

ii) In case of parent company, during the Financial Year 2003-04 balance in deferred revenue expenditure has been fully charged to profit and loss account which has resulted in increase of loss by Rs 3.06 million.

12) The parent company and one of the subsidiary company has taken vehicles on an operating basis for a period of 60 months. The lease rentals are payable as per the lease agreements.

Future minimum lease rentals payable as per agreement:

(Rs. in million)

	30.11.2005	31.03.2005	31.03.2004
a) Not later than one year	2.75	1.68	-
b) Later than one year but not later than five year	8.06	6.04	-
c) Later than five years	-	-	-

Lease payment recognised in profit & Loss account for the period is Rs 1.54 million (previous year Rs 1.09 million)

13) Details of subsidiary and joint venture consolidated

S. No.	Particulars	Status	Country of Incorporation	% of voting power
1	The PMP Components Pvt. Ltd.	Wholly owned	India	100
2	Integra Apparels and Textiles Pvt. Ltd.	Subsidiary	India	85
3	Morarjee International S. R. I	Wholly owned	Italy	100
4	Morarjee Castiglioni (i) Pvt Ltd	Joint Venture	India	50

14) One of the subsidiary company has commenced commercial production from 22 JUNE 2005 and capitalised following expenses to plant & machinery as pre-operative expenses. As required by accounting standard 16 on borrowing cost as issued by ICAI interest amounting to Rs 0.27 million also has been capitalised.

(Rs. in million)

Particulars	30.11.2005
Salary & wages	1.14
Legal & Professional	0.72
Other exp.	0.11
Rent	0.52
Interest	0.27
Consumables	0.02
Sample sale	(0.14)
Eletricity	0.11
Total	**2.74**

15) INVESTMENTS:

During the previous year 2004-05 company has entered into following transactions. Investment in subsidiary company i.e. PMP Components Pvt. Ltd. was sold for Rs.40.5 million.

Purchased 425,000 (85% of the paid up capital) equity shares of Rs.10/- each of Integra Apparels and Textiles Pvt. Ltd. at a premium of Rs.30/- each amounting to Rs.17 million.

Established a wholly owned subsidiary Morarjee International SRI in Italy with paid up capital of 10,000 share of Euro 1 per share each amounting to Euro 10,000.

16) Principals of Consolidation:-

a) The Consolidated Financial statements are based on the audited financial statements of the subsidiary for the period ended 30th November, 2005. No significant transactions have occurred after the Balance Sheet date of subsidiary.

b) The Financial statements of the company and its subsidiary have been combined to the extent possible on a line by line basis by adding together like items of assets, liabilities, income and expenses. All significant intra group balances and transactions have been eliminated on consolidation.

c) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's financial statements.

d) The goodwill / capital reserve on consolidation has been recognised in the consolidated financial statement.

e) Minority interest in the net income and net assets of the consolidated financial statements are computed and shown separately.

f) In case of PMP Components Pvt. Ltd. which is sold on 28.02.2005. For consolidation profit & Loss account for the previous year ended 31.3.2005 is considered on line by line basis.

Annexure V Statement of Accounting Ratios

S. No.	Particulars	Period ended 30.11.05	For the financial year ended on	
			31.03.2005	31.03.2004
1	Earning Per Share	3.77	2.77	(0.61)
	(Before Extra Ordinary Items)			
2	Earning Per Share	3.77	2.01	0.02
	(After Extra Ordinary Items)			
3	Return on Net Worth (%)	11.83%	26.89%	0.21%
	(Before Extra Ordinary Items)			
4	Return on Net Worth (%)	11.83%	19.52%	-6.61%
	(After Extra Ordinary Items)			
5	Net Assets Value per Share	29.95	25.76	9.16

Note:

1)	Earning Per Share (Before Extra Ordinary Items)	Adjusted Profit after tax before extra ordinary items / No. of shares
2)	Earning Per Share (After Extra Ordinary Items)	Adjusted Profit after tax after extra ordinary items / No. of shares
3)	Return on Net worth (%) (Before Extra Ordinary Items)	Adjusted Profit after tax before extra ordinary items / Net Worth
4)	Return on Net worth (%) (After Extra Ordinary Items)	Adjusted Profit after tax after extra ordinary items / Net Worth
5)	Net Assets Value per Share	Net Worth excluding Preference Shares Capital / No. of Equity Shares

Annexure VI
STATEMENT OF DIVIDEND DECLARED

Preference Shares
The Board of Directors has recommended dividend @ 5% per Preference Shares of Rs. 100/- each for the period 1.7.04 to 31.3.05

Equity Shares
The Board of Directors has recommended dividend @ 15% per Preference Shares of Rs. 10/- each for the period 31.3.05

(Rs. in million)

	Equity				**Preference Shares**			
Period	No. of Shares	Dividend %	Amount	Dividend Tax	No. of Shares	Dividend %	Amount	Dividend Tax
31st March 2005	10382550	15 %	15.57	2.18	1,000,000	5%	3.75	0.53

Annexure VII Tax Shelter Statement

I) Working for Parent Company

(Rs. in million)

Particulars	Year ended 31.03.2005	Period ending 30.11.2005
Book Profit / (Loss)	66.42	62.53
Tax at Notional Rate (on Book Profit)	24.31	21.05
Adjustments	(58.41)	(76.82)
- Diff between Tax dep & Book Dep	(59.91)	(76.77)
- Other adjustments	1.50	(0.06)
- Set off of B/fd business loss	8.01	Nil
Net adjustment	66.42	(76.82)
Tax Saving on Net adjustment	24.31	21.05
Total Taxation	Nil	Nil
	Ref Note No 1& 2	Refer Note 3

Note: -

1. For the year ended 31.03.2005, as per section 115 JB of the Income Tax Act, 1961, ("the Act"), the Company has set off its book profit of Rs. 6,64,22,954/- against brought forward unabsorbed depreciation amounting to Rs. 10,46,88,765/- and therefore Minimum Alternate Tax Liability does not arise.

2. In the preceding four financial years starting from 01.04.2001 and ending on 31.03.2004 the company has incurred losses. Hence there was no saving on account of Income Tax in these years.

3. For the period ending 30th November 2005, the company has book profit of Rs. 62.53 million. On the aforesaid book profit, the company's liability to pay tax as per provisions of section 115JB shall be Rs. 5.26 million. The liability to pay tax is arrived before considering set off lower of brought forward loss or unabsorbed depreciation as per provisions of section 115JB of the Act.

II) Working for Subsidiary

The accumulated deferred tax assets of the company have not been taken in accounts amounting to Rs 7.60 million for the period ended 30.11.2005

III) Working for Joint Venture

The accumulated deferred tax assets of the company not taken in accounts amounting to Rs 1.62 million for the period ended 30.11.2005

Annexure VIII – Agewise Analysis of Sundry Debtors

(Rs. in million)

Accounting year period ended on	More than 180 days	Less than 180 days	Total Sundry Debtors
30th November 2005	15.75	246.28	262.03
31st March, 2005	20.04	201.18	221.21
31st March, 2004	16.66	205.05	221.71

Annexure IX – Analysis of Loans and Advances

(Rs. in million)

	30.11.2005	31.03.2005	31.03.2004
Advances Recoverable in Cash or Kind	55.44	52.07	38.95
Deposit and Other Advances	25.84	15.95	80.08
Advances to staff	7.34	6.73	4.31
Deposit with excise, sales tax authorities	64.18	38.87	66.55
Loans to Company in which Directors are interested (Morarjee goculdas Spg & Wvg pvt. Ltd. Formerly-Morarjee Legler Pvt. Ltd.)	0.07	0.07	-
	152.87	**113.69**	**189.89**

Annexure X – Capitalization Statement

(Rs. in million)

PARTICULARS	AMOUNT (30. 11.2005)
BORROWING:	
Short Term Debt	644.55
Long Term Debt	523.75
Total Debts	**11,68.30**
SHAREHOLDERS FUND	
Share Capital (Paid up Capital)	2,03.83
Reserves & Surplus	215.64
Total Shareholders Fund	**419.46**
TOTAL CAPITALISATION	**1,587.76**
DEBT EQUITY RATIO	**2.78:1**

Annexure XI Principal Terms of Loans and Assets Charged as security

(Rs. in million)

Particulars	30.11.2005	31.03.2005	31.03.2004
	Amount	**Amount**	**Amount**
Schedule 2 : Loan Funds			
A) Secured Loans			
EXIM Bank **-** Foreign Currency Term Loan	-	-	237.09
Rupee Term Loan - (Repayable in half yearly equal instalments of Rs.3.13 million ending on 01.11.2010 - Secured by way of Equitable Mortgage on Company's Immovable Properties at Butibori, Nagpur and by a charge created on Co's moveable assets including its moveable plant and Machinery spares, tools and accessories and other movables, both present and future, subject to prior charge of Company's Bankers	31.25	37.50	43.75
Term Loan - Repayable in quarterly qual instalments of Rs 6.25 million starting from June 06 and Rs 18.75 million starting from March 07 (Secured by a paripassu charge on the movable assets including its moveable plant and machinery, spare, tools and accessories secured by a parripassu equitable mortgage on company's immovable properties at Butibori, Nagpur)	492.50	150.00	-
Cash Credit / Packing Credit from Banks - (Secured by way of hypothecation of Current Assets of the Co. viz., Raw Materials, Stock-In - Process, Finished Goods, consumables stock and spares, book debts and other moveable both present and future and secured by pari passu second charge created on Co's moveable assets including its moveable plant and machinery, spares, tools and accessories and other moveable, both present and future.	396.15	322.22	456.08
Total	919.90	509.72	736.92

Annexure XII – Analysis of Outstanding Unsecured Loans Taken By the Company

(Rs. in Million)

Period	30.11.2005	Rate of Interest	Repayment Schedule
FROM : CORPORATE BODIES			
Ashok Cutting Tools Ltd	48.39		On Demand
Total	**48.39**		
FROM : OTHERS			
UTI Bank Ltd	100.00	8.25%	21.01.2006
Yes Bank Ltd	100.00	8.00%	17.02.2006
Total	**200.00**		
	248.39		
Year ended 2004-05			
FROM : CORPORATE BODIES			
Ashok Cutting Ltd.	46.39		On Demand
Total	**46.39**		
FROM : OTHERS			
Allahabad Bank	100.00	7.00%	23.07.2005 paid
Ing Vysya Bank	240.00	6.20%	27.09.2005 paid
Directors	0.57		31.05.2005 paid
Banca Popolara Di Milano	1.41		15.06.2005 paid
Total	**341.98**		
	388.37		
Year ended 2003-04			
FROM : CORPORATE BODIES			
GUJARAT GLASS LTD.	0.48		On Demand
NOZAKI FINANCE & INVESTMENTS PVT LTD	438.80		- do -
Total	**439.28**		
FROM : OTHERS			
Citi Bank	87.59	Libor + .75%	03.04.2004
Sales tax deferral scheme	4.04	Interest free	
Credit lyonnais	1.00	7.50%	
Total	**531.92**		

Annexure XIII – Cash Flow Statements

(Rs. in million)

CASH FLOW STATEMENT	November 30, 2005		March 31, 2005	
	Amount	Amount	Amount	Amount
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit (Loss) Before Tax and Extraordinary items:				
Net Profit/(Loss) for the year		41.58		56.41
Add: Miscellaneous Expenses w/off		0.00		20.46
Add: Fixed Assets W/off				3.24
Add: Foreign Exchange Reserve on Consolidation				0.06
Less: Prior Period Adjustments		0.00		0.00
		41.58		80.17
Add: Provision for Tax - Mat/Fbt	7.63			
Depreciation	53.97		82.27	
Interest Expenses	42.85		59.16	
Minority Interest adjusted	1.40			
Goodwill Written off	0.61		0.00	
Less: Interest Income	0.25		0.00	
Profit on Sale of Assets	0.06		0.65	
Foreign Exchange Reserve on Consolidation	0.09	106.06		140.78
		147.65		220.95
		-		-
Operating Profit Before Working Capital Changes		147.65		220.95
Adjustments for Changes in Working Capital				
(Increase)/ Decrease in Trade and Other Receivables	(99.06)		84.47	
(Increase) /Decrease in Inventories	(45.89)		15.31	
Increase/(Decrease) in Trade Payables	(1.99)		166.77	
		(146.95)		266.56
Cash from Operating Activities		**0.69**		
Less: Extra Ordinary item				
Less: Income Tax Paid (MAT/FBT)		5.36		
Net Cash From Operating Activities (A)		**(4.67)**		487.50
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(209.57)		(132.79)	
Sale of Fixed Assets	4.17		8.41	
Interest on Income	0.25		0.00	

Purchase of Investments	0.00		0.00	
Adjustment on Consolidation			78.74	
Goodwill on Consolidation			(9.07)	
Sale of Investments	0.00		0.00	
Net Cash Used in Investing Activities (B)		**(205.15)**		**(54.71)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Long Term Borrowings	342.50		390.00	
Repayment of Long Term Borrowings	(6.25)		(243.34)	
Issue of Equity Share with premium	0.00		155.00	
Refund of Advance against Equity	0.00		(155.00)	
Dividend Payment and Taxes	(22.03)			
Consideration against cancellation of Shares	0.00		(3.25)	
Increase/ (Decrease) in Short term Borrowings	(66.04)		(517.41)	
Interest Paid	(33.59)		(62.46)	
Net Cash Used in Financing Activities (C)		**214.59**		**(436.45)**
Net Increase in Cash and Cash Equivalents (A)+(B)+(C)		4.77		(3.66)
Cash and Cash Equivalents at the beginning of the year		4.89		8.54
Cash and Cash Equivalents at the end of the year		**9.66**		**4.89**

Annexure XIV – Statement of Other Income

(Rs. in million)

Particulars	30.11.2005	31.03.2005	31.03.2004
Insurance Claim	0.73	2.29	-
Interest (Other)	-	-	-
Miscellaneous Receipts	0.04	4.91	4.70
Profit on Sale of Assets	0.06	0.65	0.12
Profit on Sale of Subsidiary	-	1.68	-
TOTAL	0.83	9.53	4.82

STOCK MARKET DATA FOR EQUITY SHARES OF OUR COMPANY

Our Equity Shares are listed on the BSE. As our shares are actively traded on the BSE, our stock market data has been taken from the BSE website.

(a)

Period	High				Low				Average Price (Rs.)
	Date	Price (Rs.)	T/O (Rs. in million)	Volume Traded during the day	Date	Price (Rs.)	T/O (Rs. in million)	Volume Traded during the day	
2003	Not Applicable. Shares were listed in 2005.								
2004	Not Applicable. Shares were listed in 2005.								
2005	17-08-05	184.00	48.08	276,460	24-03-05	75.90	8.44	89,991	129.95
Sept' 2005	01-09-05	162.80	2.65	17,264	30-09-05	106.00	2.01	18,578	134.40
Oct' 2005	05-10-05	122.00	3.45	28,890	21-10-05	78.00	1.86	22,287	100.00
Nov' 2005	28-11-05	115.00	4.42	39,008	24-11-05	88.00	7.04	69,216	101.50
Dec' 2005	08-12-05	124.50	3.73	31,333	23-12-05	100.10	0.90	8,512	112.30
Jan' 2006	23-01-06	139.00	7.06	52,687	02-01-06	105.10	0.47	4,427	122.05
Feb' 2006	22-02-06	132.85	1.44	11,423	07-02-06	113.25	4.44	37,507	123.05

(b) Market Price immediately after the date on which board resolution authorizing the issue was passed

Board Resolution authorizing the issue was passed on January 19, 2006. Market Price details on January 20, 2006 are given as under:

High (Rs.)	Low (Rs.)	Volume Traded	Turnover (Rs. in million)
129.10	118.00	59,452	7.52

(c) Volume Traded during the last six months and last three years

	Volume Traded	Turnover (Rs. in million)
2003	N. A.	
2004	N. A.	
2005	4,598,062	596.50
September 2005	436,097	57.49
October 2005	242,015	25.03
November 2005	555,903	57.36
December 2005	350,769	39.26
January 2006	529,210	66.28
February 2006	215,311	26.12

Source: www.bseindia.com

Mechanism for redressal of investor grievances:

The Company has set up an Investors Grievances Committee comprising of one executive and one non-executive director. The Investors Grievances Committee met four times during the course of this fiscal year, on June 27, 2005, July 28, 2005, October 27, 2005 and January 19, 2006.

The Committee was constituted in terms of the mandatory requirement of Clause 49 of the Listing Agreement to look into the redressal of grievances of investors like non receipt of share certificates, non-receipt of balance sheet, non-receipt of dividend warrants etc. We have one pending complaint from the last fiscal year. Company has appointed Amtrac Management Services Limited as its Share Transfer Agents in compliance with SEBI directive and the power relating to share transfers has been delegated by the Board to Amtrac Management Services Limited.

There has been no change in the statutory auditors of the Company for the preceding three years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our audited financial statements each for the eight months period ending November 30, 2005 and for the financial years ending March 31, 2005, 2004, 2003 and 2002 including the notes thereto and the reports thereon, which appear elsewhere in this Draft Letter of Offer.

The following discussion is based on our audited financial statements for the eight months period ended November 30, 2005 and for the financial year ended March 31 each of the financial years 2005, 2004, 2003 and 2002, which have been prepared in accordance with Indian GAAP & the Companies Act, and on information available from other sources.

INDIAN ECONOMY

We are in the business of manufacturing high value shirting fabrics, premium voiles and high fashion printed fabrics, and currently operating from our facility at Nagpur. The Industry in which we operate are influenced, among other things, by general economic conditions prevalent in India.

The Indian economy has made significant strides over last two decades with annual average growth rising from a level of 2.9% in 1970s to 5.8% in 1990s. Further, the economy has shown sustained growth over the last few years with GDP growing at 6.9% in fiscal 2005, 8.5% in fiscal 2004, 4.0% in fiscal 2003 and 5.8% in fiscal 2002. The improvement in growth has also been accompanied by structural change as, between 1970s and FY 2004, the share of agriculture and allied sector in GDP has declined from an average of 42.8% to 22.1%, share of services has improved from an average of 34.5% to 51%, while the share of industry has improved marginally from an average of 22.8% to 26.9%. With an increase in the GDP, purchasing capacity and surplus in hands of consumers increase, which provides scope for the retail and other allied sectors to grow. Our company would stand to benefit from the same.

With the passage of time, India Economy is getting more liberal and has welcomed the step taken by World Trade Organization for removal of quotas system in the textile sector which was prevalent from last forty years. The overall growth of Indian economy in future may also affect textile Industry as well as our operational and financial performance.

INDIAN TEXTILE INDUSTRY

Indian Textile Industry is a vertically integrated and covers a large gamut of activities ranging from production of its own raw material namely cotton, jute, silk and wool to manufacturing high value added fabric and garments.

The Multi Fibre Arrangement (MFA) that came to an end on January 1, 2005 has opened up a plethora of opportunities for the Indian textile industry. With textiles accounting for almost 21 percent of Indian exports, and the industry and allied areas providing employment to around 80 million people in India, the Indian government is turning its attention to removing the bottlenecks that hinder its growth. (Source: Ministry of Textiles, Annual Report 2004-05)

According to a recent study by CRISIL (commissioned by ICMF), the Indian textiles and apparel industry can achieve a potential size of US $ 85 billion by 2010 of which, the domestic market potential would be US $ 45 billion and export potential would be US $ 40 billion. Nearly 60% of exports would comprise garments. This would create 12 million job opportunities, 5 million direct jobs in textile industry, and 7 million jobs in allied sectors. (Source: Ministry of Textiles, Annual Report 2004-05)

BUSINESS OVERVIEW

We are an established manufacturer of high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics with sophisticated technology and distinct designing as our key differentiators. We cater to customers both domestically and internationally.

We have integrated forward into the garments segment by setting up our subsidiary, Integra Apparels and Textiles Pvt. Ltd. focusing on garments for women, men and kids wear in the international market. We have set up a state-of-the-art manufacturing unit during the current financial year. We have also set up a 100% subsidiary, Morarjee International S.R.I. in Europe based in Legnano, Italy, which has a state-of-the-art design studio for the fabric and garment collections and is supported by team of European designers and marketing personnel.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Factors which have affected our results of operation in past and which may affect our future results of operations are:

- Our ability to successfully commission the Expansion Project at the scheduled time;
- Phasing out of MFA and creation of a level playing field in the domestic market will mean more players enter in the industry, which could lead to pressure on prices;
- Increasing competition from additional capacities being set up in India as well as neighboring countries due to their lower labour costs and ready availability of raw material;
- Availability of raw material in the requisite quantity and quality.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The Financial statements have been prepared on the basis of historical cost on accrual basis and are in accordance with the requirements of the Companies Act, 1956.

Fixed Assets
All fixed assets are stated at historical cost. In respect of Assets acquired under new project expansion / restructuring, interest cost on borrowings and other related expenses during trial runs and up to satisfactory commencement of commercial production have been capitalised to Plant and Machinery. The Accounting Standard - 10 of the Institute of Chartered Accountants of India has been complied with in this respect.

Depreciation
Depreciation has been provided on straight line method on all fixed assets except Leasehold Land at the rate specified in Schedule XIV to the Companies Act, 1956. Premium on leasehold land is amortised over the period of lease.

Foreign Exchange Transaction
Transactions in foreign exchange are accounted at exchange rates prevailing on the date of transaction or remittance / realisation of the amount during the year. Any exchange, gains/losses arising out of subsequent fluctuations in the rates are accounted for in the profit and loss accounts.

Inventory
Raw Material, Work in Process and Spares are valued at cost and cost is arrived at weighted average basis. Finished Goods valued at cost or market value whichever is lower in accordance with AS-2 of the ICAI.

Miscellaneous Expenditure
Preliminary expenses, Term Loan Processing Charges, Marketing and Selling Arrangement Service and Strike Period Expenditure are written off over a period of 5 years.

Technical/Other Consultancy Fees and Exim Bank Loan Prepayment Premium are written off over period of 3 years from the date of completion of the Consultancy services research activities.

Revenue Recognition
Revenue is recognised only when there is no significant uncertainty as to the measurability / collectability of amount.

Retirement Benefits
Retirement Benefits to employees are provided for by way of payment to Provident Fund. Company's contribution in respect of Provident Fund and present liability for future payment of Gratuity are charged against revenue expenses every year. Leave encashment is accounted as when paid.

Investments
Investments are stated at cost.

RESULTS OF OPERATION

The table below sets forth various line items from our restated financial statements for 2001-02, 2002-03, 2003-04, 2004-05 and eight months period ended November 30, 2005 and certain ratios and percentages to facilitate comparisons:

(Rs. In Million)

Particulars	**8 months ended November 30, 2005**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
Net Sales (after excise and Including Export Incentives)	1,059.95	1,481.38	1028.8	587.99	569.93
Other Income	0.72	3.6	0.03	0.22	0.68
Increase / (decrease) in stock	29.7	2.75	68.66	(5.04)	2.07
Total Income	1,090.37	1,487.73	1097.48	583.17	572.68
Cost of Materials Consumed to Total Income	33.55%	36.77%	42.61%	40.44%	41.97%
Material Consumed	365.78	547.00	467.63	235.82	240.33
Employee Emoluments to Total Income	7.98%	8.41%	8.35%	7.23%	6.43%
Employees Emoluments	86.97	125.07	91.62	42.19	36.81
Manufacturing Expenses to Total Income	30.40%	30.14%	27.45%	28.37%	26.44%
Manufacturing Expenses	331.46	448.36	301.24	165.46	151.42
Administration, Selling and Other Expenses to Total Income	13.84%	11.62%	10.73%	7.76%	8.03%
Administration, Selling and Other Expenses	150.96	172.88	117.80	45.24	46.00
Profit/(Loss) before Interest, Depreciation, Tax and Prior Period Item to Total Income	14.23%	13.07%	9.85%	14.41%	14.87%

Particulars	8 months ended November 30, 2005	2004-05	2003-04	2002-03	2001-02
Profit/(Loss) before Interest, Depreciation, Tax and Prior Period Item	155.20	194.42	108.12	84.03	85.14
Interest Expense (net) to Total Income	3.71%	3.79%	6.79%	9.64%	20.29%
Interest Expense (net)	40.43	56.37	74.48	56.20	116.20
Depreciation to Total Income	4.79%	4.81%	5.11%	8.80%	8.65%
Depreciation	52.24	71.63	56.10	51.31	49.52
Profit/(Loss) before Tax and Prior Period Item to Total Income	5.73%	4.46%	-	-	-
Profit/(Loss) before Tax and Prior Period Item	62.53	66.42	(22.46)	(23.48)	(80.58)
Prior period items and other adjustments	-	-	0.09	0.56	0.43
Current taxes (MAT)	5.26	-	-	-	-
Fringe Benefit Tax	2.12	-	-	-	-
Profit/(Loss) for the year to Total Income	5.06%	4.46%	-	-	-
Profit/(Loss) for the year	55.15	66.42	(22.55)	(22.92)	(81.01)

Business Performance

Revenues

Our revenues comprise

- Sale of high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics
- Other income

The following table shows our total revenue for the eight months period ended November 30, 2005 and last three fiscals ended March 31, 2005, 2004, 2003 and 2002:

(Rs. in million)

Sources of Revenue	8 months ended November 30, 2005	Year Ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002
Sale of Products	1,059.95	1,481.38	1,028.80	587.99	569.93
Other Income	0.72	3.60	0.03	0.22	0.68
Total Revenue	**1,060.67**	**1,484.98**	**1,028.83**	**588.21**	**570.61**

1. *Sale of Products*

We sell our products in domestic as well as in the export market. Our selling arrangement includes direct sales to customers as well as well as through distributors. The details of the domestic and export sales are as follows:

(Rs. in million)

Year	Revenue Earned (in Rs. million)		Total (in Rs. Million)	% of total revenue earned	
	Domestic Market	Overseas Market[4]		Domestic	Overseas
2001-02	278.00	291.93	569.93	48.78%	51.22%
2002-03	354.64	233.35	587.99	60.31%	39.69%
2003-04	528.69	500.11	1028.80	51.39%	48.61%
2004-05	615.87	865.52	1481.39	41.57%	58.43%
Eight months period ended November 30, 2005	457.18	602.77	1059.95	43.13%	56.87%

Domestic Revenue is net of Excise Duty and Sales Return

Revenue in Overseas market include export incentives

2. *Other Income*

Our other income does not consist of any income of recurring nature. Normally, our other income consists of profit / loss on sale of assets and insurance claims received.

Expenditure

The following table shows our expenditure for eight months period ended November 30, 2005 and last three fiscals ended March 31, 2005, 2004, 2003 and 2002:

(Rs. in million)

Expenditure	8 months ended November 30, 2005	*FY 2005*	FY 2004	FY 2003	FY 2002
Raw Material	365.78	547.00	467.63	235.82	
Manufacturing Expenses	331.46	448.36	301.24	165.46	
Employees Emoluments	86.97	125.07	91.62	42.19	
Administration, Selling and Other Exp.	150.96	172.88	117.80	45.24	
Interest and finance charges	40.43	56.37	74.48	56.19	
Depreciation & Obsolescence	52.24	71.63	56.10	51.31	
Prior period expenditure / (income)	-	-	0.09	0.56	

1. *Raw Material*

Our Raw Material includes raw cotton, cotton yarn and includes imported and indigenous procurements. Our imports mainly consist of extra long staple variety of cotton from Egypt, USA and CIS countries due to the non-availability of the required quantity from domestic markets. Further, our raw material expenses also include imported and indigenous stores, spares and components.

The break up of our imported and indigenous raw material is as under :

(Rs. in million)

Particulars	8 months period ended on November 30, 2005	FY 2005	FY 2004	FY 2003

[4] Export figure is inclusive of Export Incentive

	Amount	%	Amount	%	Amount	%	Amount	%
Raw Material								
- Imported	**63.43**	**17.34**	**98.64**	**18.03**	**-**	**-**	**40.04**	**8.56**
- Indigenous	**302.35**	**82.66**	**448.36**	**81.97**	**235.82**	**100**	**427.59**	**91.44**
Total	**365.78**	**100.0**	**547.00**	**100.0**	**235.82**	**100.0**	**467.63**	**100.0**

Though only 17-18% of our raw material is imported directly by us, most of our domestic suppliers source extra long staple variety of cotton from abroad. In real terms, our consumption of imported raw material would be greater than 17-18%.

2. *Manufacturing Expenses*

Our manufacturing expenses include processing charges, dyes & chemicals, packing materials, stores & spares, power & fuel among others. These constitute around 90% of our total manufacturing expenses. Certain conversion charges (which includes amount paid to contract labour) and costs of other consumables, repairs to building, plant and machinery, rates, taxes and water charges are also included in manufacturing expenses.

3. *Employee Emoluments*

Our employee emoluments apart from salaries and wages include contribution to provident and other funds, and staff welfare expenses. In addition, we employ workmen on contractual basis. We had 785 employees on our payroll as at November 30, 2005.

4. *Administration, Selling and Other Expenses*

These expenses amounted to Rs. 172.88 million for the FY 2005 constituting 11.62% of our total income and comprise administrative and general expenses and all marketing and sales related costs.

5. *Interest and Finance Charges*

Interest and finance charges are paid for debts / loans taken by the company for working capital funding and financing our expansion plans. In the past, we rescheduled our debt by paying one time charge of Rs. 14.50 million (conversion of our rupee term loan of Rs. 253.3 million into foreign currency term loan of USD 5.52 million, taken from Exim Bank in FY 2004).

6. *Depreciation and Obsolescence*

Our Company provides for depreciation on straight-line basis on all fixed assets except Leasehold Land, at rates specified in Schedule XIV to the Companies Act, 1956.

Analysis of our results of operations

Operating results for the eight months period ended November 30, 2005

Our Company's strategy of focusing on the fast growing high value and premium segments is beginning to yield results. We are taking steps to grow these segments by investing in activities that will add value to our customers. Some of the key developments during the eight months period ended November 30, 2005 were:

- *Our total income for the eight months period ended November 30, 2005 was Rs. 1,090.37 million as against Rs. 1,487.73 million in FY 2005.*
- *Our Profit after tax for the eight months period ended November 30, 2005 was Rs. 55.15 million against a profit of Rs 66.42 million in FY 2005.*

Revenues

Our total income for the eight months period ended November 30, 2005 was Rs. 1090.37 million. This primarily comprised sale of high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics. We sold our products in domestic as well as in the export market. Our selling arrangement included direct sales to customers as well as well as through distributors. The details of the domestic and export sales were as follows:

(Rs. in million)

Period	Revenue Earned (in Rs. Million)		Total (in Rs. Million)	% of total revenue earned	
	Domestic Market	Overseas Market		Domestic	Overseas
Eight months period ended November 30, 2005	457.18	602.77	1059.95	43.13%	56.87%

Domestic Revenue is net of Excise Duty and Sales Return
Revenue in Overseas market include export incentives

Manufacturing Expenses
Our total manufacturing expenses for the eight months period ended November 30, 2005 were Rs. 331.46 million include processing charges, consumption of dyes & chemicals, packing materials, stores & spares, power & fuel costs, among others. The manufacturing expenses accounted for 30.40% of our total income (in line with the previous year FY 2005 where manufacturing expenses comprised 30.14% of our total income).

Raw Material

Expenditure on raw material was Rs. 365.78 million for the eight months period ended November 30, 2005. Our Raw Material costs include raw cotton, cotton yarn, procured from imported and indigenous markets. Our imports mainly consist of extra long staple variety of cotton from Egypt, USA and CIS countries due to the non-availability of the required quantity from domestic markets. Our raw material expenses also include imported and indigenous stores, spares and components.

The break up of our imported and indigenous raw material is as under:

(Rs. in million)

Particulars	For the Eight months period ended November 30, 2005	
	Amount	%
Raw Material		
- Imported	63.43	17.34
- Indigenous	302.35	82.66
Total	365.78	100.00

Though only 17.34% of our raw material is imported directly by us, most of our domestic suppliers source extra long staple variety of cotton from abroad. In real terms, our consumption of imported raw material would be greater than 17.34%.

The raw material costs accounted for 33.55% of our total income (in line with the previous year FY 2005 where raw material costs comprised 36.77% of our total income).

Employees' Remuneration and Other Benefits

We had 785 employees on our payroll as of November 30, 2005. Our employee emoluments apart from salaries and wages include contribution to provident and other funds and staff welfare expenses. The employee expenses accounted for 7.98% of our total income (in line with the previous year FY 2005 where employee expenses comprised 8.41% of our total income).

Administration, Selling and Other Expenses

Administration, Selling and Other Exp were Rs. 150.96 million for the eight months period ended November 30, 2005. These expenses primarily comprise administrative and general expenses and all marketing and sales related costs. The administrative and selling expenses accounted for 13.84% of our total income (in line with the previous year FY 2005 where administrative and selling expenses comprised 11.62% of our total income). The marginal increase was on account of certain expenses incurred in FY 2005 due to shifting of our manufacturing facilities to Nagpur.

Depreciation

Depreciation for the eight months period ended November 30, 2005 was Rs. 52.24 million. Depreciation has been provided on straight-line basis on the plant and machinery owned by the Company.

Interest and Finance Charges

Interest and finance charges for eight months period ended November 30, 2005 were Rs. 40.43 comprising interest costs on term loans and working capital availed by the Company. The interest costs accounted for 3.71% of our total income (in line with the previous year FY 2005 where interest costs comprised 3.79% of our total income).

Profit before Tax

Our profit before tax for the eight months period ended November 30, 2005 was Rs. 55.15 million.

Provision for Taxes

For the eight months period ended November 30, 2005, we provided for Rs. 7.38 million against the current tax and fringe benefit tax.

Profit after Tax

Our profit after tax for the eight months period ended November 30, 2005 was Rs. 55.15 million.

Comparison of the operating results of FY 2005 to FY 2004

The Year 2004-05 was a continuation of the improvements as was the case in the previous year. The textile sector continued to witness a spurt in demand. This coupled with broadening of our customer base helped us improve revenues.

During the yearended March 31, 2005, we registered an encouraging growth performance. The total income for the year was Rs. 1,487.73 million against Rs. 1,097.49 million in the previous year, a growth of 36%. This was a result of change in product mix away from low value commodity products towards higher value products. We experience significant reduction in interest costs, from Rs. 74.48 million in FY 2004 to Rs. 56.37 million in FY 2005, a reduction of 24.32 %. During the year the Company achieved a profit after tax of Rs. 66.42 million, against a loss of Rs. 22.46 million in the previous year.

Revenues

Our total revenue for FY 2005 was Rs. 1487.73 million as compared to Rs. 1097.49 million in FY 2004, an increase of 35.56 %.

Sales

Our total sales increased by 43.99% to Rs. 1,481.38 million in FY 2005 from Rs. 1,028.80 million in FY 2004. This was primarily due to the increase in Company's exports from Rs. 508.07 million in FY 2004 to Rs. 891.70 million in FY 2005. Historically, and in FY 2005, the Company realized better margins in the export market as compared to the domestic market. The increase in the quantum of exports and the related realizations was partially offset by a reduction in DEPB rates in two stages from 7% to 2.8% in FY 2005. This increased revenue was also a result of the full year of production (in FY 2005) at our plant shifted from Mumbai to Nagpur during FY 2004. The details of the domestic and export sales are as follows:

(Rs. in million)

Year	Revenue Earned (in Rs. million)		Total (in Rs. Million)	% of total revenue earned	
	Domestic Market	Overseas Market		Domestic	Overseas
2003-04	528.69	500.11	1028.80	51.39%	48.61%
2004-05	615.87	865.52	1481.39	41.57%	58.43%

Domestic Revenue is net of Excise Duty and Sales Return

Revenue in Overseas market include export incentives

Other Income

Our other income in FY 2005 increased substantially from Rs. 0.03 million in FY 2004 to Rs. 3.60 million in FY 2005. This was on account of Rs. 2.29 million insurance claim received by the Company during the year and profit of Rs. 0.85 million booked on sale of assets.

Manufacturing Expenses

Our total manufacturing expenses during FY 2005 increased by 48.84% to Rs. 448.36 million from Rs. 301.24 million in FY 2004. However, the increase in our manufacturing expenses were in tandem with our increase in sales (30.14% of total income in FY 2005 as compared to 27.45% in FY 2004). FY 2005 also witnessed an increase in processing charges and repairs on plant and machinery, primarily due to the shifting of our facilities from Mumbai to Nagpur in FY 2004, certain costs related to which were incurred in FY 2005.

Raw Material

Expenditure on raw material increased by 16.97% to Rs. 547 million in FY 2005 from Rs. 467.63 million in FY 2004. Increase in our raw material cost was significantly lower then increase in our sales and revenue (36.77% of total income in FY 2005 as compared to 42.61% in FY 2004). This was primarily on account of a significant reduction in per unit cotton prices in FY 2004 (due to excess supply witnessed in the industry). The break up of our imported and indigenous raw material is as under:

(Rs. in million)

Particulars	**For the Year ended March 31, 2005**		**For the Year ended March 31, 2004**	
	Amount	%	Amount	%
Raw Material				
- Imported	98.64	18.03	40.04	8.56
- Indigenous	448.36	81.97	427.59	91.44
Total	547.00	100.00	467.63	100.00

Employees' Remuneration and Other Benefits

We had 748 employees on our payroll as of March 31, 2005, compared to 703 employees as of March 31, 2004. Employees' remuneration and other benefits increased 36.51 % to Rs. 125.07 million in FY 2005 from Rs. 91.62 million in FY 2004. The employee expenses accounted for 8.41% of our total income (in line with the previous year FY 2004 where employee expenses comprised 8.35% of our total income). The marginal increase was on account of annual increments in our salaries and wages during the year.

Administration, Selling and Other Exp

Administration, Selling and Other Exp increased by 46.76% to Rs. 172.88 million in FY 2005 from Rs. 117.81 million in FY 2004. This was primarily on account of increase in freight expenses, traveling expenses and commission paid during the year, incurred primarily on account of the transferring of our facilities from Mumbai to Nagpur. The administrative and selling expenses accounted for 11.62% of our total income (in line with the previous year FY 2005 where administrative and selling expenses comprised 10.73% of our total income). The marginal increase was on account of increase in export sales during FY 2005 (exports account for greater selling, distribution and transportation expenses as compared to domestic sales).

Depreciation

Our depreciation increased by 27.68 % to Rs. 71.63 million (or 4.81% of our total income) in FY 2005 from Rs. 56.1 million (or 5.11% of our total income) in FY 2004. The increase was primarily on additions made during the year which amounts to Rs. 111.80 million.

Interest and Finance Charges

Interest and finance charges decreased by 24.32 % to Rs. 56.37 million in FY 2005 from Rs. 74.48 million in FY 2004. Substantial reduction in our interest expenses was due to re-schedulement and restructuring of our debt by paying a one time charge of Rs. 14.50 million for converting our rupee term loan of Rs. 253.30 million into foreign currency term loan of USD 5.52 million from Exim Bank in FY 2004.

Profit before Tax

Our profit before tax during the year was Rs. 66.42 million (or 4.46 % of our total income) in FY 2005 against the loss of Rs. 22.46 million FY 2004. This increase in profits was on account of increase in sales, savings on account of raw material consumed, interest spent and other reasons mentioned above.

Provision for Taxes

In FY 2005, our tax spends and provision for taxes was Nil. This was primarily on account of carry forward losses of prior years being allowed to be set-off against profits of FY 2005.

Profit after Tax

Our Profit after tax for FY 2005 was Rs. 66.42 million against the loss of Rs. 22.46 million in FY 2004. Our profit after tax and profit before tax remained the same as our tax spend and provisions during the year remained nil.

Comparison of FY 2004 with FY 2003

During FY 2004, income from operations was Rs. 1,097.48 million as against Rs. 583.17 million in FY 2003, registering a growth of 88.19 %. The performance of FY 2004 includes the operation of six months of business of textile undertaking of the Morarjee Goculdas Spinning and Weaving Company Limited purchased with effect from October 1, 2003. Subsequently, the Company's manufacturing activities were shifted from Mumbai to Butibori, Nagpur, which is a low cost zone in terms of power and labour. Due to one time charge for reschdulement of our debt and initial setting up cost of our plant shifted from Mumbai to Nagpur, our Company ended FY 2004 with the loss of Rs. 22.55 million.

Revenues

Our total revenues for FY 2004 were Rs. 1,097.48 million as compared to Rs. 583.17 million in FY 2003, registering a growth of 88.19 %.

Sale of Products

Our sale of products increased to Rs. 1,028.80 million in FY 2004 from Rs. 587.99 million in FY 2003. The performance of FY 2004 includes the operation of six months of business of textile undertaking of the Morarjee Goculdas Spinning and Weaving Company Limited purchased with effect from October 1, 2003. Further, during FY 2004, the Company commenced production of premium voiles and high printed fashion fabrics resulting in increase in exports from 40.76 % of total revenue for FY 2003 to 49.38% of total revenue for FY 2005. The details of the domestic and export sales are as follows:

(Rs. in million)

Year	Revenue Earned (in Rs. million)		Total (in Rs. Million)	% of total revenue earned	
	Domestic Market	Overseas Market		Domestic	Overseas
2002-03	354.64	233.35	587.99	60.31%	39.69%
2003-04	528.69	500.11	1028.80	51.39%	48.61%

Domestic Revenue is net of Excise Duty and Sales Return
Revenue in Overseas market include export incentives

Other Income

Our other income in FY 2004 was down to Rs. 0.03 million as compared to 0.22 million during FY 2003. Our other income for the year FY 2003 includes an insurance claim of Rs. 0.11 million.

Manufacturing Expenses

Our total expenditure during FY 2004 increased by 82.06 % to Rs. 301.24 million from Rs. 165.46 million in FY 2003. Our manufacturing expenses increased in line with the increase in our total income. (27.45 % of total income in FY 2004 as compared to 28.37 % in FY 2003).

Raw Material

Expenditure on raw material, increased by 98.29 % to Rs. 467.63 million in FY 2004 from Rs. 235.82 million in FY 2003. During the year, increase in our raw material cost was proportionately higher then our sales (42.61% of total income in FY 2004 as compared to 40.44% in FY 2003). This was primarily due to an increase in per unit prices in FY 2004. Further, during FY 2004, the Company resorted to outsourcing of greige fabric from various suppliers as its own production was impacted with the shifting of its facilities from Mumbai to Nagpur.

The break up of our imported and indigenous raw material is as under:

(Rs. in million)

Particulars	**For the Year ended March 31, 2004**		**For the Year ended March 31, 2003**	
	Amount	**%**	**Amount**	**%**
Raw Material				
- Imported	40.04	8.56	-	-
- Indigenous	427.59	91.44	235.82	100
Total	**467.63**	**100.00**	**235.82**	**100.00**

Employees' Remuneration and Other Benefits

We had 703 employees on our payroll as of March 31, 2004, compared to 520 employees as of March 31, 2003. Employee remuneration and other benefits increased by 117.16 % to Rs. 91.62 million in FY 2004 from Rs. 42.19 million in FY 2003. This increase was primarily due to commencement of manufacturing facility at Nagpur durinf FY 2004, and due to the increment in salaries and wages.

Administration, Selling and Other Expenses

Administration, Selling and Other Expenses increased by 160.39 % to Rs. 117.80 million in FY 2004 from Rs. 45.24 million in FY 2003. The administrative and selling expenses accounted for 10.73% of our total income (in line with the previous year FY 2005 where administrative and selling expenses comprised 7.76% of our total income). The marginal increase was on account of increase in export sales during FY 2004 (exports account for greater selling, distribution and transportation expenses as compared to domestic sales).

Depreciation

Depreciation increased by 9.34 % to Rs. 56.10 million in FY 2004 from Rs. 51.31 million in FY 2003. The increase was on account of certain additions to fixed assets during FY 2004.

Interest and Finance Charges

Interest and finance charges increased by 32.53 % to Rs. 74.48 million (6.79% of total income) in FY 2004 from Rs. 56.20 million (9.64% of total income) in FY 2003. This increase was on account of enhanced utilization of the cash credit and packing credit facilities due to increase in exports during the year. Further, increase in interest expenses was due to re-schedulement and restructuring of our debt, due to which, the Company incurred a one time charge of Rs. 14.50 million (converting of our rupee term loan of Rs. 253.30 million into foreign currency term loan of USD 5.52 million, taken from Exim Bank).

Profit before Tax

During the year we had a loss of Rs. 22.55 million against a loss of Rs. 22.92 million in FY 2003.

Provision for Tax

In FY 2004, our tax spends and provision for taxes was Nil on account of tax losses.

Profit before Tax

During FY 2004, we had a loss of Rs. 22.46 million against a loss of Rs. 23.48 million in FY 2003. The reasons for the variation have been explained above.

Comparison of FY 2003 with FY 2002

The Company witnessed sluggish demand and falling realizations in FY 2003, as was the case in FY 2002. However, due to appropriate cost control measures and reduction of finance cost through financial restructuring, the losses were curtailed to an extent. Our losses during the year reduced substantially from Rs. 81.01 million in FY 2002 to Rs. 22.92 million during FY2003.

Revenues

Our total revenues for FY 2003 were Rs. 583.17 million as compared to Rs. 572.68 million in FY 2002, representing a modest increase of 1.8%.

Sale of Products

Total sales increased marginally by 3.17 % to Rs. 587.99 million in FY 2003 from Rs. 569.93 million in FY 2002. Our sales during the year remained constant as during the year, the Company followed the policy of selling to buyers where the Company earned reasonable margins and, the Company increased its focus on processes and operations rather than sales and marketing during the year, in order to build a robust foundation for growth in subsequent years. The details of the domestic and export sales are as follows:

(Rs. in million)

Year	Revenue Earned (in Rs. million)		Total (in Rs. Million)	% of total revenue earned	
	Domestic Market	Overseas Market		Domestic	Overseas
2001-02	278.00	291.93	569.93	48.78%	51.22%
2002-03	354.64	233.35	587.99	60.31%	39.69%

Domestic Revenue is net of Excise Duty and Sales Return
Revenue in Overseas market include export incentives

Other Income

Other income in FY 2003 was Rs. 0.22 million as compared to Rs. 0.68 million during FY 2002.

Manufacturing Expenses

Total manufacturing expenses during FY 2003 increased by 9.27 % to Rs. 165.46 million from Rs. 151.42 million in FY 2002. Our manufacturing expenses increased in line with the modest increase in our total income (28.37 % of total income in FY 2003 as compared to 26.44 % in FY 2002).

Raw Material

Expenditure on raw material decreased by 1.88 % to Rs. 235.82 million in FY 2003 from Rs. 240.33 million in FY 2002. The Raw Material consumption in FY 2003 and FY 2002 were in tandem with the sales of the respective years 2002 (40.44 % of total income in FY 2003 as compared to 41.97 % in FY 2002).

Employees' Remuneration and Other Benefits

We had 520 employees on our payroll as of March 31, 2003, compared to 526 employees as of March 31, 2002. Employees' remuneration and other benefits increased by 14.62 % to Rs. 42.19 million in FY 2003 from Rs. 36.81 million in FY 2002. This increase was primarily due to increase in number of employees on our payroll and annual increment in salaries and wages.

Administration, Selling and Other Expenses

In line with the insignificant change in revenues, administration, selling and other expenses decreased by 1.67 % to Rs. 45.24 million in FY 2003 from Rs. 46.01 million in FY 2002.

Depreciation

Our depreciation expenses increased by 3.61 % to Rs. 51.31 million (or 8.80 % of our total income) in FY 2003 from Rs. 49.52 million (or 8.64 % of our total income) in FY 2002. The marginal increase in depreciation was in line with the insignificant change in total income over the years.

Interest and Finance Charges

Interest and finance charges reduced by 51.63 % to Rs. 56.20 million (9.64 % of total revenues) in FY 2003 from Rs. 116.20 million (20.29 % of total revenues) in FY 2002. The decrease was primarily due to continuous restructuring measures undertaken by the Company to reduce its outstanding debt.

Profit before Tax

During the year we had a loss of Rs. 22.92 million against a loss of Rs. 81.01 million in FY 2002. This was primarily on account of appropriate cost control measures and reduction in finance cost through financial restructuring with the Financial Institutions.

Provision for Taxes

In FY 2002, our tax spends and provision for taxes was Nil on account of tax losses

Profit after Tax

During the year we had a loss of Rs. 22.92 million against a loss of Rs. 81.01 million in FY 2002. The reasons for variation in losses are mentioned above.

Liquidity and Capital Resources

Principal Sources of Liquidity

As on March 31, 2005, our cash and bank balances amounted to Rs. 3.23 million. We believe that our anticipated internal accruals, loans to be syndicated for the Expansion Project and proceeds of the Issue will be sufficient to meet our growth requirements. Our anticipated cash flows from operations however depend on a number of factors beyond our control, such as prevailing general economic conditions, cost of our inputs, competition that we may face etc. We may therefore need to increase our indebtedness.

Net Cash Flows

The table below summarizes our cash flow for eight months period ended November 30, 2005 and fiscal 2003, 2004, 2005:

(Rs. in million)

	For the period ended			
	November 30, 2005	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Net Cash Generated from (Used in) Operating Activities	15.93	481.94	(64.17)	77.05
Net Cash from (Used in) Investigating Activities	(256)	(119.23)	(379.31)	(39.31)
Net Cash Generated from (Used in) Financing Activities	241.03	(362.09)	445.71	(39.82)
Net Increase / (Decrease) in Cash and Cash Equivalents	**0.95**	**0.62**	**2.23**	**(2.08)**

Operating Activities

Cash flow from operating activities primarily depends upon our operating profits and changes in net working capital. The table below summarizes our cash flow for eight months period ended November 30, 2005 and from operations for fiscal 2003, 2004, 2005:

(in Rs. million)

	For the period ended			
	November 30, 2005	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Operating Profits before working capital changes (net of tax)	155.14	193.81	119.07	94.97
Cash Flow from Exceptional and Extraordinary items	-	-	-	(2.91)
Income Tax Paid (MAT/ FBT)	(5.31)	-	-	-
Change in net Working Capital	(133.91)	288.13	183.24	15.02
Net Cash Generated from Operating Activities	**15.93**	**481.94**	**(64.17)**	**77.05**

Investing Activities

Net cash used in investing activities represents capital expenditure, investments, and income from dividends and interest. The table below summarizes our net cash used in investing activities for eight months period ended November 30, 2005 and for fiscal 2003, 2004 and 2005:

(in Rs. million)

	For the period ended			
	November 30, 2005	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Purchase of Fixed Assets	(168.42)	(138.41)	(332.14)	(39.31)
Sale of Fixed Assets	4.17	7.09	0.04	-
Loans to Subsidiaries	(91.75)	(10.86)	-	-
Purchase of Investments	-	(17.56)	(47.21)	-
Sale of Investments	-	40.50	-	-
Net Cash (Used in) Investing Activities	**(256)**	**(119.23)**	**(379.31)**	**(39.31)**

Financing Activities

Net cash from financing activities is determined by the level of principal and interest payout on debts, new indebtedness, and issue of new capital stock and dividend and interest payouts. The table below summarizes our net cash from investing activities for eight months period ended November 30, 2005 and for fiscal 2003, 2004 and 2005:

	For the period ended			
	November 30, 2005	**March 31, 2005**	**March 31, 2004**	**March 31, 2003**
Proceeds from Long Term Borrowings	342.50	390.00	403.90	-
Repayment of Long Term Borrowings	(6.25)	(243.34)	(214.42)	(75.00)
Issue of Equity Shares with Premium	-	155.00	-	37.50
Refund of Advance against Equity	-	(155.00)	-	-
Consideration against cancellation of shares	-	(3.25)	-	-
Increase / (Decrease) in short term Short Term Borrowings	(64.06)	(445.84)	334.91	59.30
Interest Paid	(31.16)	(59.66)	(78.68)	(61.62)
Net Cash Generated from (Used in) Financing Activities	**241.03**	**(362.09)**	**445.71**	**(39.82)**

Related Party Transactions

For details of related party transactions, please refer to eth section titled “Related Party Transactios” on page 112 of this Draft Letter of Offer.

Indebtedness

The following table presents our secured and unsecured debt for the eight months period ended November 30, 2005 and for the financial years ended March 31, 2003, 2004 and 2005:

(Rs. in million)

Particulars	For the Eight months period ended November 30, 2005		Year ended March 31, 2005		Year ended March 31, 2004		Year ended March 31, 2003	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Secured Loan	919.90	78.74	509.72	56.88	706.92	59.14	614.15	90.88
Unsecured Loan	248.39	21.26	386.39	43.12	488.37	40.86	61.61	9.12
Total Debt	**1168.29**	**100**	**896.11**	**100**	**1195.29**	**100**	**675.76**	**100**

Historical and Planned Capital Expenditure

Our capital expenditures in FY 2003, 2004 and 2005 were Rs. 39.31 million, Rs. 332.14 million and Rs. 138.41 million, respectively. Our capital expenditure includes installation of new looms towards modernization and expansion of the weaving capacity for manufacturing of yarn dyed cotton shirting fabric. Although our capital expenditure budgets for FY 2006 and 2007 are not yet determined, they may be significantly higher than for FY 2005 in connection with our planned expansion.

For further discussion of our planned addition to our existing facilities, see the sections titled “Our Business” at page 54 of the Draft Letter of Offer. Our capital expenditure budgets are subject to modification as a result of a variety of factors, including availability of internal and external resources, changes to Expansion Project and other factors.

Our Restructuring Scheme

With a view to rationalize the financial structure of the Company, during the year ended March 31, 2005, 10,000,000 equity shares of Rs.10/- each have been issued and allotted at a premium of Rs.5.50 per share, whereby the paid up equity share capital of the company has increased by Rs.100.00 million and share premium account credited by Rs.55 million. For this purpose the authorized share capital has been increased from Rs.400 million to Rs. 430 million. The terms of the 1,000,000 redeemable cumulative preference shares of Rs.100/- each have also been modified by revising the rate of dividend from 11.25% to 5% and extending the redemption period by making the preference shares redeemable any time after November 15, 2014 but before November 15, 2019. In view of the modification of rights attached to Preference Shares, the said shares shall be non cumulative up to June 30, 2004 and shall carry cumulative dividend of 5% per annum with effect from July 01, 2004. The advance against Equity of Rs. 287.50 million has been settled by making payment of Rs. 155 million and the balance Rs. 132.50 million has been cancelled and transferred to General Reserve.

In continuation of the exercise to rationalize the company’s financial structure, the Board of Directors had formulated a scheme u/s 391 and section 100 read with section 78 of the Companies Act, 1956 for purchase by the Company of its own equity shares from the Company’s shareholders at minimal token consideration of 10p (Ten Paise) per share and then cancellation of such purchased shares resulting in reduction of equity share capital and the amount in share premium account of the Company correspondingly setting off the Company’s accumulated losses. The equity shareholders of the Company had offered for purchase by the Company 32,493,450 equity shares. The scheme has been sanctioned by the Hon’ble Bombay High Court and upon giving effect to the scheme, (a) the equity share capital of the Company Rs.428.76 million stands reduced by Rs.324.93 million to Rs.103.83 million. The carried forward Losses of Rs.381.35 million as at 31.03.04 stands set off against (a) the reduction of share capital of Rs.321.68 million (net of consideration) and (b) the share premium of Rs.55 million leaving balance loss of Rs.4.67 million.

Quantitative and Qualitative Disclosures about Market Risk

Currency Exchange Rates
Exchange rate fluctuations, if any arising out of foreign currency transactions are dealt with appropriately, and the receivables and payables are reinstated at the rates prevailing at the year end.

Interest Rates
During past our company has reduced the interest and finance charges pursuant to conversion of our term loan into foreign currency loan in FY 2004. This conversion of loan helped our Company to stabilize our financial charges during past two years. Though our high indebtedness exposes us to interest rate fluctuations.

Effect of Inflation
Inflation has not had a significant effect on the result of our operations to date. We do not expect that inflation rates in India will have a significant impact on our results of operations for the foreseeable future.

Transactions with Related Parties
For a detail discussion on related party transactions refer to the section titled "Related Party Transactions" on page 112 of this Draft Letter of offer.

Loans outstanding to Directors and Key Managerial Personnel
As on November 30, 2005 we had no loans outstanding to our Directors or any of the Key Managerial Personnel except the following.

Name of the Key Managerial Personnel	Loan Amount	Rate of Interest	*EMI Amount*	Outstanding Amount	Nature of Loan
B. B. Sharma	1,550,000	6%	17,965	1,116,000	Housing / Personal
S. C. Kashimpuria	600,000	6%	9,520	136,000	Housing

As on November 30, 2005 Company has no loans outstanding from the Directors

<u>**Other Matters**</u>

Unusual or infrequent events or transaction
To the best of our knowledge, save as described elsewhere in this Draft Letter of Offer, particularly in "Management's Discussion and Analysis of Financial Condition and Results of Operations", there are no events that may be described as unusual or infrequent events and transactions.

Turnover for the industry segment in which we operate
Please refer to the section titled "Industry Overview" on Page 47 of this Draft Letter of Offer.

Significant economic/regulatory changes
Indian legal system and policy of Government for textile industry has undergone major changes in last few years. Recent economic and regulatory changes include which are likely to affect our income from continuing operations:

- Implementation of VAT replacing local taxes has a positive impact on our business;
- Reduction in excise duty on polyester filament yarns including polyester textured yarns from 24% to 16% has positive impact on our business;
- Duties on specified textile machinery items, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is also being continued;
- An additional incentive of 10% capital subsidy over and above the 5% interest subsidy under TUFS for the specified textile processing machinery. The additional 10% capital subsidy will be admissible on the investments made in the specified processing machinery during a period of one year from April 20, 2005 to April 19, 2006.

The management does not foresee any significant economic changes concerning the Print Industry in the immediate future, which might have an impact on the profitability or operations of our Company, other than the changes in government policies, changes in demand / supply of print products and such other changes which are in usual course of business.

Known trends and uncertainties

Other than as described elsewhere in this Draft Letter of Offer, particularly in the section titled "Risk Factors" starting on page 6 and in "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge there are no trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between costs and revenues

We do not foresee any factor that may have a material adverse impact on the operation and finances of our Company except factors elsewhere dealt with in this Draft Letter of Offer.

New product and business segment

We are in the business of manufacturing of high quality cotton shirting fabrics, premium voiles and high fashion printed fabrics. Recently we have also entered garments sector through our Subsidiary Integra Apparels and Textiles Pvt. Ltd. In order to meet the changing requirements of our customers we may have to launch new products categories or new formats of delivery or new brands. Further, we may also consider exploring new business opportunities made available to the textile industry.

Seasonality of business

Textile industry not being a seasonal industry, no such impact can be there on Company's revenue.

Dependence on single or few suppliers/ Customers

We source our products from a diverse group of suppliers and thus our operations are risk averse from supplier side. Similarly, we sell our products to a wide customer base and do not foresee business risk arising from our customers.

Competitive Conditions

With the removal of quota system with effect from January 2005, the quantitative and fiscal restrictions imposed on importing countries have been removed, resulting in increased participation by the players across the world for acquiring a larger share of the global trade. As such, our Company faces stiff competition from domestic as well as international players in the industry.

Our Company is among the few companies in India, which exist at the entire value chain of the textile industry. Our sales have grown over the years due to concerted and conscious effort that we have pursued in the exports market. We believe that we are well positioned to enhance our position as a supplier of high quality shirting, premium voiles and high fashion for our customers. On account of our competitive strengths, we feel that we are well positioned to serve our customers, which includes:

- Cutting-edge Design
- Product Quality
- Customer Service
- Integrated Facilities
- High quality manufacturing
- Consistent performance
- Customer reach

Significant Developments after November30, 2005 that may affect our future results of operations

No circumstances have arisen since the date of the last financial statement until the date of filling of the Draft Letter of Offer with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of our Company, or value of its assets, or its ability to pay its liability within next twelve months, except our acquisition of a 49% stake in Just textiles to increase our product portfolio and opening up of new era of growth for the Company, expansion and modernisation of our weaving and spinning capacity (which is been funded through TUFS loan and our internal accrual), which may / may not yield the intended benefits.

There is no other subsequent development after the date of the Auditor's Report, which will have a material impact on reserves, profits, earnings per share and book value of Equity Shares of our Company.

OUTSTANDING LITIGATION AND DEFAULTS

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoters or group companies and there are no defaults, non payment of statutory dues, over dues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues payable to holders of any debentures, bonds or fixed deposits, issued by our Company (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956). The following are the outstanding or pending litigations or suits or proceedings against the Company involving a claim of Rupees One million and more, and criminal complaints or cases, defaults, non-payment or overdues of statutory dues, proceedings initiated for any economic or civil offences and disciplinary action taken by SEBI or stock exchanges against the Company, its subsidiaries and other group companies and the outstanding or pending litigations or suits or proceedings against the subsidiaries and other group companies.

Criminal Litigation against Directors and Promoters of our Company

1. Mr. Ajay Piramal

a. Mr. Loknath Ratnakar, a former consignment agent of the Company has filed complaint No. 1497(1) of 2002 for offences under sections 420, 406 and 120B of the Indian Penal Code, 1860 in the Court of Chief Judicial Magistrate, Patna. The complaint has been filed against Nicholas Piramal, its Chairman, Mr. Ajay Piramal, its Chief Executive, Mr. Vijay Shah and other officers of the Company for termination of agency and incidental misappropriation of amounts aggregating Rs. 5.3 million.

b. The Drugs Inspector, Drugs Control Department, New Delhi has filed a criminal complaint Cr. Case No. 25/4 of 2004 against the Nicholas Piramal under Section 18(a) (i) and section 27 (d) of the Drugs and Cosmetics Act, 1940 before the Metropolitan Magistrate. The complaint has been filed on the ground that a sample Erythromycin Estolate Oral Suspension USP manufactured by erstwhile RPIL was found to be not of standard quality. Nicholas Piramal has brought to the attention of the Metropolitan Magistrate certain technical irregularities in the complaint filed.

c. Loknath Ratnakar has filed Complaint Case No. 2522(C) of 2002 in the court of the Chief Judicial Magistrate, Patna against the Company, its Chairman, Ajay G. Piramal and its Executive Director, Vijay Shah for offences under Sections 420, 406 and 120-B, of the Indian Penal Code, 1860. The criminal complaint has been filed on the grounds that the Company has taken a road permit through the complainant, but has supplied products directly to its distributor and not through the complainants. The matter has been kepr on April 22, 2006 for return of service of summons.

d. The Inspector, Security Guards Board for Greater Bombay and Thane District has filed a criminal complaint against the Company and Ajay G. Piramal (in his capacity as Managing Director) before the Chief Metropolitan Magistrate, 38th Court, Mumbai. The complaint has been filed for alleged offences under Clause 42 of the Private Security Guards (Regulation of Employment & Welfare) Scheme, 2002, which include employing security guards other than security guards allotted by the Security Guards Board.

e. One of the ex-distributor of the Generics division of the Company has filed a criminal complaint before the Chief Judicial Magistrate, Patna numbered as 2583 (C) of 2005 on the allegation that the company along with the Chairman and VP of Generics Division have illegally terminated his distributorship and has commited an offence of cheating and criminal breach of trust. The

Company has filed a petition u/s 482 of Cr.P.C. before the Patna High Court being numbered as 4096 of 2005 and the Hon'ble High Court was pleased to stay the proceedings in the Lower Court till final disposal of the Petition. Presently notice has been served to the Complainant to file his reply.

f. Mr. Navin Dadhia had filed a Criminal Case No. 23/SS/2004 in the court of Metropolitan Magistrate, Dadar, Mumbai against Mr. Ajay Piramal, Chairman and Managing Director of Morarjee Gokuldas Spinning and Weaving Company Limited for offences under Sections 286 read with Section 134 of the Indian Penal Code, 1860. The Chairman and Managing Director of Morarjee Gokuldas Spinning and Weaving Company Limited and others have filed Criminal application No. 4175 of 2004 in the Mumbai High Court for quashing of proceedings. The Mumbai High Court, vide its order dated January 13, 2005 has stayed the proceedings in the Court of Metropolitan Magistrate, Dadar, Mumbai pending hearing and final disposal of the Criminal application no. 4175 of 2004 before it.

g. The Food Inspector, Nadiad has filed a complaint Cr. Case No. 5 of 2002 against Nicholas Piramal before the Judicial Magistrate, (First Class) at Nadiad alleging that Nicholas Piramal has committed an offence under the Prevention of Food Adulteration Act, 1954 in respect of Rejoint Dietary Supplement on the grounds that a sample was adulterated and misbranded by not making a declaration in respect of animal origin in relation to the gelatine capsule. The complaint has also named directors of the company as persons accused, including the Chairman of the company, Ajay Piramal. The company had filed Misc. Criminal Application 3986 of 2002 under Section 482 of the Code of Criminal Procedure before the High Court of Gujarat which was admitted vide its order dated December 5, 2002. The matter is currently out of the list.

2 Mr. Harshvardhan A. Piramal

Medilink Agencies has filed a criminal complaint against Mr. Harshvardhan A. Piramal before the Judicial Magistrate, First Class, Patna under sections 420, 120, 387 and 506 of the Indian Penal Code, 1860. Mr. Harshvardhan A. Piramal has been exempted from appearance in the matter. The next date in the matter is yet to be announced. The matter is still pending before the Judicial Magistrate First Class, Patna.

Litigation against our Company

Labour Litigation

1. A complaint (546/ 2000) was filed by Shri Ramakant Kundlikrao Shinde against the Company under Section 28 of the MRTU and the PULP Act before the Second Labour Court Tribunal.

2. A complaint (105/2001) was filed before the Industrial Court of Maharashtra (Nagpur Bench) under Section 28 of the MRTU and the PULP Act, read with Schedule IV of the PULP Act by Shri Nikesh Barahate for discontinuation of contract of service.
3. A complaint (105/2001) was filed before the Industrial Court of Maharashtra (Nagpur Bench) under Section 28 of the MRTU and the PULP Act, read with Schedule IV of the PULP Act by Shri Nikesh Barahate for discontinuation of contract of service.

4. A complaint (45/2001 to 48/2001) was filed before the Second Labour Court Tribunal under Section 28 of the MRTU and the PULP Act, read with Schedule IV of the PULP Act by Shri Mahendra Choudhary and three others for discontinuation of contract of service.

5. A complaint (417/2001) was filed before the Second Labour Court Tribunal under Section 28 of the MRTU and the PULP Act, by Shri Kamlakar for wrongful termination of training period.

6. A complaint (514/2001) was filed before the Second Labour Court Tribunal, Nagpur under Section 28 of the MRTU and the PULP Act, by Sanjay s/o Sheshrao Band for dismissal from service.

7. A complaint (632/2001) was filed before the Second Labour Court Tribunal, Nagpur under Section 28 of the MRTU and the PULP Act read with Schedule IV item 1 of Maharshtra Act No. 1 of 1972, 632/2001, by Sunil Thambre Band for dismissal from service.

Central Excise

The Department of Central Excise (the "**Excise Department**") has issued the following show cause notices ("**SCNs**") to the Company which are under adjudication.

1. The Excise Department has issued SCN No. 643, for the period from May 1, 1981 to November 30, 1983 for short payment in R.T.12. A Duty amounting to Rs. 61,629/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner of Central Excise (the "**Commissioner**").

2. The Excise Department has issued SCN No. 1239, demanding the payment of Rs. 8,500/- for trying to avail of the benefits of Notification 8/97 whereas it is being governed by Notification No. 2/95. The matter is pending before the Commissioner.

3. The Excise Department has issued SCN No. 630 dated 13.03.2002, for the period from March 1, 1997 to June 30, 2001 for unpaid interest on yarn duty. A duty of Rs. 99,688/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

4. The Excise Department has issued SCN No. 1704 dated 09.09.2002, for the period from August 17, 2001 to February 20, 2002 for reversal of modvat. A duty of Rs. 349,641/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

5. The Excise Department has issued SCN No. 3161 dated 26.11.2002, for the period from June 11, 1998 to June 30, 1999 with regard to valuation. A duty of Rs. 345,274/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

6. The Excise Department has issued SCN No. 3741 dated 08.01.2003, for the period from July 1, 1999 to June 30, 2000 with regard to valuation. A duty of Rs. 905,082/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

7. The Excise Department has issued SCN No. 596 dated 27.07.1994, for the period from March 1, 1994 to April 24, 1994 for doubling of yarn. A duty of Rs. 211,738/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

8. The Excise Department has issued SCN No. 94 dated 05.10.1994, for the period from April 1, 1994 to September 30, 1994 for valuation of captive yarn. A duty of Rs. 117,2016/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

9. The Excise Department has issued SCN No. 277 dated 05.05.1995, for the period from October 1, 1994 to October 31, 1994 for valuation of captive yarn. A duty of Rs. 108,1562/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

10. The Excise Department has issued SCN No. 200 dated 05.06.1995, for the period from November 1, 1994 to December 31, 1994 for valuation of captive yarn. A duty of Rs. 2,666,147/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

11. The Excise Department has issued SCN No. 95 dated 04.08.1995, for the period from January 1, 1995 to January 31, 1995 for valuation of captive yarn. A duty of Rs. 988,370/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

12. The Excise Department has issued SCN No. 464 dated 04.09.1995, for the period from February 1, 1995 to March 31, 1995 for valuation of captive yarn. A duty of Rs. 175,1463/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

13. The Excise Department has issued SCN No. 95 dated 03.11.1995, for the period from April 1, 1995 to April 30, 1995 for valuation of captive yarn. A duty of Rs. 850,505/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

14. The Excise Department has issued SCN No. 655 dated 04.12.1995, for the period from May 1, 1995 to June 30, 1995 for valuation of captive yarn. A duty of Rs. 1,797,854/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

15. The Excise Department has issued SCN No. ~~1~~ 95 dated 04.04.1995, for the period from September 1, 1994 to October 31, 1995 for valuation of captive yarn. A duty of Rs. 259,581/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

16. The Excise Department has issued SCN No. 202 dated 05.06.1995, for the period from November 1, 1994 to December 31, 1994 for valuation of captive yarn. A duty of Rs. 1,324,006/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

17. The Excise Department has issued SCN No. C Ex/SCN/MGM2/Sale Value/vii/G-ii/95 dated 04.08.1995, for the period from January 1, 1995 to January 31, 1995 for valuation of captive yarn. A duty of Rs. 647,657/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

18. The Excise Department has issued SCN No. 468 dated 04.09.1995, for the period from February 1, 1995 to March 31, 1995 for valuation of captive yarn. A duty of Rs. 365,596/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

19. The Excise Department has issued SCN No. 95 dated 03.11.1995, for the period from April 1, 1995 to April 30, 1995 for valuation of captive yarn. A duty of Rs. 290,564/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

20. The Excise Department has issued SCN No. 658 dated 04.12.1995, for the period from May 1, 1995 to June 30, 1995 for valuation of captive yarn. A duty of Rs. 103,9231/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

21. The Excise Department has issued a show cause notice, for the period from July 1, 1999 to March 31, 2000. A duty of Rs. 34,194/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

22. The Excise Department has issued SCN No. 576 dated 24.07.2001, for the period from July 1, 2000 to January 31, 2000 for interest to be paid on yarn duty. A duty of Rs. 9,619/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

23. The Excise Department has issued SCN No. 593 dated 06.08.2001, for the period from July 1, 2000 November 30, 2000 for valuation of captive yarn. A duty of Rs. 8,902/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

24. The Excise Department has issued SCN No. V(52)3-30/2000/D/3154 dated 07.08.2000, for the period from July 1, 1999 to July 31, 1999. A duty of Rs. 1,210,232/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

25. The Excise Department has issued SCN No. V(52)3-30/2000/D/PartI/3536 dated 23.08.2000, for the period from August 1, 1999 to February 29, 2000. A duty of Rs. 2,431,068/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

26. The Excise Department has issued SCN No. V(52)3-30/2000/D/ PartI/2414 dated 04.04.2001, for the period from March 1, 2000 to August 1, 2000. A duty of Rs. 5,205,986/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

27. The Excise Department has issued SCN No. V(52)3-30/2000/D/ PartI/5804 dated 30.08.2001, for the period from August 1, 2000 to November 30, 2000. A duty of Rs. 3,852,516/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

28. The Excise Department has issued SCN No. V(52)3-30/2000/D/ PartI/57 dated 02.01.2002, for the period from December 1, 2000 to March 31, 2001. A duty of Rs. 2,644,255/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

29. The Excise Department has issued SCN No. II(39)29/CIU/2001/4127 dated 16.06.2002, for the period from April 2001 to November, 2001. A duty of Rs. 21,458,644/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

30. The Excise Department has issued SCN No. V(52)15-131/2004/Adj/3471 dated 28.02.2005, for the period from March, 2004 to August, 2004 for reversal of Cenvat on waste yarn. A duty of Rs. 624,253/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

31. The Excise Department has issued SCN No. V(52)15-131/2004/Adj dated 09.11.2005 for the period from September, 2004 to March, 2005 for reversal of Cenvat on waste yarn. A duty of Rs. 311,989/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

32. The Excise Department has issued SCN No. V(52)19-127/2003/MC/ST dated 25.07.2003, for for the payment of Service tax on foreign consultancy. A duty of Rs. 109,933/- has been demanded and the matter is pending before the Commissioner.

33. The Excise Department has issued SCN No. IV(16)19-63/Divn/II/ST/04/6430 dated 02.08.2004, for the payment of service tax on foreign consultancy. A duty of Rs. 118,620/- has been demanded and the matter is pending before the Commissioner.

34. The Excise Department has issued SCN No. V(52)3-71/2002/D/994 dated 28.01.2003, for the period from December 1, 2001 to October, 2002 for reversal of Cenvat on waste yarn. A duty of Rs. 984,989/- in the form of Central Excise Duty has been demanded and the matter is pending before the Commissioner.

35. The Excise Department has issued Show Cause Notices for the period March 26, 1995 to September 3, 1997 and imposed penalty of Rs.1,00,000/- towards hard waste clearance.

Cases pending with the Central Excise Appellate Tribunal:

1. The Excise Department issued SCN No. V(52)3-59/97/D/3547 dated 03.12.1998, for the period from May 1, 1998 to May 31, 1998 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 1,202,071/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

2. The Excise Department issued SCN No. V(52)3-59/97/D/3939 dated 30.12.1998, for the period from June 01, 1998 to June 30, 1998 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 1,068,589/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

3. The Excise Department issued SCN No. V(52)3-59/97/D/ dated 28.01.1999 for the period from July 1, 1998 to July 31, 1998 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 715,658/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

4. The Excise Department issued SCN No. V(52)3-59/97/D/911 dated 01.03.1999, for the period from August 1, 1998 to August 31, 1998 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 389,566/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

5. The Excise Department issued SCN No. V(52)15-43/99/Adj dated 05.04.1999, for the period from September 01, 1998 to November 30, 1998 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 4,716,704/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

6. The Excise Department issued SCN No. V(52)3-30/99/D/2745 dated 25.06.1999, for the period from December 01, 1998 to December 31, 1998 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 2,394,788/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

7. The Excise Department issued SCN No. V(52)3-30/99/D/3234 dated 30.07.1999, for the period from January 1, 1999 to January 31, 1999 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 1,443,448/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

8. The Excise Department issued SCN No. V(52)3-30/99/D/3591 dated 01.09.1999, for the period from February 1, 1999 to February 28, 1999 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 700,489/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

9. The Excise Department issued SCN No. V(52)3-30/99/D/3215 dated 29.09.1999, for the period from March 1, 1999 to July 31, 1999 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 10,991,021/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

10. The Excise Department issued SCN No. V(52)3-30/99/D/375, for the period from August 01, 1999 to December 31, 1999 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 6,020,075/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

11. The Excise Department issued SCN No. V(52)3-30/99/D/3871, for the period from January 1, 2000 to February 29, 2000 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 246,615/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

12. The Excise Department issued SCN No. V(52)3-30/99/D/332 dated 15.02.2001, for the period from March 1, 2000 to March 31, 2000 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 4,351,714/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

13. The Excise Department issued SCN No. V(52)3-30/99/D/1456 dated 26.02.2001, for the period from April 1, 2000 to June 30, 2000 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 9,765,287/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

14. The Excise Department issued SCN No. V(52)3-30/99/D/4084 dated 19.07.2001, for the period from July 1, 2000 to August 31, 2000 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 5,993,553/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

15. The Excise Department issued SCN No. V(52)3-30/99/D/6487 dated 19.09.2001, for the period from September 1, 2000 to September 30, 2000 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 6,826,823/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

16. The Excise Department issued SCN No. V(52)3-30/99/D/7422 dated 24.09.2000, for the period from October 1, 2000 to November 31, 2000 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 6,494,761/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

17. The Excise Department issued SCN No. V(52)3-33/2000/D/8893 dated 19.12.2001, for the period from December 1, 2001 to March 31, 2001 on the application of Notification 2/97 over Notification No. 8/97. A duty of Rs. 6,708,878/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

18. The Excise Department issued SCN No. SCN/R-III/6/2038 dated 15.09.1977, for the period from **September 1, 1976 to May 24, 1977** on payment of additional duty on yarn. A duty of Rs. 192,259/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

19. The Excise Department issued SCN No. V-ADJ(52)157/96 dated 01.02.1996, for the period from July 1, 1995 to October 31, 1995 on doubling of yarn. A duty of Rs. 1,781,404/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

20. The Excise Department issued SCN No. V-(MGM)- 4-120/Comm/F.I/96 dated 23.05.1996, for the period from November 1, 1995 to March 31, 1996 on doubling of yarn. A duty of Rs. 1,465,388/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

21. The Excise Department issued SCN No. V-(MGM)- 4-154/Comm/F.I/96 dated 27.09.1996 for the period from April 1, 1996 to July 31, 1996 on doubling of yarn. A duty of Rs. 669,314/- in the form of Central Excise Duty has been demanded and the matter is pending before the CESTAT.

Litigations against Promoter Group Companies

Piramyd Retail Limited ("PRL")

<u>Consumer Protection</u>

1. A complaint was filed against PRL's retail store at Nagpur before the Consumer District Redressal Forum at Nagpur by an aggrieved consumer. The goods in possession of the consumer were verified by the persons in-charge of the store to determine if the consumer had validly purchase the said goods. The consumer filed a complaint before the Consumer District Redressal Forum claiming compensation for the humiliation allegedly caused to him due to the verification conducted by persons-in-charge of the store. The Consumer District Redressal Forum, Nagpur directed PRL to pay the complainant

damages amounting to Rs. 10,000 and costs of Rs. 1,000. PRL has filed an appeal against this order before the State Consumer Redressal Forum, Mumbai.

Statutory Notices

1. PRL has received a show cause notice dated May 23, 2005 issued by the Deputy Collector, Government of Gujarat relating to the construction of a building by PRL in Ahmedabad in contravention of the land use permissions governing the property on which the building is being constructed. PRL was also directed to provide reasons as to why the building should not be demolished by the appropriate authority. PRL has replied to this notice on May 27, 2005 and provided the Deputy Collector, Government of Gujarat with evidence to show that the construction of the building does not violate land use permissions governing the property on which the building is being constructed. The Ahmedabad Municipal Corporation has issued a building use certificate permitting PRL to occupy and use the building for its commercial purposes. PRL is taking necessary steps to provide a copy of the building use certificate to the Collector so that the proceedings initiated against PRL may be closed.

2. PRL has received a notice on August 10, 2005 from the Ahmedabad Municipal Corporation in respect of construction carried out by PRL at Ellisbridge, Plot No. 708 and Plot No. 4 in the cellar of the building known as Abhijit VI. Abhijit VI is a building owned by PRL. The Ahmedabad Municipal Corporation has informed PRL that a portion of the premises was constructed at Abhijit VI without requisite statutory permissions. The Ahmedabad Municipal Corporation has directed PRL to provide reasons as to why the referenced portion of the premises should not be demolished. Thereafter, PRL filed a reply dated September 7th 2005 with the Ahmedabad Municipal Corporation and has not received any further response from the Ahemdabad Municipal Corporation in this regard.

Nicholas Piramal India Ltd ("Nicholas Piramal").

A. Criminal cases

a. Mr. Loknath Ratnakar, a former consignment agent of Nicholas Piramal has filed complaint No. 1497(1) of 2002 for offences under sections 420, 406 and 120B of the Indian Penal Code, 1860 in the Court of Chief Judicial Magistrate, Patna. The complaint has been filed against the company, its Chairman, Mr. Ajay Piramal, its Chief Executive, Mr. Vijay Shah and other officers of the company for termination of agency and incidental misappropriation of amounts aggregating Rs. 5.3 million.

b. The Drugs Inspector, Drugs Control Department, New Delhi has filed criminal complaint under Section 18(a) (i) and section 27 (d) of the Drugs and Cosmetics Act, 1940 before the Metropolitan Magistrate against Nicholas Piramal and its executive director, Vijay Shah. The complaint has been filed on the ground that Tixylix children's cough linctus was found to be not of standard quality and gave a negative test for Pholcodine. The matter has been transferred to a different court.

c. The Drugs Inspector, Drugs Control Department, New Delhi has filed a criminal complaint Cr. Case No. 8/2004 against Nicholas Piramal under Section 18(a) (i) and section 27 (c) of the Drugs and Cosmetics Act, 1940 before the Metropolitan Magistrate. The complaint has been filed on the ground that a sample Tixylix children's cough linctus was found to be not of standard quality and gave a negative test for Pholcodine and Phenylpropanolamine Hcl. The matter has been transferred to a different court.

d. The Drugs Inspector, Drugs Control Department, New Delhi has filed a criminal complaint Cr. Case No. 25/4 of 2004 against Nicholas Piramal under Section 18(a) (i) and section 27 (d) of the Drugs and Cosmetics Act, 1940 before the Metropolitan Magistrate. The complaint has been filed on the ground that a sample Erythromycin Estolate Oral Suspension USP manufactured by erstwhile RPIL was found to be not of standard quality. Nicholas Piramal has brought to the attention of the Metropolitan Magistrate certain technical irregularities in the complaint filed. The next date of the matter is on April

10, 2006. We have filed a petition u/s 482 Cr.P.C. in the Delhi High Court chalenging the order issuing process. The Petition has been admitted and permanent exemption has been granted to the Chairman.

e. The Food Inspector, Nadiad has filed a complaint Cr. Case No. 5 of 2002 against Nicholas Piramal before the Judicial Magistrate, (First Class) at Nadiad alleging that Nicholas Piramal has committed an offence under the Prevention of Food Adulteration Act, 1954 in respect of Rejoint Dietary Supplement on the grounds that a sample was adulterated and misbranded by not making a declaration in respect of animal origin in relation to the gelatine capsule. The complaint has also named directors of the company as persons accused, including the Chairman of the company, Ajay Piramal. The company had filed Misc. Criminal Application 3986 of 2002 under Section 482 of the Code of Criminal Procedure before the High Court of Gujarat which was admitted vide its order dated December 5, 2002. The matter is currently out of the list.

f. Loknath Ratnakar has filed Complaint Case No. 2522(C) of 2002 in the court of the Chief Judicial Magistrate, Patna against Nicholas Piramal, its Chairman, Ajay G. Piramal and its Executive Director, Vijay Shah for offences under Sections 420, 406 and 120-B, of the Indian Penal Code, 1860. The criminal complaint has been filed on the grounds that the company has taken a road permit through the complainant, but has supplied products directly to its distributor and not through the complainants. The matter has been kepr on April 22, 2006 for return of service of summons.

g. The Drugs Inspector, Birbhum has filed Cr. Case No. 35/2003 before the Chief Judicial Magistrate, Birbhum against Nicholas Piramal. The complaint has been filed on the allegation that the company is charging higher prices for certain drugs by adding sales tax charges. The complainant contends that the drugs in question being Promethazine formulations are exempt from sales tax in West Bengal. The matter is posted for evidence before charges. The next date is on April 26, 2006.

h. The Inspector, Security Guards Board for Greater Bombay and Thane District has filed a criminal complaint against Nicholas Piramal and Ajay G. Piramal (in his capacity as Managing Director) before the Chief Metropolitan Magistrate, 38th Court, Mumbai. The complaint has been filed for alleged offences under Clause 42 of the Private Security Guards (Regulation of Employment & Welfare) Scheme, 2002, which include employing security guards other than security guards allotted by the Security Guards Board. The company has filed a petition u/s 482 of Cr.P.C. before the Bombay High Court and the Court was pleased to admit the matter and stayed the proceedings before the Lower Court. The matter is currently out of the daily cause list of the Bombay High Court.

i. Veeraiah has filed a criminal case 93 of 2005 against the plant in charge before the Judicial Magistrate First Class, a Zaheerabad, in relation to the accidental death of his son on the Digwal plant premises. The case is in trial stage.

j. Inspector of Drugs, Government of West Bengal had confiscated certain goods from Kamakhya Roadways and approached the court of sub-divisional judicial magistrate, Jalpaiguri for permission for enquiry by the police on the grounds of seizure of suspicious property, sent by Nicholas Piramal through its carrying and forwarding agent. The sub-divisional judicial magistrate has by its order dated March 22, 2005 rejected the application of the Inspector in connection with this enquiry. The Inspector has filed a criminal revision petition No. 1157 in the High Court of Calcutta. The matter is pending before the High Court.

k. The Drugs Inspector, Drugs Control Department, New Delhi has filed criminal complaint under Section 18(a) (i) and section 27 (d) of the Drugs and Cosmetics Act, 1940 before the Metropolitan Magistrate against Nicholas Piramal and its executive director, Vijay Shah. The complaint has been filed on the ground that Tixylix children’s cough linctus was found to be not of standard quality and gave a negative test for Pholcodine. The matter is currently posted on August 05, 2006.

l. One of the ex-distributor of the Generics division of Nicholas Piramal has filed a criminal complaint before the Chief Judicial Magistrate, Patna numbered as 2583 (C) of 2005 on the allegation that the company along with the Chairman and VP of Generics Division have illegally terminated his distributorship and has commited an offence of cheating and criminal breach of trust. The company has filed a petition u/s 482 of Cr.P.C. before the Patna High Court being numbered as 4096 of 2005 and the Hon'ble High Court was pleased to stay the proceedings in the Lower Court till final disposal of the Petition. Presently notice has been served to the Complainant to file his reply.

Civil cases

1. The Enforcement Directorate, has issued eight SCNs to Nicholas Piramal, for demands aggregating Rs. 51.0 million, for non-submission of bill of entries to authorized dealers for certain foreign exchange remittances by the erstwhile Boehringer Mannheim India Limited (**"BMIL",** that has since merged into Nicholas Piramal). Nicholas Piramal has filed Appeal Nos. 19/2005, 20/2005, 21/2005, 22/2005, 23/2005, 24/2005, 25/2005 and 37/2005 before the Appellate Tribunal for Foreign Exchange at New Delhi, challenging the adjudication orders of the Enforcement Directorate. Nicholas Piramal has also filed miscellaneous applications seeking early hearings in the above appeals. The next date of hearing is yet to be announced.

2. Kurji Holy Family Hospital filed a consumer case before the Bihar State Consumer Disputes Redressal Commission, Patna (complaint No. 13 of 1998) against the erstwhile BMIL, for an aggregate claim of Rs. 1.9 million, on the ground that distributors of BMIL sold a defective blood analyser machine, and failed to rectify the problem. The State Commission, dismissed the complaint vide its order dated February 28, 2000, on the ground that complainant was not a consumer as it had purchased the machine for commercial purposes. The complainant filed a review petition (revision petition No. 6 of 2000) before the State Commission which was rejected vide its order dated January 4, 2001. The complainant thereafter filed an appeal before the National Consumer Disputes Redressal Commission (First Appeal No. 23 of 2001), which was dismissed as barred by limitation vide its order dated March 15, 2002. The complainant has filed a special leave petition (SLP civil No. 17519 of 2002) before the Supreme Court of India. The Supreme Court has remanded the matter to the National Consumer Disputes Redressal Commission, observing that the delay on part of the complainant was a genuine delay. The matter is currently pending before the National Commission.

3. Dr. Sen's Diagnostic Private Limited, Patna has filed consumer complaint No. 26 of 1998 before the Bihar State Consumer Disputes Redressal Commission, Patna against the erstwhile BMIL**,** for an amount aggregating Rs. 0.9 million, together with interest at 18% p.a. The Chairman of the company, Ajay G. Piramal, and other offices of the company have also been made a party to the complaint. The complaint has been filed on the grounds that an Autolab Analyser machine purchased from distributors of Nicholas Piramal, was defective and that services rendered were deficient The matter is currently pending with the State Commission.

4. Janak Traders have filed money suit no. 649 of 2001 before the City Civil Court at Calcutta against Nicholas Piramal, its officers and Chairman, Ajay G. Piramal. Janak Traders is claiming commission charges aggregating Rs. 0.2 million together with interest at the rate of 18%p.a. The company has filed its written statement. The plaintiff has filed for inspection of documents and the company has filed its affidavit in reply.

5. Sri Sankaradeva Nethralaya has filed title Suit No. 308/2004 against Nicholas Piramal before the court of Civil Judge (Senior Division) Kamrup, Guwahati where they have alleged that Nicholas Piramal had installed defective machinery and has failed to repair or replace the same. The claim made is for replacement of the machinery and damages. An alternative claim for Rs. 1.4 million together with interest at 18% p.a. and damages has also been made. The company has filed its written statement.

6. USV Limited filed C.S. No. 285 of 2001 before the High Court at Madras, against Nicholas Piramal and another pharmaceutical company, seeking a perpetual injunction against the use of the trademark "PIOZONE", as it is claiming to have adopted the trademark "Pioz" by its trademark

application dated December 18, 2000 (No.977709). USV Limited has also claimed damages aggregating Rs. 1.0 million in the above suit.

Nicholas Piramal filed a counter Suit No. 395 of 2001 before the Madras High Court against USV Limited, for injunction on the ground that the company's trademark application was made earlier in time on September 21, 2000 (No. 957738). USV Limited had also earlier filed applications for interim stay against Nicholas Piramal, which was initially granted. The company's appeal against this order of injunction was admitted. Thereafter, interim applications were filed by both parties, pursuant to which the single judge of the High Court passed an order dated August 8, 2001 declining to grant an injunction against either of the parties and permitted both parties to use the marks. Both USV Limited and the company have filed appeals OSA Nos. 407 and 408 of 2001, before the division bench of the Madras High Court. The company has filed its written statement in respect of C.S. No. 285 on January 11, 2005, which was allowed by the High Court on February 21, 2005. The company has also made an application to amend the plaint filed in C.S. No. 395 of 2001, which has been allowed. However, both the parties have reached to a settlement and have entered into a co-ownership agreement in respect of the mark. Both the parties shall be filing an application for a compromise decree on the basis of the settlement arrived at.

7. Zenith Drugs and Allied Agencies Private Limited ("**Zenith**") filed money suit No. 73 of 2003 before the Civil Judge (Senior Division) Guwahati against Nicholas Piramal. Zenith claims to have been appointed by RPIL (since merged with Nicholas Piramal) as its clearing and forwarding agent and has challenged the termination of its agency by the company and has made a claim of Rs. 200.0 million together with interest at 18% p.a. Nicholas Piramal has filed its written statement. Nicholas Piramal has also made an application to the court to refer the matter to arbitration. This application was rejected by the court vide its order dated February 19, 2005. The company has filed a revision petition before the Gauhati High Court challenging the order of the civil judge. The High Court has admitted the revision petition filed by Nicholas Piramal, and has granted a stay of the lower court proceedings.

8. Three writ petitions, W.P. 29271 of 1998, W.P. 31202 of 1998, W.P. 9 of 1999 have been filed against the erstwhile Global Bulk Drugs and Fine Chemicals Limited (since merged with Nicholas Piramal) before the Andhra Pradesh High Court on the ground that the company was dumping solid waste in the ground and thus affecting the quality of ground water. The writ petitions seek a writ from the High Court restraining the company from letting out untreated effluents into the agricultural fields, water ways and open lands in and around the village of Digwal and to direct the company to pay compensation to the villagers whose land was affected. The petitioners claim that the alleged dumping of waste has affected the crop cycle, made the ground water non-potable, and has polluted the soil. The High Court had passed interim orders dated May 8, 2001 directing the District Collector to supply drinking water to the affected village, giving the District Collector the discretion to pass the burden on to Nicholas Piramal. Following the said order, the District Collector had asked Nicholas Piramal to provide water supply to the village. The company has carried out its obligations and have financed a permanent water supply scheme, which was handed over to the village panchayat on June 18, 2004. The three writ petitions were clubbed together on July 21, 2001 and the matter is currently pending before a division bench of the High Court.

9. Mr. B.N. Chadha had filed suit No. 246 of 2004 against Nicholas Piramal against the Additional District Judge, Delhi, for possession and recovery of rent and for mesne profits and damages in respect of property let out to Nicholas Piramal. The Additional District Judge, Delhi vide his order dated January 25, 2005 has directed that Nicholas Piramal hand over possession of the premises and to pay a sum of Rs. 30,000 to the plaintiff. The company has filed an appeal in the High Court of Delhi.

10. Sri Balaji Supplying Company has filed O.S. No. 1931 of 2001 before the City Civil Court Hyderabad, against Nicholas Piramal for a claim of Rs. 363, 492 and interest, on the ground that that Nicholas Piramal has taken supplies from them, but not paid their dues.

11. Nine other civil cases have been filed against the company, five of which are consumer complaints and one is a money suit for refund of advance for purchase of medical instrument. One case has been filed against Nicholas Piramal by an ex-distributor of Nicholas Piramal, seeking a stay against termination of agency by Nicholas Piramal. There is one debt recovery proceeding in New Delhi to which Nicholas Piramal has been made a party. There is one more money suit filed in Delhi for non-receipt of money in respect of VSAT instruments and services rendered to the company.

Arbitration

1. Tilak Raj Choudhry has made a claim in arbitration against Nicholas Piramal, which is before the sole arbitrator Justice H. Suresh. The dispute relates to an agreement dated July 27, 2000 entered by the company with Tilak Raj Choudhry, proprietor of Electro Optics and Controls for purchase of certain assets, land and building, machinery, current assets and transfer of technology and know how. Tilak Raj Choudhry has made a claim of Rs. 3.3 million together with interest. Nicholas Piramal has also made a counter claim of 29,726,000 with interest thereon at the rate of 18% p.a. The claimant has given his evidence in chief. The matter is pending for his cross examination.

2. Offshore Industrial Construction Private Limited ("**OIPCL**") has made claims in arbitration against Canere Active and Fine Chemicals Private Limited ("**Canere**" since merged with NPIL) aggregating approximately Rs. 80.0 million in relation to seven erections, procurement and construction contracts in respect of the Digwal manufacturing facility. The arbitral tribunal consists of three arbitrators, and is seated at Hyderabad. The company has made a counter claim of Rs. 350.0 million. The matter is pending before the arbitral tribunal.

Cases filed by Nicholas Piramal

A. Civil Cases

1. Nicholas Piramal has filed two suits before the Civil Judge, Ulhasnagar against encroachers of its land at Ambernath taken on lease from MIDC. The company has filed regular civil suit N0. 9 of 2001 against Govindram Dharamdas Ahuja and Narayan Das Chowdhary for encroachment of its land at Ambernath. The Court has appointed a court commissioner to take measurements and identify encroachment. The suit is posted for further evidence on April 25, 2005. Nicholas Piramal has also filed regular Civil Suit No. 277 of 1998 against Mr. Bhingardive for construction on its land at Ambernath. The suit is pending for evidence.

2. The company has filed Writ Petition No. 585 of 2005 before the High Court of Bombay for ad interim injunction restraining the Central Government from revoking the anti-dumping duty on import of Vitamin A Palmitate and to challenge notification No. 28/2005 dated March 7, 2005. The High Court vide its order dated March 18, 2005, permitted the company to file an appeal before the CESTAT, and ordered clearance of goods on provisional assessment basis with bond. As permitted, the company has filed an appeal before the CESTAT, New Delhi, on March 21, 2005.

3. The company has filed Money Suit No. 20 of 1999 against M/s Lucky Medicine Distributors in the Court of Sub Judge first division, Patna. The company has made a claim for Rs. 0.9 million for non-payment of moneys due (by way of dishonour of cheques) towards goods purchased from Nicholas Piramal. The date of next hearing is to be announced.

4. The company has filed Civil Suit No. 79 of 2003 before the Calcutta High Court against the sole proprietor of Bengal Medical Hall. The company has made a claim of Rs. 1.4 million for non-

payment of monies due (by way of dishonour of cheques), towards supply of pharmaceutical products.

5. The company has filed Civil Suit No. 659 of 2004 before the Madras High Court against the sole proprietors of Gemini Industries and East West Pharma in respect of trademark AMAT (Registered Mark No. 1125803 – class 5). This trademark was assigned by East West Pharma to Gemini Industries, who assigned it to the company in June 2004. However, East West Pharma was continuing to use the trademark AMAT. The company has obtained an ad interim injunction vide order of the High Court dated August 18, 2004 restraining the respondents from interfering in the company's right to manufacture, market, sell, stock for sale and distribute drugs in respect of the mark AMAT, or in interfering with the company's rights in the registered trademark AMAT.

6. The Inspector General of Registration, Tamil Nadu has made a demand aggregating approximately Rs. 53.2 million on account of shortfall in stamp duty and registration charges payable in respect of Nicholas Piramal property at Ennore. Nicholas Piramal has filed a writ petition before the Madras High Court being WP No 12372 of 2005 on the ground that the demand has been made on the basis of an incorrect valuation. We have obtained interim order whereby the Sale Document has been returned to NPIL.

7. A demand aggregating Rs. 5.3 million has been made against Nicholas Piramal in respect of gentamycin sulphate, out of which Nicholas Piramal has paid an amount of Rs. 1.0 million. A stay has been obtained from the Mumbai High Court of the operation of the demand notice pending disposal of the writ petition filed by OPPI/IDMA . Nicholas Piramal has made a provision for an amount of Rs. 4.3 million in fiscal 1987.

8. Nicholas Piramal has filed a writ petition in the Calcutta high Court for inaction of the police authorities to provide the company with protection and support in order to remove companies books of accounts from the premises taken on lease by the company and where the company was carrying its C&F operations as the ex-employees of the C&FA is preventing the company from doing so due to their dispute with the owner of our ex C&FA. The matter is likely to be taken up by 2nd week of March, 2006.

B. Criminal Cases

1. Nicholas Piramal has filed thirteen criminal cases under section 138 of Negotiable Instruments Act, 1881 for dishonour of cheques issued by various persons, for sums aggregating Rs. 4.5 million.

2. Nicholas Piramal has filed a criminal case against Mr. Naresh Kochhar for recovery of money due to the company for sums aggregating Rs. 1.8 million.

3. Nicholas Piramal has filed a criminal complaint against ABN Amro for cheque stolen in transit. The matter is under investigation.

Labour Suits

There are 98 labour related cases pending against Nicholas Piramal before the Labour Court, Industrial Court, Industrial Tribunal, High Court and Supreme Court. The material cases in this regard are as follows:

1.a) Nicholas Employees Union (NEU) had filed a complaint ULP 748 of 2002 before the Industrial Court, Bombay, for wrongful termination of the employment of 56 workmen on the ground that the sale of the Deonar Plant and consequently that termination of workmen were illegal under Section 25FF of the Industrial Disputes Act, 1947. NEU has prayed for reinstatement of employment of these workers along with payment of back-wages. The Industrial Court has vide its order dated May 5, 2005, partly allowed the complaint and has ordered compensation to be paid to the workmen, but has not ordered reinstatement of the workmen.

b) NPIL thereafter filed a writ petition before the Bombay High Court for setting aside the order of compensation to be paid and NEU also filed a writ petition before the Bombay High Court stating that the Tribunal ought to have ordered reinstatement with consequential benefits.

c) The Ld. Single Judge vide a common interim order ordered full wages to the workmen as also depositing the compensation amount. This interim order was challenged by the company by way of two LPAs. The Division Bench dismissed the LPAs and the company filed a SLP against the dismissal of the LPA. The Ld. Supreme Court remanded the matter to Bombay High Court to determine whether LPA lies against an interlocutory order and whether LPA against a WP filed against an order of an Industrial Court can be deemed to be under Article 227 and consequently be dismissed on the ground that Article 227 being supervisory in nature no LPA can lie.

d) The Ld. Division Bench held that LPA can lie against an interlocutory order and has amended the order of the Ld. Single Jude interalia by ordering 50% wages till the WPs are decided and giving of bank deposits for the compensation ordered by the IC. True copy of the order awaited. The Full Bench is seized with the issue raised by several companies as to whether any challenge to an order of an Industrial Court should be deemed to be under Article 227 and therefore an order a Ld. Single Judge of a High Court in a writ petition cannot be challenged by way of LPA.

2. Nicholas Employees Union had filed a ULP complaint Nos. 699 of 1999 challenging VRS given by Nicholas Piramal on the ground that statutory notice was not given. ULP complaint No.152 of 2000 for alleged harassment. ULP No.172 of 2000 challenging transfer of workmen from erstwhile Deonar Plant to other establishments of the company in Mulund and Thane. ULP 1111 of 2000 challenging transfer of certain equipment out of the erstwhile Deonar plant. The Industrial Court vide a common order rejected all the complaints. The Union challenged all the orders by a common writ. Challenge to ULP 152 was not admitted. WP 3058 containing the challenge to the Industrial Court rejecting the other three ULPs is pending before the Bombay High Court.

3. Krantikari Suraksha Rakshank Sanghatana has filed complaints IDA 51 of 1999 in the Labour Court, Bombay and ULP 661 of 1999 in the Industrial Court, Bombay against the Security Guards Board for Greater Bombay and Thane District, for wrongful termination of labour and has claimed back wages. Nicholas Piramal has been named as a party as the complainants were last employed at one of its facilities. The matter is pending before the Labour Court.

4. Nicholas Employees Union, Boehringer Mannheim India Employees Union and Roche Anglo French Employees Union, have filed complaint IT-62 of 2000 before the Industrial Tribunal, Bombay. The unions have challenged non-payment of bonus to workmen and some medical representatives. The matter is pending before the Industrial Tribunal.

5. Rhone Poulenc Employees Union has filed writ petition WP 7568 of 2003 before the Bombay High Court, challenging the order of the Industrial Court that transferred employees should report to their place of transfer. The single-judge bench of the High Court has ordered employees to report to places of transfer and that they should be given an advance of Rs. 25,000 each and that wages for March 2004 should be paid. Nicholas Piramal has appealed against the order of the single-judge bench before a division bench of the High Court. The appeal has been admitted and the matter is pending before the High Court.

6. Fifteen individual workmen have filed six separate complaints ULP 12, 25, 30, 32, 35 and 42 of 2002, before the Industrial Court at Aurangabad. These workmen have contended that the Voluntary Retrenchment Scheme (VRS) paid in Mumbai is higher than the VRS paid in Paithan and have prayed for the differential arising from the same.

7. The Government of Maharashtra referred IT-16 is with regard to giving full utilization installed capacity at the erstwhile Deonar Plant and giving same work to erstwhile Deonar workmen at Deonar. The matter is pending with the Industrial Tribunal.

8. IDA 291 of 2002 with respect to termination of 19 individuals who were employees of M/s Cleansco & Company, contractors to RPIL at the Bhandup factory. The workmen have prayed for employment in other factories of Nicholas Piramal with payment of back wages.

9. 24 cases have been filed against Nicholas Piramal by medical representatives or trade unions representing medical representatives. The cases have been filed on grounds including termination, transfer, wage settlement, promotion etc.

10. Nicholas Employees Union has filed three cases challenging the fairness of enquiries conducted by Nicholas Piramal in relation to misconduct by employees.

11. Twelve cases have been filed against Nicholas Piramal for wrongful dismissal or suspension of workmen by Nicholas Piramal in the Pithampur plant.

12. Nicholas Employees Union has filed a case against Nicholas Piramal for deduction of eight days wages of striking workmen at the Pithampur plant Nicholas Piramal.

13. Nicholas Employees Union have filed a case against Nicholas Piramal at Pithampur asking for extension of benefits of settlement entered into with Nicholas Pharmaceutical Shramik Union (NPSU) to the workmen who were members of NEU on the principle of equal pay for equal work without the NEU members giving an undertaking for accepting the benefits and burden of the settlement in toto. Since then all the workmen of Pithampur have given the requisite undertaking and accepted the settlement. An application has been made to dismiss the case on the grounds that the dispute no longer survives.

14. Three workmen have filed cases in the Labour Court, Bharuch against Miranda Tools (that has since merged with Nicholas Piramal), on the grounds of wrongful termination of employment at the Ankleshwar plant of Nicholas Piramal.

15. Eighteen labour related cases have been filed by employees and the union against Nicholas Piramal in respect of its plant at Balkum. The cases have been filed on grounds including wrongful dismissal or suspension of workmen and against regular work given to trainees or employment of new workmen.

16. Three workmen have filed cases ID No. 60 of 2002, ID No. 19 of 2003, ID No. 20 of 2003 before the Labour Court, Hyderabad challenging their dismissal by Nicholas Piramal from the Digwal plant, on the ground of chronic absenteeism. In two of the cases, the Labour Court has ordered reinstatement of workmen, without continuity of service or any consequential benefits. The third case is pending before the Labour Court.

17. Nicholas Employees Union had file a case ULP 826 of 2001 before the Industrial Court, Bombay challenging the action of Nicholas Piramal in asking workmen transferred to the Haemaccel plant to given an undertaking that they would report to work and follow regulations. The Union has also prayed for loss of wages, for days when no work was carried out. The Court had directed that the workmen should give the undertaking, but held that the workmen had the right to challenge the work assigned to them on the ground that it was not normal work. The Union has given the required undertaking. However the issue in respect of normal work is pending before the Court.

18. Mr. V. R. Pathak, a former employee of Rhone Poulenc India Ltd., has filed a complaint ULP 446 of 2001 against Nicholas Piramal before the Industrial Court, Bombay, against rejection by

Nicholas Piramal for an application for change in date of birth and consequent loss in VRS payouts due to him. The matter is pending before the Industrial Court.

19. Mr. K. S. Ghosalkar and other former employees of BMIL (since merged with Nicholas Piramal) had filed a complaint before the Industrial Court, Thane, claiming permanency in employment. The complaint was dismissed by the Industrial Court. The parties filed writ petition No. 1075 of 2001 in the Bombay High Court challenging the order of the Industrial Court. The writ was subsequently dismissed and the parties have filed a letters patent appeal in WP No. 1075 of 2001 before a division bench of the Bombay High Court. The matter is pending before the Bombay High Court.

20. The Regional Office, ESIC, Tamil Nadu has issued a SCN dated June 13, 2005 against Nicholas Piramal and Mr. Vaghul in his capacity as Director of Nicholas Piramal asking Nicholas Piramal to pay damages amounting to Rs. 2,485 relating to alleged delay in the payment of the ESIC contribution.

Tax proceedings

I. Income Tax

Appeals filed before Commissioner of Income Tax (Appeals)

Nicholas Piramal has filed five appeals before the Commissioner of Income Tax (Appeals) ("CIT(A)") for amounts aggregating Rs. 874.2 million, which are as follows.

1. Nicholas Piramal filed an appeal before the CIT(A), against the regular assessment order of the Assessing Officer for the assessment year 2002-03 aggregating Rs. 285.4 million, on various grounds including interest and prepayment charges in respect of a loan taken by the Nicholas Piramal, and consultancy charges, both treated as capital in nature. The matter is pending before the CIT(A).

2. Nicholas Piramal has filed an appeal before the CIT(A) against the order of the Assessing Officer issued to Sarabhai Piramal Pharmaceutical Pvt. Ltd. ("SPPL"), that has since merged with Nicholas Piramal) for Rs. 140.6 million, for the assessment year 2000-2001, passed on the directions of the Commissioner of Income Tax. The appeal has been filed on grounds including deductions, depreciation and interest on loan for acquisition of know how and trademarks. The matter is pending before the CIT(A).

3. Nicholas Piramal has filed an appeal before the CIT(A) against the order of the Assessing Officer issued to SPPL, aggregating Rs. 236.6 million for the assessment year 2001-2002, passed on the directions of the CIT. The appeal has been filed on grounds including deductions, depreciation and interest on loan for acquisition of know how and trademarks. The matter is pending before the CIT(A).

4. Nicholas Piramal has filed an appeal before the CIT(A) against the order of the Assessing Officer issued to SPPL, aggregating Rs. 169.5 million. for the assessment year 2002-2003, passed on the directions of the CIT. The appeal has been filed on grounds including that deductions, depreciation and interest on loan for acquisition of know how and trademarks. The matter is pending before the CIT(A).

5. Nicholas Piramal has filed an appeal before the CIT(A) against the reassessment order of the Assessing Officer issued to Super Pharma Ltd. aggregating Rs. 42.1 million for the assessment year 2001-2002. The appeal has been filed on grounds including that advances written off have been taxed twice. The matter is pending before the CIT(A).

II. Appeals by Income Tax Department before the Income Tax Appellate Tribunal

The Income Tax Department has filed fourteen appeals before the Income Tax Appellate Tribunal ("ITAT"), with claims aggregating Rs. 976.1 million.

1. The Department has filed an appeal against the order of CIT(A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 24.8 million for the assessment year 1991-1992, on grounds including allowability of a liability which was paid to ONGC by Nicholas Piramal and interest thereon. The matter is pending before the ITAT.

2. The Department has filed an appeal against the order of CIT(A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 6.2 million, for the assessment year 1992-1993, on grounds including deduction under sections 80HH and 80I of the I.T. Act. The matter is pending before the ITAT.

3. The Department has filed an appeal against the order of CIT(A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 4.6 million for the assessment year 1993-1994, on grounds including deduction under section 80I of the I.T. Act. The matter is pending before the ITAT.

4. The Department has filed an appeal against the order of CIT(A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 23.6 million, for the assessment year 1994-1995, on grounds including allowability of interest on a liability which was paid to ONGC by Nicholas Piramal. The matter is pending before the ITAT.

5. The Department has filed an appeal against the order of CIT(A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 90.1 million, for the assessment year 1996-1997, on grounds including diminution in the value of advance license benefit. The matter is pending before the ITAT.

6. The Department has filed an appeal against the order of CIT (A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 169.1 million, for the assessment year 1997-1998, on grounds including taxability of grant received from Boehringer Mannheim India Ltd. ("BMIL", that has since merged into NPIL) and depreciation on assets. The matter is pending before the ITAT.

7. The Department has filed an appeal against the order of CIT (A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 4.2 million, for the assessment year 1997-1998, on grounds of adding back provision for bad and doubtful debts which Nicholas Piramal has deposited under protest. The matter is pending before the ITAT.

8. The Department has filed an appeal against the order of CIT(A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 166.3 million for the assessment year 1998-1999, on grounds including allowability of expenditure on VRS and interest. The matter is pending before the ITAT.

9. The Department has filed an appeal against the order of CIT(A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 348.8 million for the assessment year 1999-2000, on grounds including computation of capital gains on slump sale of an undertaking and depreciation on assets. The matter is pending before the ITAT.

10. The Department has filed an appeal against the order of CIT(A) issued in favour of Nicholas Piramal for an amount aggregating Rs. 83.3 million for the assessment year 2000-2001, on grounds including depreciation of assets and allowability of expenditure on VRS. The matter is pending before the ITAT.

11. The Department has filed an appeal against the order of CIT(A) issued in favour of SPPL for an amount aggregating Rs. 17.6 million, for the assessment year 1999-2000, on grounds including interest on loan for acquisition of know how and trademarks. The matter is pending before the ITAT.

12. The Department has filed an appeal against the order of CIT (A) issued in favour of RPIL for an amount aggregating Rs. 2.4 million, for the assessment year 1983-1984, on the ground of allowability of disputed excise duty liability. The matter is pending before the ITAT.

13. The Department has filed an appeal against the order of CIT (A) issued in favour of RPIL for an amount aggregating Rs. 34.9 million, for the assessment year 1999-2000, on grounds including allowability of expenditure on voluntary retirement scheme. The matter is pending before the ITAT.

14. The Department has filed an appeal against the order of CIT(A) issued in favour of RPIL for an amount aggregating Rs. 0.2 million, for the assessment year 2000-01, on the ground of calculation of deduction u/s. 80HHC. The matter is pending before the ITAT.

III. Appeal by the Income Tax Department before the High Court

The Income Tax Department has filed appeals before the Bombay High Court, for amounts aggregating Rs. 5.9 million challenging the orders of the ITAT issued in favour of Nicholas Piramal for the assessment years 1990-1991, 1991-1992, 1992-1993, 1993-1994, 1994-1995, 1995-1996, 1996-1997, 1997-1998 and 1998-1999. The appeal is made in respect of tax deducted at source in relation to leave travel allowance, rent free accommodation, medical reimbursement tax etc., paid by Nicholas Piramal.

IV. Appeals by Nicholas Piramal before the Income Tax Appellate Tribunal

1. Nicholas Piramal has filed appeals/cross-objections before the ITAT with regard to the regular assessment orders of the Assessing Officer issued to Nicholas Piramal for the assessment years 1993-1994, 1997-1998, 1998-1999, 2000-2001 and 2001-2002.

2. Nicholas Piramal has filed an appeal before the ITAT with regard to the regular assessment orders of the assessing officer issued to SPPL for the assessment years 1999-2000.

3. Nicholas Piramal has filed appeals before the ITAT with regard to the review order passed by the Commissioner of Income Tax against SPPL for the assessment years 2000-2001 and 2001-2002.

4. Nicholas Piramal has filed an appeal before the ITAT with regard to the regular assessment orders of the Assessing Officer issued to Canere Active and Fine Chemicals Pvt. Ltd. ("Canere" since merged with NPIL) for the assessment years 2001-2002.

5. Nicholas Piramal has filed appeals before the ITAT with regard to the regular assessment orders of the Assessing Officer issued to RPIL, for the assessment years 1983-1984, 1984-1985, 1985-1986, 1986- 1987, 1987-1988, 1992-1993, 1994-1995, 1995-1996, 1999-2000, 2000-2001 and 2001-2002.

V. Appeal by Nicholas Piramal before High Court

1. Nicholas Piramal has filed appeals before the Bombay High Court, against the orders of ITAT issued to RPIL, for the assessment years 1976-1977 to 1979-1980. The grounds of appeal is with respect to allowability of depreciation on the original cost of assets or in the alternate depreciation on written down value as per books instead of written down value as per the I.T. Act.

2. Nicholas Piramal has filed an appeal before the Bombay High Court, against the orders of ITAT issued to RPIL for the assessment year 1983-1984. The ground of appeal is with respect to allowability of cost of advertisement films as revenue expenditure and surtax applicable.

Excise Cases

1. The Excise Department has issued a SCN dated July 28, 1998,challenging the admissibility of ad hoc discount for hospital pack, and has demanded Rs. 0.8 million from Nicholas Piramal. Nicholas Piramal has filed its reply and the matter is pending before the Commissioner of Central Excise (the "Commissioner").

2. The Excise Department has issued a SCN for the differential rate of duty payable for the period for which notification No.9/94 dated March 1, 1994, was not in force. The Excise Department has made the demand on the ground that the concessional rate of duty on certain bulk drugs applicable under the said notification was not available to Nicholas Piramal for the period in which it was not in force. Matter pending with Commissioner of Central Excise (Appeals), Mumbai.

3. The Excise Department has issued SCNs dated August 8, 1997, January 21, 1998, September 7, 1998, March 15, 1999 and April 28, 1999, with demands aggregating Rs. 20.1 million. The demands have been made in relation to classification of certain vitamin products as bulk drugs, which Nicholas Piramal has classified as pharmaceutical products. The Commissioner of Central Excise confirmed the demand of the Excise Department. Nicholas Piramal has preferred an appeal before the CESTAT-WZB, and has obtained a stay by CESTAT vide its order dated October 8, 2004. CESTAT, Mumbai, has granted Stay and is still in force.

4. The Excise Department has issued SCN dated October 3, 2000, demanding Rs. 1.5 million by way of recovery of 8% on certain exempted products on the ground that duty was recovered from customers. Nicholas Piramal has preferred an appeal before the CESTAT-WZB and has paid the amount demanded, and has obtained a stay vide order No. M/221/WZB/2005/C I, dated February 23, 2005. Pending before CESTAT, Mumbai, for final hearing.

5. The Commissioner of Central Excise has passed order No. 07/SK-07/2005-Thane dated March 24, 2005 for demand aggregating Rs. 24.4 million in respect of eight show cause notices. Nicholas Piramal has already paid Rs. 15.0 million. The order requires Nicholas Piramal to pay a further Rs. 4.0 million and Rs. 5.5 million as penalty. NPIL has preferred appeal before CESTAT-WZB, for Valuation & has obtained stay vide Order No.S/81/WZB/2005/C-II/EB dt.17-8-2005. The substantive matter on whether production of intermediate Crude Vitamin A is marketable & is subject to excise duty is pending before the Supreme Court in Civil Appeal of 2002. The next date for hearing has not been fixed.

6. The Excise Department has issued show cause notice to Nicholas Piramal in respect of its VFCD facility for reversing the input CENVAT credit in respect of the Feed Supplement (Attracting nil duty) instead of debiting 8% of the value of Feed supplement. CESTAT WZB heard the matter on April 4, 2005 and dismissed the appeal of the Excise Department. Department has filed writ petition in Bombay High Court. The periodical Show cause notices are issued from time to time. Four Show cause notices for the period Feb 01 to Feb 02 amounting to Rs. 25.0 million (Liability 8.75 million) are pending for adjudication with Commissioner.

7. Show cause notices for the period March 2002 to December 2003 amounting to Rs. 48.6 million (Liability 23.66 million) are confirmed by Commissioner and Nicholas Piramal. VFCD has preferred an appeal before the CESTAT-WZB and has obtained a stay vide order No. S/565/WZB/2005/CIII/ dated June 16, 2005 over the following notices:

i. Show cause notices for the period January 2004 to December 2004 amounting to Rs. 8.07 million (Liability 0.84 million) are confirmed by Joint Commissioner (Order dated December 28, 2005) and Nicholas Piramal- VFCD has preferred an appeal before the Commissioner (Appeals) on February 17, 2006

ii. Show cause notice for Jan 05 amounting to Rs. 1.36 million (Liability of Rs.0.74 million) is issued on February 03, 2006 answerable to Joint Commissioner.

8. The Excise Department has filed an appeal before the CEGAT, Chennai against the order of the Commissioner (Appeals) withdrawing the excise duty demanded of Rs. 53,000 on sale of waste scrap materials. The CEGAT has remanded the case to the Commissioner (Appeals) for re adjudication. Meanwhile, the entire duty amount has been paid Under Protest.

9. The Excise Department has gone in appeal before the CEGAT, Chennai against the order of the Commissioner (Appeals) allowing the abatements of discounts amounting to Rs.93,000 claimed on sales made by depots during the period March 2001 to June 2001.

10. The Excise Department has issued three SCNs in respect of the erstwhile Deonar plant of Nicholas Piramal for demands aggregating Rs. 0.6 million against Nicholas Piramal.

11. The Excise Department has issued thirteen other SCNs to Nicholas Piramal in respect of its manufacturing plants at Pithampur, Thane, Mahad, Paithan and Bhandup which are at various stages of adjudication.

12. Miranda Tools which was a division of The Morarjee Goculdas Spg. & Wvg. Co. Ltd. spun off and merged with Nicholas Piramal India Ltd. with effect from December 1, 2003. In the year 1996 a Joint Venture company called Cromwell Tools (India) Pvt. Ltd. (CTIL) was formed in which 50% shareholding was held by Cromwell Group Holdings Ltd., UK and 50% was held by four Indian parties namely M/s. Piramal Finance & Investment Pvt. Ltd., M/s. Rajiv Piramal Investments Pvt. Ltd. M/s. Tally-HO Investments Pvt. Ltd. and M/s. Hyacinth Investment Pvt. Ltd. CTIL purchased the products manufactured by Miranda Tools on a principal-to-principal basis and sold them to bulk users and the trade. This arrangement was found to be in order by the Excise Authority in Mumbai. However, the Excise Authorities at Ankleshwar have held that the arrangement was a device to reduce the incidence of excise payable by Miranda Tools. The said authority has held that Miranda Tools ought to have paid excise not on the price at which it sold the products to CTIL but the price on which CTIL sold the products to bulk users and the trade. It has raised a demand of Rs.1,38,19,766/- and levied a penalty of Rs.1,38,19,676/-. The company challenged the order before CESTAT requesting waiver of the above payments demanded. CESTAT has admitted the matter and granted complete waiver of payments as asked for.

Show cause notices against Loan License Agents ("LLA")

Nicholas Piramal outsources certain manufacturing processes to other entities on a job work or loan license basis. In the event that a show cause notice is issued to LLA in respect of goods manufactured for Nicholas Piramal, the liability of the excise duty is borne by Nicholas Piramal.

1. The Excise Department has issued SCNs dated September 8, 1999, January 18, 2000 and February 27, 2001 to Neon Labs for amounts aggregating Rs. 1.3 million for availment of Modvat credit on invoices issued by 100% E.O.U. wherein the quantum of credit availed is under dispute. Matter is pending with CESTAT, Mumbai and Commissoner of Central Excise (Appeals), Mumbai.

2. The Excise Department has issued SCNs dated April 28, 2000, May 2, 2000 and May 31, 2004 to VVF Ltd. for demands aggregating Rs. 11.4 million. The notices have been issued in relation to classification of Tetmosol soap as a medicament and therefore valuing customs duty on cost plus

conversion charges of the job worker. The Excise Department has stated that Tetmosol soap is a toilet soap and therefore excise duty must be valued on maximum retail price. Nicholas Piramal has obtained a stay from CESTAT-WZB in respect of SCNs dated April 28, 2000 and May 2, 2000, where an aggregate amount of Rs. 11.4 million has been claimed by the Excise Department. In respect of SCN dated May 31, 2004, Nicholas Piramal has proceeded in appeal, before the Commissioner of Appeals, Central Excise, where an amount aggregating Rs. 4.0 million has been demanded by the Department. The regular hearing was attended on April 26, 2005 and the decision has been reserved for orders. Appeal filed before Supreme Court, New Delhi, pending for admission. In other cases, appeals are pending before CESTAT, Mumbai and Commissioner of Central Excise (Appeals), Vapi.

3. The Excise Department has issued five other SCNs against Nicholas Piramal's loan license agents for demands aggregating Rs. 0.5 million.

<u>Notices issued against Nicholas Piramal</u>

1. The Excise Department has issued SCN dated January 14, 2003, demanding an amount aggregating Rs. 4.8 million by way of 8% excise duty on sale price of Aablaquin which also contains chloroquinine phostphate tablets, which is exempt from payment of excise duty. Nicholas Piramal has filed its reply to the SCN, and the matter is pending with the Commissioner.

2. The Excise Department has issued SCN dated October 26, 2004, for demand aggregating Rs. 1.9 million on the ground that a certain product cannot be classified as an anesthetics preparation, and is therefore not exempt from excise duty under notification No. 6/2000 dated March 1, 2000. Nicholas Piramal has replied to the SCN. The demand has been confirmed by the Joint Commissioner and Nicholas Piramal is planning to file an appeal before the Commissioner Appeals. Pre-deposited Rs.6 lacs. We are in the process of filing application to Settlement Commission, Chennai Bench.

3. The Excise Department has issued SCNs dated September 17, 2003 and August 19, 2004, to RGR Pharma, Chandigarh, demanding in the aggregate Rs. 9.0 million in respect of job work undertaken for Nicholas Piramal on the ground that valuation of excise duty on the job work should be on the selling price of the product and not on the cost of production and job work charges. Appeal filed to CESTAT, New Delhi. Pending hearing.

4. The Excise Department has issued SCN dated January 17, 2005, to VVF Ltd. for demands aggregating Rs. 4.2 million in relation to job work of Tetmosol soap for Nicholas Piramal. The notice has been issued in relation to classification of Tetmosol soap as a medicament and therefore valuing customs duty on cost plus conversion charges of the job worker. The Excise Department has stated that Tetmosol soap is a toilet soap and therefore excise duty must be valued on maximum retail price. Nicholas Piramal has filed its reply to the SCN and the matter is pending with the Commissioner for adjudication. Appeal filed before Commissioner of Central Excise (Appeals), Vapi. Pending hearing.

5. The Excise Department has issued two other SCNs dated May 6, 2003, July 13, 2004 to Nicholas Piramal in respect of its Mahad and Pithampur plants. The Excise Department has also issued an SCN dated January 3, 2005 to Deepti, Hyderabad, a loan license agent of Nicholas Piramal.

State Excise

1. The Maharashtra State Excise Department ("MSED") has issued a notice No. MTP/1199/6/Rhone dated April 7, 1999, to Nicholas Piramal demanding Rs. 1.0 million for duty due on estimated wastages or process losses in the manufacture of Phensedyl and Tixylix Cough Linctus. Nicholas Piramal has filed an appeal, and the Commissioner has granted a stay vide his order MTP/1198/38723/1114/x dated May 15, 1999.

2. MSED has issued a notice No. MTP/1199/33/Rhone dated July 29, 1999, to Nicholas Piramal demanding Rs. 2.0 million for non-aalowance of trade discount of 10% on Phensedyl. Replied to the Supdt. On 09.08.1999 and the matter is pending before him.

3. MSED has issued a notice No. MTP/11/2000/18/Rhone dated April 6, 2000, to Nicholas Piramal, demanding Rs. 1.4 million for duty due on estimated wastages or process losses in the manufacture of Phensedyl and Tixylix Cough Linctus. Nicholas Piramal has filed an appeal, and the Commissioner has granted a stay vide his order MTP/112000/24/x dated June 14, 2000.

4. MSED has issued a notice No. MTP/11/2000/78/Rhone dated October 24, 2000, to Nicholas Piramal, demanding Rs. 1.0million for duty due on estimated wastages or process losses in the manufacture of Phensedyl and Tixylix Cough Linctus. Nicholas Piramal has filed an appeal, and the Commissioner has granted a stay vide his order MTP/112000/34397/898/x dated December 8, 2000.

5. MSED has issued notices No. MTP/11/2002/22/02 dated January 16, 2002 and MTP/11/2002/135/02 dated July 8, 2002 to Nicholas Piramal, demanding in aggregate Rs. 1.3 million for duty due on estimated wastages or process losses in the manufacture of Phensedyl and Tixylix Cough Linctus. Nicholas Piramal has filed an appeal, and the matter is pending with the Commissioner.

6. MSED has issued notices No.MTP/11/2001/46/Rhone dated June 12, 2001 and MTP/11/2000/59/Rhone dated July 30, 2001 to Nicholas Piramal, demanding in aggregate Rs. 0.6 million for duty due on estimated wastages or process losses in the manufacture of Phensedyl and Tixylix Cough Linctus. Nicholas Piramal has filed an appeal, and the Commissioner has granted a stay.

7. MSED has issued eight other show cause notices to Nicholas Piramal in respect of its former manufacturing facility at Bhandup and two SCNs in respect of its plant at Mahad.

Service Tax

1. The Excise Department has issued SCN dated December 29, 2003, to Nicholas Piramal demanding in aggregate Rs. 4.2 million, for non-payment of service tax on detailing charges received, on the ground that it falls under the category of advertisements. Nicholas Piramal has replied to the SCN and the matter is pending before the Commissioner.

2. The Excise Department has issued SCN dated December 29, 2003, to Nicholas Piramal demanding in aggregate Rs. 88.6 million for non-payment of service tax on royalty paid to a non-resident management consultant. Nicholas Piramal has replied to the SCN and the matter is pending before the Commissioner.

Customs

1. The Commissioner of Customs (Import) has issued a SCN dated March 11, 2005, to Nicholas Piramal and an employee of Nicholas Piramal, under Sections 124 and 28 of the Customs Act, 1962 for wrongly printing the words “Intravenous Fat Emulsion” on Nicholas Piramal’s imports of Critifol and thereby availing of an exemption from payment of additional customs duty amounting to a sum of Rs. 2.8 million in terms of Notification No. 006/2002-C.Ex. dated March 1, 2002. Nicholas Piramal has, vide letter dated March 24, 2005, requested the Commissioner of Customs (Import) to grant an extension of 30 days for filing its reply to the show cause notice and has paid the entire amount demanded under protest to the Customs authorities. Nicholas Piramal and the employee have decided to approach the Settlement Commission –Customs, to settle the matter and

have paid the application fee on May 19, 2005 for settlement under section 127B under the Customs Act, 1962.

Sales Tax

1. Nicholas Piramal has filed an appeal before the Deputy Commissioner (Appeals), Kolkata for a sum of Rs. 6.62 million.

2. Nicholas Piramal has filed an appeal before the Joint Commissioner (Appeals), Patna, against the assessment order of the of the Deputy Commissioner of Commercial Taxes, Patna for the financial years 2000, 2001 and 2002 amounting to a sum of Rs. 11.3 million.

3. Nicholas Piramal has filed an appeal before the Deputy Commissioner (Appeals), Lucknow for a sum of Rs 6.29 million.

4. Nicholas Piramal has filed appeals before sales tax authorities in respect of
    a. In Muzaffarpur for amounts aggregating Rs. 2.9 million;
    b. In Paithan, for amounts aggregating Rs. 2.4 million;
    c. In Delhi, for amounts aggregating Rs. 0.7 million;
    d. In Bangalore, for amounts aggregating Rs. 1.3 million;

5. Nicholas Piramal has also filed some appeals before sales tax authorities for sums aggregating Rs. 24.91 million.

Notice*s*

1. The Registrar of Companies had issued three SCNs to Nicholas Piramal, with copies to its executive directors and company secretary dated February 6, 2004, May 12, 2004 and May 10, 2004 for offences under Section 205C of the Companies Act, 1956, for not transferring unpaid/unclaimed dividend to the Investor Education Protection Fund in the prescribed period. Nicholas Piramal on behalf of its executive directors has made an application for compounding the offences by its letter dated October 8, 2004. Nicholas Piramal has subsequently transferred the required amounts to the Investor Education Protection Fund.
2. The CCRA has issued a notice to the company u/s 53A of the Bombay Stamp Act alleging short payment of stamp duty of Rs.5.36 crores pursuant to non-consideration of the value of the RP House property by the Supdt of Stamps, while certifying u/s 32 of the said Act, the stamp duty payable on the Court Order sanctioning the Scheme of Arrangement vide which Rhone Poulenc India Limited was merged with the company. The matter is currently before the CCRA for adjudication.

Miscellaneous

1. 40 cases have been filed where Nicholas Piramal is named as one of the respondents in relation to transfer, transmission or loss of shares.

G P Electronics Ltd.

Income Tax

1. An appeal has been filed by the income tax department before ITAT for the assessment year 1990-91. The appeal is against the claims admitted/ allowed by the CIT (A) against G.P. Electronics Ltd., amounting to Rs.2.659 million under the heads of travelling expenses, modvat valuation on closing stock, deductions under Section 35 AB and 80HHC of the Income Tax Act, 1961. The case was last heard on May 4th, 2005 and is presently pending before the ITAT.

Sales Tax

1. During the internal sales tax revenue audit, an amount of Rs.166,365/- accounted towards a turnover discount was disallowed by the sales tax authorities. G.P. Electronics Ltd. has filed an appeal before the Deputy Commissioner, Sales Tax, Mumbai disputing the said disallowance. An amount of Rs.40,000/- has been deposited with the sales tax authority by G.P. Electronics Ltd.. The date of final hearing is not yet fixed.

Excise

1. The excise department has made demands aggregating Rs. 1.6 million made in respect of value added tax deduction claimed by G.P. Electronics Ltd. with respect to consumable spares of certain capital goods. An appeal was preferred before the appellate tribunal on February 21, 2005. The order for recovery of the demand of Rs. 1.6 million was referred back to the Central Excise Commissioner (originating authority) by the Appellate Tribunal on February 21, 2005.

Service Tax

1. G.P. Electronics had entered into technology licensing agreement with TDK Corporation of Japan. Under the agreement, G.P. Electronics had paid royalty and technical know-how fees to TDK. The department has claimed that service tax is leviable on payments made pursuant to this technology licensing agreement. The department has accordingly made a claim of Rs. 0.8 million on account of unpaid service tax against G.P. Electronics Ltd.. G.P. Electronics has filed an appeal against the assessment of the department.

Morarjee Realties Ltd.

Piramal Holdings Ltd. has merged with Morarjee Realties Ltd. vide Bombay High Court's order dated September 16, 2005 This section includes the litigation of the erstwhile Piramal Holdings Ltd.

Criminal Proceedings

1. The Anti Corruption Bureau of the Central Bureau of Investigation has filed a criminal complaint before the Court of the Special Judge, Mumbai against Mr. Sunder Jethwani, Mr. Narain Dass, both employees of the Central Public Works Department, Maharashtra and Morarjee Realties Ltd. under Sections 120B and 420 of the Indian Penal Code, 1860 and Section 13(i)(d) of the Prevention of Corruption Act, 1988. The charges filed against Morarjee Realties Ltd. alleges that Morarjee Realties Ltd. had offered and paid a bribe to Mr. Sunder Jethwani and Mr. Narain Dass to influence their decision to extend the term of the lease of certain premises leased by Morarjee Realties Ltd. to the Income Tax Department.

Labour Court

1. There are 44 labour cases filed against Morarjee Realties Ltd. by its former employees, including one criminal case in relation to one such labour dispute. These cases are pending before various labour tribunals and courts. The labour cases broadly fall under the following categories:

- Claims for permanency of employment;
- Claims for reinstatement with back wages and with benefits of continuity of services;
- Claims for recovery of dues arising out of manly gratuity and VRS payout; and
- Claims against the closure of a unit of Morarjee Realties Ltd.

2. Application (WCA) No. 415/C-164/2004 filed by Bangilal Ramsubhash Chaudhari against M/s. Mahindra Metal, MRL and New India Assurance Co. Ltd. in the Labourt Court, Bandra, claiming Compensation of Rs. 4,99,152/- under the Workmen Compensation Act for the injury sustained and loss of work caused to the Bangilal Ramsubhash Chaudhari due to the accident occurred on 13/12/2003 during demolition work of Morarjee Mills. The Judge has directed the Insurance Company to file their Written statement on the next date i.e. March 18, 2006.

Income Tax

1. Income tax demands and appeals amounting to Rs. 31.64 million are pending before various adjudicatory authorities, tribunals and courts. Morarjee Realities Ltd. has filed a writ petition against the re-opening of assessment for the assessment years 1984-85, 1985-86 and 1989-90.

2. Appeal filed by Piramal Holdings Ltd. before Commissioner of Income Tax, Appeals for the assessment year 2000-2001 and 2002-03 on account of wrong treatment of income, depreciation and other disallowances. Amount involved Rs.11.489 million.

3. Appeal filed by Piramal Holdings Ltd. before appellate tribunal in respect of the assessment year 1994-95, 2000-01 and 2001-02 on account of disallowance of depreciation, service fees, interest and classification of block of assets. Amount involved Rs. 82.61 million.

4. Appeal filed by the income tax department before the appellate tribunal for the Assessment Year 1994-95 on account of taxability of lease rentals. Amount involved Rs.166.0 million.

5. Two Writ Petitionsfiled by Morarjee Realties Ltd. in relation to certain claims raised against Morarjee Realties Ltd. have been filed against Income Tax and Central Excise in relation to Piramal Chambers.

Writ Petition

2. Writ Petition No. 1650 of 2005 filed by Indian National Trust for Art & Cultural Heritage against The State of Maharashtra and others seeking appropriate directions from the Hon'ble Court for the protection and conservation of heritage structures in the mills of Mumbai. MRL filed a Chamber Summons for impleading them as a party in the matter. On February 7, 2006 the Division Bench directed the Heritage Committee to submit their report as regards inspection of the private mill lands and further passed an order granting stay on demolition of NTC structures.

3. The Maharashtra Suraksha Rakshak Aghadi through 16 security guards have filed a petition in the Bombay High Court being Writ Petition No. 42 of 2006 directing The Security Guards Board for Greater Bombay and Thane District to register the 16 security guards and to allot to Peninsula Facility Management Services Ltd.

4. The Maharashtra Suraksha Rakshak Aghadi through 7 security guards have filed a petition in the Bombay High Court being Writ Petition No. 48 of 2006 directing The Security Guards Board for Greater Bombay and Thane District to register the 7 security guards and to allot to Peninsula Facility Management Services Ltd. On January 16, 2006 the Hon'ble High Court granted status quo until the matter comes up for hearing in the regular course.

Small Causes Court - Mumbai

1. MRL has filed Municipal Appeal No. 291 of 2005 in The Small Causes Court, Mumbai against BMC for setting aside the order dated 24.2.2005 fixing the rateable value in respect of Piramal Chambers. BMC had filed Computation on 19.07.2005. MRL is in the process of filing an application for dispensing the deposit of computation.

Small Causes Court - Ahmedabad

1. Summary Suit No. 3103 of 2003 filed by Shantilal Mohanlal Shah against MRL. This matter has been transferred to the Small Causes Court, Ahmedabad.

2. Summary Suit No. 3176 of 2003 filed by Maliniben Shantilal Shah against MRL. This matter has been transferred to the Small Causes Court, Ahmedabad.

City Civil Court

1. S. C. Suit No. 2555 of 2004 filed in the City Civil Court by Mahalaxmi Industrial Estate Premises Co-operative Society Ltd. against M/s. Marathon Nextgen Realty & Textiles Ltd.& MRL claiming that Marathon are having and illegal access to their property through the property of Mahalaxmi Industrial Estate Premises Co-operative Society Ltd. Matter is currently pending.

The Dawn Mills Company Limited

1. There are two demand notices pending before Additional Commissioner of Central Excise, Mumbai IV in the matter of yarn manufactured on job work basis during April 1994 to march 1995. The amount involved is approximately Rs 2.13 lakhs.

2. Case filed by Laxmi Enterprises claiming an amount of Rs 3 lakhs.

3. 13 cases have been filed by past employees against Dawn Mills seeking various reliefs including superannuation, reinstatement with back wages, ex-gratia, VRS compensation, etc. The amount involved is approximately Rs 15.03 lakhs of claims, Further, 41 badli workers have filed case for ex-gratia and VRS compensation. These cases are at different stages of the applicable dispute resolution process.

The amounts mentioned in the above cases do not include interest claims, if any.

Alltime Mercantile Company Private Limited

Income Tax

1. Appeals have been filed by erstwhile UCAL (now Alltime Mercantile Company Private Limited) before the income tax appellate tribunal in respect of assessment years 1987-88, 1993-94, 1998-99, 1999-2000, 2000-01 and 2000-02 aggregating to Rs. 311.686 million on account of short term capital gains, lease rent and interest expenses.

2. Appeals have been filed by the income tax department before the income tax appellate tribunal in respect of assessment years 1994-95 through 1997-98 aggregating to Rs. 39.292 million on account of disallowance of lease rental income.

3. Appeals have been filed by the income tax department before the High Court of Mumbai in respect of assessment years 1981-82 and 1982-83 aggregating to Rs. 1.631 million on account of disallowance of short term capital loss and interest.

L&T Crossroads Pvt. Ltd.

Civil Disputes/Writ Petitions

1. Writ Petition No. 1225 of 2004 in the case of Nariman Point Association and another Vs. Union of India, L&T Crossroads Pvt. Ltd. and Larsen & Toubro Ltd.. The petitioners in this writ petition have prayed for quashing of the building permission issued in respect of L&T Crossroads' Pvt. Ltd.'s premises at Nariman Point, Mumbai. The petition further seeks to restrain persons from taking possession of the property being developed by L&T Crossroads Pvt. Ltd..

2. Writ Petition filed in the High Court of Bombay by certain security guards employed by a third party securities contractor and deputed at the offices of L&T Crossroads Pvt. Ltd., claiming that L&T Crossroads Pvt. Ltd. has not registered the said security guards with Securities Guards Board.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further material approvals are required from any Government authority to continue such activities. We have received the following Government approvals that are material to our business:

General

PAN Number – AAACM2725R

Factory Approvals for the Nagpur Plant:

1. Letter from Textile Committee No. X/1/Gen/2000/In/Vol-IV/4341, Government of India, Ministry of Textiles to Morajee Brembana Limited. Letter pertains to issuance of Registration number MUM/06016. This was valid for 1 year, until 17.08.2001.
2. Industry Registration – License Number 1314/Nag/ 2M (1).
3. License to import and store petroleum in installation.
4. Certificate No. 441108/S/1under Bombay Sales Tax Act, 1959 dated September 12, 1995
5. Certificate No. 441108/C/1 issued under Central Sales Tax (Registration and Turnover) Rules, 1957 is permanently valid.
6. Registration under the Contract Labour Act, 1970 and Rule 18(1) of the rules issued thereunder (NGP Zone -1/14/96) dated September 12, 1995.
7. Application to the Deputy Commissioner of Explosives for the Explosives Licence No. P/HQ/MH/15/2257(P19629) valid until 31/12/2007.
8. Solvent Raffinite/ Slop License valid until 27/9/2006.
9. Registration Certificate issued by the Government of Maharashtra, Office of the registering officer, Nagpur for contract labour mentioning the various depts where the Company has hired Contract Labour. List last amended on 18.1.2005.
10. Certificate for the use of a Boiler (No. MR/ 12621).
11. Certificate for the use of a Boiler (No. MR/12574).
12. Certificate for the use of a Boiler (No. MR/13484).
13. Central Excise Registration Certificate dated April 8, 2005 from the Office of the Deputy Commissioner of Commercial Taxes and allotting Excise Registration No. AACM2725RXM001.
14. IEM application of Morarjee Textiles Ltd for the manufacture of Composite Cotton Mills (Spinning, Weaving and Processing). Letter stating that amendments are made to the Company's name from Morarjee Brembana Ltd to Morarjee textiles ltd.
15. Issue of Tax Deduction Account Number bearing number NGPM00996C by the office of the Income Tax officer.

Application for Renewal:

1. Application for the renewal of the Factory Licence No. 50289 issued under the Factories Act, 1948.

2. Consent certificate from Maharashtra Pollution Control Board (EIC No. NG 0129 05) to M/s Morarjee Brembana Ltd. Consent to Operate is granted for a period upto 31/12/2005.

STATUTORY AND OTHER INFORMATION

Authority for the Issue

Pursuant to the resolution passed by the Board of Directors of the Company at its meeting held on January 19, 2006 it has been decided to make this offer to the Equity Shareholders of the Company with a right to renounce.

Consent of Lenders

The agreements in respect of some of the debt taken by us contain certain covenants *inter-alia* for altering our share capital and for our expansions and diversifications plans, including the expansion proposed to be funded out of the proceeds of this Issue. We are in the process of obtaining these consents from our lenders. The consent of lenders, wherever required, shall be obtained by us prior to opening of this Issue.

Prohibition by SEBI

Neither we, nor our Directors or the Promoter Group Companies, or companies with which our 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. Further, none of the directors or person(s) in control of the Promoters (as applicable) have been prohibited from accessing the capital market under any order or direction passed by SEBI.

Eligibility for the Issue

The Company is an existing company registered under the Indian Companies Act, 1956 whose Equity Shares are listed on the BSE. It is eligible to offer this Issue in terms of Clause 2.4.1(iv) of the SEBI DIP Guidelines. The Company, its Promoter, its Directors or any of the Company's associates or group companies are currently not prohibited from accessing the capital market under any order or direction passed by SEBI. Further the Promoter, their relatives (as per Act), the Company, group companies, associate companies are not detained as willful defaulters by RBI / Government authorities.

Disclaimer Clause

AS REQUIRED, A COPY OF THIS DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS DRAFT LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPOSIBILITY 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 THIS DRAFT LETTER OF OFFER. THE LEAD MANAGERS, ENAM FINANCIAL CONSULTANTS PVT. LTD. AND YES BANK LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT LETTER OF OFFER, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE

LEAD MANAGERS [•] AND [•] HAVE FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED [ ] WHICH READS AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE DRAFT LETTER OF OFFER 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, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;**

WE CONFIRM THAT:

THE DRAFT LETTER OF OFFER 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 LETTER OF OFFER ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT LETTER OF OFFER ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND**

The filing of this Draft Letter of Offer does not, however, absolve the Company from any liabilities under Section 63 or Section 68 of the Act or from the requirement of obtaining such statutory or other clearance as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up, at any point of time, with the Lead Managers any irregularities or lapses in this Draft Letter of Offer.

Caution

The Company and the Lead Managers accept no responsibility for statements made otherwise than in this Draft Letter of Offer or in any advertisement or other material issued by the Company or by any other persons at the instance of the Company and anyone placing reliance on any other source of information would be doing so at his own risk.

The Lead Managers and the Company shall make all information available to the Equity Shareholders and no selective or additional information would be available for a section of the Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Draft Letter of Offer with SEBI.

Disclaimer with respect to jurisdiction

This Draft Letter of Offer has been prepared under the provisions of Indian Laws and the applicable rules and regulations thereunder. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

This Draft Letter of Offer has been prepared under the provisions of Indian Law and the applicable rules and regulations thereunder. The distribution of the Draft Letter of Offer and the Issue of Equity Shares on a Rights basis to persons in certain jurisdictions outside India may be restricted by the legal requirements prevailing in those jurisdictions. Persons in whose possession this Draft Letter of Offer may come are required to inform themselves about and observe such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Draft Letter of Offer 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 Letter of Offer may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Letter of Offer 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.

The Draft Letter of Offer has been filed with SEBI, Mittal Court, ‘A’ Wing, Nariman Point, Mumbai 400021, for its observations. After SEBI gives its observations, the final Letter of Offer will be filed with the Designated Stock Exchange as per the provisions of the Act.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue will be the Bombay Stock Exchange Limited.

Disclaimer Clause of the BSE

The Bombay Stock Exchange Limited (“the Exchange”) has given vide its letter dated [•] permission to the Company to use the Exchange’s name in this Draft Letter of Offer as one of the Stock Exchanges on which this Company’s securities are proposed to be listed. The Exchange has scrutinized this Draft Letter of Offer for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner: (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Letter of Offer; or (ii) warrant that this Company’s securities will be listed or will continue to be listed on the Exchange; or (iii) take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed that this Letter of Offer has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

This Draft Letter of Offer was filed with SEBI, Mittal Court, Nariman Point, Mumbai 400 021. The Draft Letter of Offer has been filed with the Designated Stock Exchange as per the requirements of the law. All the legal requirements applicable till the date of filing the Letter of Offer with the Stock Exchanges have been complied with.

Dematerialised Dealing

The Company has agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and its Equity Shares bear the ISIN No. INE161G01019.

Listing

The existing Equity Shares are listed on the BSE. The Company has made applications to the BSE for permission to deal in and for an official quotation in respect of the Equity Shares being offered in terms of this Draft Letter of Offer. The Company has received in-principle approvals from BSE by letters dated [•] and [•] respectively. The Company will apply to the BSE for listing of the Equity Shares to be issued pursuant to this Issue.

If the permission to deal in and for an official quotation of the securities is not granted by any of the Stock Exchanges mentioned above, within 42 days from the Issue Closing Date, the Company shall forthwith repay, without interest, all monies received from applicants in pursuance of this Draft Letter of Offer. If such money is not paid within 8 days after the Company becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay the money with interest as prescribed under the Section 73 of the Companies Act, 1956.

Consents

Consents in writing of the Auditors, Lead Managers, Legal Advisors, Registrar to the Issue, Monitoring Agency and Banker to the Issue to act in their respective capacities have been obtained and filed with SEBI, along with a copy of the Draft Letter of Offer and such consents have not been withdrawn up to the time of delivery of this Letter of Offer for registration with the stock exchanges.

The Auditors of the Company have given their written consent for the inclusion of their Report in the form and content as appearing in this Draft Letter of Offer and such consents and reports have not been withdrawn up to the time of delivery of this Draft Letter of Offer for registration for registration with the stock exchanges.

Shah & Co,, auditors have given their written consent for inclusion of income tax benefits in the form and content as appearing in this Draft Letter of Offer, accruing to the Company and its members.

To the best of our knowledge there are no other consents required for making this Issue. However, should the need arise, necessary consents shall be obtained by us.

Expert Opinion, if any

Save and except as indicated elsewhere in this Draft Letter of Offer, no other expert opinion has been obtained by the Company.

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Fees Payable to the Lead Managers to the Issue

The fees payable to the Lead Managers to the Issue are set out in the Memorandum of Understanding entered into by the Company with Yes Bank and ENAM, copies of which are available for inspection at the Registered Office of the Company.

Fees Payable to the Registrars to the Issue

The fee payable to the Registrars to the Issue is as set out in the relevant documents, copies of which are kept open for inspection at the Registered Office of the Company.

Underwriting commission, brokerage and selling commission

No underwriting commission, brokerage and selling commission will be paid for this Issue.

Other Expenses of the Issue

The other expenses of the Issue payable by the Company including, printing and distribution expenses, publicity, listing fees, stamp duty and other expenses are estimated at Rs. [●] million (around [●] % of the total Issue size) and will be met out of the proceeds of the Issue. The following table provides a break up of estimated issue expenses:

Particulars	**In Rs. Million**
Advertisement Budget	[•]
Postage, Printing and Stationery	[•]
Legal Advisor's fee	[•]
Others & Contingencies	[•]
Total	[•]

TERMS OF THE ISSUE

The Equity Shares, now being issued, are subject to the terms and conditions contained in this Draft Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum and Articles of Association of the Company, the provisions of the Act, guidelines issued by SEBI, guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

Authority for the Issue

This Issue is being made pursuant to the resolution passed at the meeting of the Board of Directors of the Company on January 19, 2006. The objects of the present Rights Issue has also been authorized by the Board at its meeting held on January 19, 2006.

Basis for the Issue

The Equity Shares with Detachable Warrants are being offered for subscription for cash to those existing Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the depositories in respect of the shares held in the electronic form and on the Register of Members of the Company in respect of shares held in the physical form at the close of business hours on the Record Date, i.e., [•] fixed in consultation with BSE.

Rights Entitlement:
As your name appears as beneficial owener in respect of the shares held in the electronic form or appears in the register of members as an equity shareholder of the Company as on [•] record date. You are entitled to the number of shares in Block I of Part A of the enclosed in the Composite Application Form.

The eligible shareholders shall be entitled to the following:
- **Three Equity shares for every Four Equity Shares held on the Record Date**
- **For every Three Equity Shares being offered on rights under this issue, the allottees will have Two Detacheable Warrants.**

Principal Terms of the Issue
The Equity Shares, now being issued, subject to the the provisions of the Act , terms and conditions contained in this Draft Letter of Offer, the enclosed Composite Application Form ("CAF"), the Memorandum and Articles of Association of the Company, guidelines issued by SEBI, Foreign Exchange Management Act 1999 ("FEMA"), guidelines, notifications and regulations for issue of capital and for listing of securities issued by Government of India and/or other statutory authorities and bodies from time to time, terms and conditions as stipulated in the allotment advice or letter of allotment or security certificate and rules as may be applicable and introduced from time to time.

I. Principal Terms of the Rights Issue

Face value

Each Equity Share shall have the face value of Rs. 10.

Issue Price

Each Equity Share is being offered at a price of Rs. [•] each for cash at apremium of Rs. [•] per equity share.

Terms of payment

On application, Rs [•], which constitutes the full amount of the Issue Price of Rs [•] shall be payable ("Application Money").

Rights Entitlement Ratio

The Equity Shares are being offered on rights basis to the existing Equity Shareholders of the Company in the ratio of three Equity Share for every four Equity Shares held as on the Record Date and the allotees shall receive two Detachable Warrants shall be for every three Rights Equity Shares allotted under the Issue.

Rights entitlement on shares held in the pool account of the clearing members on the Record Date shall be considered, and such claimants are requested to –

1. Approach the concerned depository through the clearing member of the Stock Exchange with requisite details; and

2. Depository in turn should furnish details of the transaction to the Registrar.

Only upon receipt of the aforesaid details, rights entitlement of the claimants shall be determined.

Fractional entitlements

If the equity shareholding of any of the Equity Shareholders is less than 4, then the fractional entitlement of such holders shall be ignored and would be given preferential allotment of ONE additional Equity Share each if they apply for additional shares.

If the equity shareholding of any of the Equity Shareholders is not a multiple of 4, then the fractional entitlement of such holders shall be rounded off to the nearest integer.

Joint-Holders

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as joint-holders with benefits of survivorship subject to provisions contained in the Articles of Association of the Company.

Terms of payment
Full amount of Rs._ is payable on application. The payment towards the equity shares offered would be as under:

	Towards Share Capital	**Towards Share Premium Account**
For Resident Applicants:		
On Application	Rs.10 per share	Rs.[•] per share
For Non-Resident Applicants:		
On Application	Rs.10 per share	Rs.[•] per share

Where an applicant has applied for additional shares and is allotted lesser number of equity shares than applied for, the excess application money paid shall be refunded. The monies shall be refunded within 42 days from the date of closure of the rights issue and if there is a delay beyond 8 days from the stipulated period, the Company will pay Interest in terms of Section 73 of the Companies Act.

Ranking of the Equity Shares

The Equity Shares/ Warrant Certificates shall be subject to the memorandum and articles of association of the Company. The dividend payable on Equity Shares allotted in this Issue, until fully paid up shall rank for dividend in proportion to the amount paid up. The Equity Shares allotted in this Issue and the Equity Shares allotted on conversion of the Warrants, once fully paid up shall be pari passu with the existing Equity Shares in all respects including dividend. The voting rights in a call, whether present in person or by representative or by proxy shall be in proportion to the paid up value of the Equity Shares held, and no voting rights shall be exercisable in respect of moneys paid in advance until the moneys have become payable. For more details see "Main Provisions of Our Articles of Association" on page 258 of this Draft Letter of Offer.

Payment of Refund

Applicants should note that on the basis of name of the applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Composite Application Form, the Registrar to the Issue will obtain from the Depositories, the applicant's bank account details including nine digit MICR code. **Hence, applicants are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to applicants at the applicants sole risk and neither the Lead Managers nor the Company 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 Collecting Bankers, the refund amount would be credited directly to their Bank Account with the Collecting Bankers.

II. RTGS – Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the Composite Application Form

III. ECS - Payment of refund would be done through ECS for applicants residing at one the 15 centers, namely **Ahmedabad, Bangalore, Bhuvaneshwar, 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 depositories.

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.1,500/- and through Speed Post/Registered Post for refund orders exceeding Rs.1,500/-.

Notices

All notices to the Equity Shareholder(s) required to be given by the Company shall be published in one English national daily with wide circulation, one Hindi national daily with wide circulation and one regional language daily newspaper in Mumbai with wide circulation and/or, will be sent by ordinary post/ to the registered holders of the Equity Share from time to time.

II. <u>Principal Terms of the Warrants</u>

Entitlement

For every three equity shares allotted under the Rights Issue, two detachable Warrants would be issued. This Warrant can be freely and separately traded. The Warrant holder will be entitled to exercise his right to apply for one Equity Share of Rs. 10/- each at Warrant Exercise Price for each Warrant held, at any time during Warrant Exercise Period.

Fractional Entitlement of Warrants
If the Equity shares allotted under the Rights Issue is less than 3, then the fractional entitlement of such holders shall be ignored.

If the Equity shares allotted under the Rights Issue is not a multiple of 3, then the fractional entitlement of such holders shall be rounded off to the nearest integer.
Warrant Exercise Period

Warrant Exercise Period shall be the period commencing after 12 months from the Date of Allotment upto 36 months from the Date of Allotment. Warrant holders can exercise their right to apply for the Equity Share at the Warrant Exercise Price any time during the Warrant Exercise Period. No record date would be fixed by the Company for this purpose. **Further the Warrants not exercised during the Warrant Exercise Period shall lapse.** Also refer to the Call Option mentioned under the section titled "Terms of the Issue" on page 233 of this Draft Letter of Offer. For valid applications received along with the Warrant Exercise Price during the Warrant Exercise Period, whether received in physical form or through transfer to the Escrow

Account opened for the purpose, till the last working day of a calendar month of the Company shall be deemed to have been allotted on the 10th day of the succeeding calendar month (if the 10th calendar day is a holiday, the deemed date of allotment shall be the succeeding working day). In this regard, the Company shall disregard applications which are liable for rejections, due to such factors including incidence of dishonour of payment instrument or short payment.

Warrant Exercise Price

Warrant Exercise Price shall be Rs. [●] per warrant or such opther price asd may be determined by the Board of the Company. This price would be adjusted for any further bonus issue made by the Company prior to the Warrant Exercise Period so as to ensure that the benefit to the Warrant holder is not prejudiced and remains the same as if the bonus would not have been declared. For example, should the Company declare a bonus issue prior to the Warrant Exercise Period in the ratio of 1:1, then the Warrant Exercise Price would be half of the Warrant Exercise Price as aforesaid. In case the Company announces a rights issue during the tenure of the Warrants, neither would any adjustment be made to the Warrant Exercise Price nor would there be any reservations for Warrant holders. The face value of each Equity Share of the Company is Rs.10/-. In the event of any sub-division or consolidation of the face value, the share entitlement on each Warrant shall be proportionately increased/decreased such that the aggregate nominal value of the entitlement remains the same as the nominal value of the Equity Shares immediately prior to such subdivision or consolidation e.g. in case the Company decides to reduce the face value of Equity Shares to Rs. 5 each, then upon exercise of each Warrant by making payment under the Warrant Exercise Price, the Warrant holder would get two Equity Shares of Rs. 5 each instead of one Equity Share of Rs. 10 each. The investors may also note that the price of Rs. [●] per warrant should not be taken to be indicative of the market price of the equity shares, whether presently or after the equity shares are issued upon the exercise of Warrants are listed. No assurance can be given regarding the active / sustained trading in the equity shares or the price at which the Equity Shares offered under the present Issue will trade either after the listing or at the time of exercise of Warrants.

Procedure for Exercise of Warrants being issued with Equity Shares under this Issue

Application for issue of Equity Shares should be made on the prescribed Warrant Exercise Application Form. This application form would be sent to all the Warrant holdersseparately. The same would also be available on request with Registrar to the Company; **Amtrac Management Services Limited 106, Peninsula Centre Dr. S.S. Rao Road, Parel, Mumbai 400 013** and during the Warrant Exercise Period can be downloaded from our web-site [www.morarjeetextiles.com].

In case of Warrant held in Physical Mode

During the Warrant Exercise Period, the Warrant holder should send his application for issue of Equity Shares to the Registrar to the Company;, **Amtrac Management Services Limited -106, Peninsula Centre Dr. S.S. Rao Road, Parel, Mumbai 400 012** by filling up the requisite particulars on the Warrant Exercise Application Form and by discharging on the reverse of the Warrants certificate. It should be accompanied by a cheque/demand draft favoring "Morarjee Textiles Limited" payable at Mumbai for the requisite amount.

In case of Warrant held in DEMAT Mode

The Registrar of the Company, **Amtrac Management Services Limited 106, Peninsula Centre Dr. S.S. Rao Road, Parel, Mumbai 400 012**, will before the warrant exercise period open a special depository account with NSDL "Morarjee-Warrant Conversion Escrow Account" with a DP (the "Special Depository Account"). The Company will open the Special Depository Account through the Registrar with NSDL atleast 2 days prior to the commencement of the warrant exercise period and the details of bthe account will be included by the Company in the call option notice.

Shareholders of Morarjee Textiles Limited having the depository account with CDSL must use inter depository delivery instruction slip for the purpose of crediting their warrants in favour of the Special Depository Account with the NSDL. Beneficial owners (holders of warrants in dematerialized form) who wish to tender their warrants for conversion, will be required to send their application for issue of equity shares on the prescribed application form sent separately, accompanied by a cheque / demand draft favouring "Morarjee Textiles Limited" payable at Mumbai for the requisite amount along with a photocopy of the delivery instruction in "off market" mode or counterfoil of the delivery instruction in "off market" mode, duly acknowledged by the depository participant ("DP") in favour of the special depository account, to the Registrar of the Company, **Amtrac Management Services Limited 106, Peninsula Centre Dr. S.S. Rao Road, Parel, Mumbai 400 012**, **before the close of warrant exercise period.**

Warrants may not be exercised from within United States by/or on behalf of US citizens. Each person exercising the warrant must provide a written certification that he/she is not a US person or that the warrant is not being exercised on behalf of US citizen. No exercise will be accepted from any person whose address is within United States.

Call Option

The Company will have a one-time call option of exercising the Warrants at any time commencing after 12 months from the Date of Allotment ("Call Option Date"). This Call would be made uniformly in respect of all the warrants outstanding. In case we exercise the Call Option, we will seek compulsory conversion of Warrants into Equity Shares of the Company at the Warrant Exercise Price determined as per the principle laid down above under the para "Warrant Exercise Price" with reference to the Call Notice Date, after which the warrants remaining unexercised, if any, will lapse. **The Company shall give atleast 45 days prior notice before making a call for compulsory conversion of the warrants.**

Procedure for exercise of Call Option

If we choose to exercise the Call Option, we shall give a Notice of the same to the Warrant holders at least 45 days prior to the Call Option Date. On receipt of the aforesaid intimation, the sole Warrant holder / all the joint holders should duly discharge the Warrant Certificate(s) by signing on its reverse and duly enclosed with the Warrant Exercise Application Form, send the same by Registered Post / Speed Post with acknowledgment due or by hand delivery to Registrar to the Company; **Amtrac Management Services Limited 106, Peninsula Centre Dr. S.S. Rao Road, Parel, Mumbai 400 013**. For procedure of giving the Call Option, please refer to "Notices" on page [●] of this Draft Letter of Offer.

Payment on exercise of Call Option

In case Company exercises the Call Option, it will send the notice to the Warrant Holder to compulsorily convert their Warrants into Equity Shares of the Company. Upon such notice being sent, the Warrant Holder shall be obliged to pay the call money within the date indicated therein, which shall not be later than 45 days of the date of such notice, by forwarding a cheque / demand draft favoring "Morarjee Textiles Limited" payable at Mumbai for the requisite amount to the Registrar to the Company, **Amtrac Management Services Limited 106, Peninsula Centre Dr. S.S. Rao Road, Parel, Mumbai 400 013**.

MODIFICATION TO THE TERMS OF THE WARRANTS ANY MODIFICATION TO THE TERMS OF ISSUE AND EXERCISE OF THE WARRANTS WOULD BE CARRIED OUT ONLY WITH THE PRIOR APPROVAL OF THE WARRANT HOLDERS. THIS WOULD BE DONE BY CONVENING THEIR SPECIAL CLASS MEETING IN ACCORDANCE WITH THE PROVISIONS OF THE COMPANIES ACT, 1956 AND TAKING THEIR APPROVAL BY A SIMPLE MAJORITY TO THE TERMS OF MODIFICATION SOUGHT, FROM THE WARRANT HOLDERS PRESENT AND VOTING.

Rights of Warrant holders

The Warrants shall be transferable and transmittable in the same manner and to the same extent and be subject to the same restrictions and limitations and other related matters as in the case of Equity Shares of the Company. By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003. Accordingly, the warrants shall not be transferable (by sale or gift) in favour of OCB(s).

The Warrants shall not confer upon the holders thereof any right to receive any notice of the meeting of the Shareholders of the Company or Annual Report of the Company and or to attend/vote at any of the General Meetings of the Shareholders of the Company held, if any.

Save and except the right of subscription to the Company's Equity Shares as per the terms of the Issue of Warrants, the holders of the Warrants in their capacity as Warrant holders shall have no other rights or privileges.

The Warrant holders inter-se, shall rank pari passu without any preference or priority of one over the other or others. All the above rights of the Warrant holders shall lapse automatically if the Warrants are not exercised by 36 months from the date of their allotment or the date specified in the notice for call option and the unexercised Warrant shall automatically be treated as cancelled. A separate register of warrant holders would be maintained by the Company.

Market lot

The securities of the Company are tradable only in dematerialized form. The market lot for Equity Shares and Warrants in dematerialised mode is one. In case of holding in physical form, the Company would issue to the allottees one certificate for the Equity Shares allotted to one folio and a detachable warrant with a split performance("Consolidated Certificate"). In respect of the Consolidated Certificate, the Company will, upon receipt of a request from the Equity Shareholder/ Warrantholder, split such Consolidated Certificate into smaller denomination within one week's time from the request of the Equity Shareholder/ Warrantholder. No fee would be charged by the Company for splitting the Consolidated Certificate.

Nomination facility

In terms of Section 109A of the Act, nomination facility is available in case of Equity Shares. The applicant can nominate any person by filling the relevant details in the CAF in the space provided for this purpose.
A sole Equity Shareholder or first Equity Shareholder, along with other joint Equity Shareholders being individual(s) may nominate any person(s) who, in the event of the death of the sole holder or all the joint-

holders, as the case may be, shall become entitled to the Equity Shares. A Person, being a nominee, becoming entitled to the Equity Shares/ Warrant by reason of the death of the original Equity Shareholder(s), shall be entitled to the same advantages to which he would be entitled if he were the registered holder of the Equity Shares. Where the nominee is a minor, the Equity Shareholder(s) may also make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s)/ Warrant(s), in the event of death of the said holder, during the minority of the nominee. A nomination shall stand rescinded upon the sale of the Equity Share by the person nominating. A transferee will be entitled to make a fresh nomination in the manner prescribed. When the Equity Share is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at the registered office of the Company or such other person at such addresses as may be notified by the Company. The applicant can make the nomination by filling in the relevant portion of the CAF.

Only one nomination would be applicable for one folio. Hence, in case the Equity Shareholder(s) has already registered the nomination with the Company, no further nomination needs to be made for Equity Shares/ Warrants to be allotted in this Issue under the same folio.

In case the allotment of Equity Shares/ Warrant(s) is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be allotted in this Issue. Nominations registered with respective DP of the applicant would prevail. If the applicant requires to change the nomination, they are requested to inform their respective DP.

Offer to Non-Resident Equity Shareholders/Applicants

As per regulation 6 of notification No. FEMA 20/200-RB dated May 3, 2000, the RBI has given general permission to Indian companies to issue rights shares to non-resident shareholders including additional shares. Applications received from NRIs and non-residents for allotment of Equity Shares/Warrants shall be *inter alia*, subject to the conditions imposed from time to time by the RBI under the Foreign Exchange Management Act, 1999 (FEMA) in the matter of refund of application moneys, allotment of Equity Shares, issue of letter of allotment / notification No. FEMA 20/200-RB dated May 3, 2000. The Board of Directors may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the allotment of Equity Shares/Warrants, payment of dividend etc. to the non-resident shareholders. The rights shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriability as are applicable to the original shares against which rights shares are issued.

By virtue of Circular No. 14 dated September 16, 2003 issued by the RBI, overseas corporate bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, OCBs shall not be eligible to subscribe to the Equity Shares. The RBI has however clarified in its circular, A.P. (DIR Series) Circular No. 44, dated December 8, 2003 that OCBs which are incorporated and are not under the adverse notice of the RBI are permitted to undertake fresh investments as incorporated non-resident entities. Thus, OCBs desiring to participate in this Issue must obtain prior approval from the RBI. On providing such approval to the Company at its registered office, the OCB shall receive the Letter of Offer and the CAF.

Letter of offer and CAF shall be dispatched to non-resident Equity Shareholders in India only.

Procedure for Application

The CAF would be printed in blue ink for all shareholders, with a additional separate advise for Non-resident shareholders. In case the original CAF is not received by the applicant or is misplaced by the applicant, the applicant may request the Registrars to the Issue, Karvy, for issue of a duplicate CAF, by furnishing the registered folio number, DP ID Number, Client ID Number and their full name and address. Non-resident shareholders can obtain a copy of the CAF from the Registrars to the Issue, Karvy, by furnishing the registered folio number, DP ID number, Client ID number and their full name and address. Equity Shares offered to you either in full or in part in favour of any other person or persons. Such renouncees can only be Indian Nationals/Limited Companies incorporated under and governed by the Act, statutory corporations/institutions, trusts (unless registered under the Indian Trust Act), minors (through their legal guardians), societies (unless registered under the Societies Registration Act, 1860 or any other applicable laws) provided that such trust/society is authorised under its constitution/bye laws to hold equity shares in a company and cannot be a partnership firm, more than three persons including joint-holders, HUF, foreign nationals (unless approved by RBI or other relevant authorities) or to any person situated or having jurisdiction where the offering in terms of this Letter of Offer could be illegal or require compliance with securities laws.

Acceptance of the Issue

You may accept the Issue and apply for the Equity Shares offered, either in full or in part by filling Part A of the enclosed CAF and submit the same along with the Application Money payable to the Bankers to the Issue or any of the branches as mentioned on the reverse of the CAF before the close of the banking hours on or before the Issue Closing Date or such extended time as may be specified by the Board thereof in this regard. Applicants at centers not covered by the branches of collecting banks can send their CAF together with the cheque drawn on a local bank at Mumbai/demand draft payable at Mumbai of amount net of bank and postal charges, to the Registrar to the Issue by registered post. Such applications sent to anyone other than the Registrar to the Issue are liable to be rejected.

Option available to the Equity Shareholders

The Composite Application Form clearly indicates the number of Equity Shares that the Equity Shareholder is entitled to.

If the Equity Shareholder applies for an investment in Equity Shares, then he can:

- Apply for his entitlement in part;
- Apply for his entitlement in part and renounce the other part;
- Apply for his entitlement in full;
- Apply for his entitlement in full and apply for additional Equity Shares.

Renouncees for Equity Shares can apply for the Equity Shares renounced to them and also apply for additional Equity Shares.

Additional Equity Shares

You are eligible to apply for additional Equity Shares over and above the number of Equity Shares you are entitled to, provided that you have applied for all the Equity Shares offered without renouncing them in whole or in part in favor of any other person(s). If you desire to apply for additional Equity Shares, please indicate your requirement in the place provided for additional shares in Part A of the CAF. Applications for additional Equity Shares shall be considered and allotment shall be in the manner prescribed under the section entitled ‘Basis of Allotment’ under section titled “Terms of The Issue”on page 233 of this Draft Letter of Offer. The renouncees applying for all the Equity Shares renounced in their favor may also apply for additional Equity Shares.

In case of change of status of holders i.e. from Resident to Non-Resident, a new demat account shall be opened for the purpose.

Where the number of additional Equity Shares applied for exceeds the number available for allotment, the allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange.

Renunciation

This Issue includes a right exercisable by you to renounce the Equity Shares offered to you either in full or in part in favour of any other person or persons subject to the approval of the Board. Such renouncees can only be Indian Nationals (including minor through their natural/legal guardian)/limited companies incorporated under and governed by the Act, statutory corporations/institutions, trusts (registered under the Indian Trust Act), societies (registered under the Societies Registration Act, 1860 or any other applicable laws) provided that such trust/society is authorised under its constitution/bye laws to hold equity shares in a company and cannot be a partnership firm, foreign nationals or nominees of any of them (unless approved by RBI or other relevant authorities) or to any person situated or having jurisdiction where the offering in terms of this Letter of Offer could be illegal or require compliance with securities laws of such jurisdiction or any other persons not approved by the Board.

Any renunciation from Resident Indian Shareholder(s) to Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to other Non-Resident Indian(s) or from Non-Resident Indian Shareholder(s) to Resident Indian(s) is subject to the renouncer(s)/renouncee(s) obtaining the approval of the FIPB and/ or necessary permission of the RBI under the Foreign Exchange Management Act, 1999 (FEMA) and other applicable laws and such permissions should be attached to the CAF. **Applications not accompanied by the aforesaid approval are liable to be rejected.**

By virtue of the Circular No. 14 dated September 16, 2003 issued by the RBI, Overseas Corporate Bodies ("OCBs") have been derecognized as an eligible class of investors and the RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Accordingly, the existing Equity Shareholders of the Company who do not wish to subscribe to the Equity Shares being offered but wish to renounce the same in favour of renouncees shall not renounce the same (whether for consideration or otherwise) in favour of OCB(s).

Your attention is drawn to the fact that the Company shall not allot and/or register any Equity Shares in favor of:

- More than three persons including joint holders
- Partnership firm(s)
- Minors
- Any Trust or Society (unless the same is registered under the Societies Registration Act, 1860 or any other applicable Trust laws and is authorized under its Constitutions to hold Equity Shares of a Company)

The right of renunciation is subject to the express condition that the Board/ Committee of Directors shall be entitled in its absolute discretion to reject the request for allotment to renouncee(s) without assigning any reason thereof.

Part A of the CAF must not be used by any person(s) other than those in whose favour this offer has been made. If used, this will render the application invalid. Submission of the enclosed CAF to the Banker to the Issue at its collecting branches specified on the reverse of the CAF with the form of renunciation (Part B of the CAF) duly filled in shall be conclusive evidence for the Company of the person(s) applying for Equity Shares in Part C to receive allotment of such Equity Shares. The renouncees applying for all the Equity Shares renounced in their favour may also apply for additional Equity Shares. Part 'A' must not be used by the renouncee(s) as this will render the application invalid. Renouncee(s) will also have no further right to renounce any shares in favour of any other person.

Procedure for renunciation

To renounce the whole offer in favour of one renouncee

If you wish to renounce the offer indicated in Part A, in whole, please complete Part B of the CAF. In case of joint holding, all joint holders must sign Part B of the CAF. The person in whose favor renunciation has been made should complete and sign Part C of the CAF. In case of joint renouncees, all joint renouncees must sign this part of the CAF.

To renounce in part/or renounce the whole to more than one person(s)

If you wish to either accept this offer in part and renounce the balance or renounce the entire offer in favour of two or more renouncees, the CAF must be first split into requisite number of forms.

Please indicate your requirement of split forms in the space provided for this purpose in Part D of the CAF and return the entire CAF to the Registrar to the Issue so as to reach them latest by the close of business hours on the last date of receiving requests for split forms. On receipt of the required number of split forms from the Registrar, the procedure as mentioned in paragraph above shall have to be followed.

In case the signature of the Equity Shareholder(s), who has renounced the Equity Shares, does not agree with the specimen registered with the Company, the application is liable to be rejected.

Renouncee(s)

The person(s) in whose favour the Equity Shares are renounced should fill in and sign Part C of the Application Form and submit the entire Application Form to the Bankers to the Issue on or before the Issue Closing Date along with the application money.

Change and/ or introduction of additional holders

If you wish to apply for Equity Shares jointly with any other person(s), not more than three, who is/are not already a joint holder with you, it shall amount to renunciation and the procedure as stated above for renunciation shall have to be followed. Even a change in the sequence of the name of joint holders shall amount to renunciation and the procedure, as stated above shall have to be followed.

Please note that:

- Part A of the CAF must not be used by any person(s) other than those in whose favour this Issue has been made. If used, this will render the application invalid.
- Request by the applicant for the Split Application Form should reach the Company on or before [•].
- Only the person to whom this Letter of Offer has been addressed to and not the renouncee(s) shall be entitled to renounce and to apply for Split Application Forms. Forms once split cannot be split again.
- Split form(s) will be sent to the applicant(s) by post at the applicant’s risk.

How to Apply

Resident Equity Shareholders

Applications should be made on the enclosed CAF provided by the Company. The enclosed CAF should be completed in all respects, as explained in the instructions indicated in the CAF. Applications will not be accepted by the Lead Managers or by the Registrar to the Issue or by the Company at any offices except in the case of postal applications as per instructions given elsewhere in the Letter of Offer.

The CAF consists of four parts:
Part A: Form for accepting the Equity Shares offered and for applying for additional Equity Shares
Part B: Form for renunciation
Part C: Form for application for renouncees
Part D: Form for request for split application forms

Non-resident Equity Shareholders

Applications received from the Non-Resident Equity Shareholders for the allotment of Equity Shares, allotment of Warrants shall, inter alia, be subject to the conditions as may be imposed from time to time by the RBI, in the matter of refund of application moneys, allotment of Equity Shares/ Warrants, issue of letters of allotment/ certificates/ payment of dividends etc.

Letter of offer and CAF shall be dispatched to non-resident Equity Shareholders in India only. The summary of options available to the Equity Shareholder is presented below. You may exercise any of the following options with regard to the Equity Shares offered, using the enclosed CAF:

Option	Option Available	Action Required
A.	Accept whole or part of your entitlement without renouncing the balance.	Fill in and sign Part A (All joint holders must sign)
B.	Accept your entitlement in full and apply for additional Equity Shares	Fill in and sign Part A including Block III relating to the acceptance of entitlement and Block IV relating to additional Equity Shares (All joint holders must sign)
C.	Accept only a part of your entitlement of the Equity Shares offered to you (without renouncing the balance)	Fill and sign Pat A of the CAFs
D.	Renounce your entitlement in full to one person (Joint renouncees not exceeding three are considered as one renouncee).	Fill in and sign Part B (all joint holders must sign) indicating the number of Equity Shares renounced and hand over the entire CAF to the renouncee. The renouncees must fill in and sign Part C of the CAF (All joint renouncees must sign)
E.	1. Accept a part of your entitlement and renounce the balance to one or more renouncee(s) OR 2. Renounce your entitlement to all the Equity Shares offered to you to more than one renouncee	Fill in and sign Part D (all joint holders must sign) requesting for Split Application Forms. Send the CAF to the Registrar to the Issue so as to reach them on or before the last date for receiving requests for Split Forms. Splitting will be permitted only once. On receipt of the Split Form take action as indicated below. (i) For the Equity Shares you wish to accept, if any, fill in and sign Part A of one split CAF (only for option 1).

Option	Option Available	Action Required
		(ii) For the Equity Shares you wish to renounce, fill in and sign Part B indicating the number of Equity Shares renounced and hand over the split CAFs to the renouncees. (iii) Each of the renouncees should fill in and sign Part C for the Equity Shares accepted by them.
F.	Introduce a joint holder or change the sequence of joint holders	This will be treated as a renunciation. Fill in and sign Part B and the renouncees must fill in and sign Part C.

Applications for Equity Share should be made only on the CAF, which are provided by the Company. The CAF should be completed in all respects as explained under the head "INSTRUCTIONS" indicated on the reverse of the CAF before submission to the Banker to the Issue at its collecting branches mentioned on the reverse of the CAF on or before the closure of the subscription list. Non Resident Shareholders/Renouncee should forward their applications to Banker to the Issue as mentioned in the CAF for Non-Resident Equity Share-holders. No part of the CAF should be detached under any circumstances. Applicants must provide information in the CAF as to their savings / current / NRE / NRO / FCNR bank account and the name of the bank with whom such account is held to enable the Registrar to print the said details in the refund orders after the name of the payees.

For applicants residing at places other than designated Bank Collecting branches.

Applicants residing at places other than the cities where the Bank collection centres have been opened should send their completed CAF by registered post/speed post to the Registrars to the Issue, Karvy, along with bank drafts payable at Mumbai in favour of "Morarjee Textiles Limited- Rights Issue" crossed "A/c Payee only" so that the same are received on or before closure of the Issue (i.e. [-]).

The Company will not be liable for any postal delays and applications received through mail after the closure of the Issue, are liable to be rejected and returned to the applicants. Applications by mail should not be sent in any other manner except as mentioned below.

All application forms duly completed together with cash/ cheque/demand draft for the application money must be submitted before the close of the subscription list to the Bankers to the Issue named herein or to any of its branches mentioned on the reverse of the CAF. The CAF along with application money must not be sent to the Company or the Lead Managers to the Issue or the Registrars to the Issue except as mentioned above.

The applicants are requested to strictly adhere to these instructions. Failure to do so could result in the application being liable to be rejected with the Company, the Lead Managers and the Registrars not having any liabilities to such applicants.

Availability of duplicate CAF

In case the original CAF is not received, or is misplaced by the applicant, the Registrar to the Issue will issue a duplicate CAF on the request of the applicant who should furnish the registered folio number/ DP and Client ID number and his/ her full name and address to the Registrar to the Issue. Please note that those who are making the application in the duplicate form should not utilize the original CAF for any purpose including renunciation, even if it is received/ found subsequently. Thus in case the original and duplicate CAFs are lodged for subscription, allotment will be made on the basis of the duplicate CAF and the original CAF will be ignored.

Application on Plain Paper

An Equity Shareholder who has neither received the original CAF nor is in a position to obtain the duplicate CAF may make an application to subscribe to the Issue on plain paper, along with an Account Payee Cheque drawn on a local bank at Mumbai/ Demand Draft payable at Mumbai which should be drawn in favor of "Morarjee Textiles Limited- Rights Issue" in case of resident shareholders and non-resident shareholders applying on nonrepatriable basis and in favour of "Morarjee Textiles Limited - Rights Issue - NR" in case of non-resident shareholders applying on repatriable basis and marked “A/c Payee Only” and send the same by registered post directly to the Registrar to the Issue so as to reach them on or before the closure of the Issue. The envelope should be superscribed "Morarjee Textiles Limited- Rights Issue" in case of resident shareholders and non-resident shareholders applying on nonrepatriable basis and in favour of "Morarjee Textiles Limited - Rights Issue - NR" in case of non-resident shareholders applying on repatriable basis.

The application on plain paper, duly signed by the applicants including joint holders, in the same order as per specimen recorded with the Company, must reach the office of the Registrar to the Issue before the Issue Closing Date and should contain the following particulars:

- Name of Issuer, being Morarjee Textiles Limited.
- Name and address of the Equity Shareholder including joint holders
- Registered Folio Number/ DP ID No. and Client ID No.
- Number of shares held as on Record Date
- Certificate numbers and distinctive numbers, if held in physical form.
- Number of Rights Equity Shares entitled
- Number of Rights Equity Shares applied for
- Number of additional Equity Shares applied for, if any
- Total number of Equity Shares applied for
- Total amount paid on application at the rate of Rs. [●] (application amount only) per Equity Share
- Particulars of cheque/draft
- Savings/Current Account Number and name and address of the bank where the Equity Shareholder will be depositing the refund order. **In case of depository the bank account details shall be obtained from the information available with the depositories.**
- PAN/GIR number, Income Tax Circle/Ward/District, photocopy of the PAN card/ PAN communication / Form 60 / Form 61 declaration where the application is for Equity Shares of a total value of Rs.50,000 or more for the applicant and for each applicant in case of joint names
- Signature of Equity Shareholders to appear in the same sequence and order as they appear in the records of the Company.
- In case of Non Resident Shareholders, NRE/ FCNR/ NRO A/c No. Name and Address of the Bank and Branch;

- If payment is made by a draft purchased from NRE/ FCNR/ NRO A/c No., as the case may be, an Account debit certificate from the bank issuing the draft, confirming that the draft has been issued by debiting NRE/ FCNR/ NRO Account.

Payments in such cases, should be through a cheque/ demand draft payable at Mumbai be drawn in favor of " Morarjee Textiles Limited - Rights Issue" in case of resident shareholders and non-resident shareholders applying on nonrepatriable basis and in favour of "Morarjee Textiles Limited- Rights Issue - NR" in case of non-resident shareholders applying on repatriable basis and marked “A/c Payee Only”..

Attention of the shareholders is drawn to the fact that those shareholders making the application otherwise than on the CAF (i.e. on a plain paper as stated above) shall not be entitled to renounce their rights and should not utilise the CAF for any purpose including renunciation even if it is received subsequently. In case the original and duplicate CAFs and application on the plain paper or any two of these applications are lodged or if any shareholder violates any of these requirements, the company will have the absolute right to reject any one or both of his/her/their application and refund the application money received. However, the Company is not liable to pay any interest whatsoever on money so refunded.

Last date of Application

The last date for submission of the duly filled in CAF is [•]. The Board or any committee thereof will have the right to extend the said date for such period as it may determine from time to time but not exceeding 60 (sixty) days from the Issue Opening Date.

If the CAF together with the amount payable is not received by the Banker to the Issue/ Registrar to the Issue on or before the close of banking hours on the aforesaid last date or such date as may be extended by the Board/ Committee of Directors, the offer contained in this Letter of Offer shall be deemed to have been declined and the Board/ Committee of Directors shall be at liberty to dispose off the Equity Shares hereby offered, as provided under the section entitled ”Basis of Allotment”.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES OF THE COMPANY CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

Mode of payment for Resident Equity Shareholders/ Applicants

- All cheques / drafts accompanying the CAF should be drawn in favour of " Morarjee Textiles Limited - Rights Issue" and marked ‘A/c Payee only’

- Applicants residing at places other than places where the bank collection centres have been opened by the Company for collecting applications, are requested to send their applications together with Demand Draft of amount net of bank and postal charges, for the full application amount favouring " Morarjee Textiles Limited - Rights Issue" and marked ‘A/c Payee only’ payable at Mumbai directly to the Registrar to the Issue by registered post so as to reach them on or before the Issue Closing Date. The Company or the Registrar to the Issue will not be responsible for postal delays or loss of applications in transit, if any.

Mode of payment for Non-Resident Equity Shareholders/ Applicants

As regards the application by non-resident equity shareholders, the following further conditions shall apply:

Payment by non-residents must be made by demand draft / cheque payable at Mumbai or funds remitted from abroad in any of the following ways:

Application with repatriation benefits

Payment by NRIs/ FIIs/ foreign investors must be made by demand draft/cheque payable at Mumbai or funds remitted from abroad in any of the following ways:

- By Indian Rupee drafts purchased from abroad and payable at Mumbai or funds remitted from abroad (submitted along with Foreign Inward Remittance Certificate); or

- By cheque / draft on a Non-Resident External Account (NRE) or FCNR Account maintained in Mumbai; or

- By Rupee draft purchased by debit to NRE/ FCNR Account maintained elsewhere in India and payable in Mumbai; or

- FIIs registered with SEBI must remit funds from special non-resident rupee deposit account.

- All cheques/drafts submitted by non-residents applying on repatriable basis should be drawn in favour of "Morarjee Textiles Limited - Rights Issue - NR" payable at Mumbai and crossed 'A/c Payee only' for the amount payable.

A separate cheque or bank draft must accompany each application form. Applicants may note that where payment is made by drafts purchased from NRE/FCNR accounts as the case may be, an Account Debit Certificate from the bank issuing the draft confirming that the draft has been issued by debiting the NRE/FCNR account should be enclosed with the CAF. In the absence of the above the application shall be considered incomplete and is liable to be rejected.

In the case of NRIs who remit their application money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account details of which should be furnished in the appropriate columns in the CAF. In the case of NRIs who remit their application money through Indian Rupee Drafts from abroad, refunds and other disbursements, if any will be made in US Dollars at the rate of exchange prevailing at such time subject to the permission of RBI. The Company will not be liable for any loss on account of exchange rate fluctuation for converting the Rupee amount into US Dollars or for collection charges charged by the applicant's Bankers.

Application without repatriation benefits

As far as non-residents holding shares on non-repatriation basis is concerned, in addition to the modes specified above, payment may also be made by way of cheque drawn on Non-Resident (Ordinary) Account maintained in Mumbai or Rupee Draft purchased out of NRO Account maintained elsewhere in India but payable at Mumbai. In such cases, the allotment of Equity Shares will be on non-repatriation basis.

All cheques/drafts submitted by non-residents applying on non-repatriation basis should be drawn in favour of Morarjee Textiles Limited-Rights Issue' payable at Mumbai and must be crossed 'A/c Payee only' for the amount payable. The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

If the payment is made by a draft purchased from an NRO account, an Account Debit Certificate from the bank issuing the draft, confirming that the draft has been issued by debiting the NRO account, should be enclosed with the CAF. In the absence of the above, the application shall be considered incomplete and is liable to be rejected.

New demat account shall be opened for holders who have had a change in status from resident Indian to NRI.

Note:

- In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to Income Tax Act, 1961.

- In case Equity Shares are allotted on non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.

- The CAF duly completed together with the amount payable on application must be deposited with the Collecting Bank indicated on the reverse of the CAF before the close of banking hours on or before the Issue Closing Date. A separate cheque or bank draft must accompany each CAF.

- In case of an application received from non-residents, allotment, refunds and other distribution, if any, will be made in accordance with the guidelines/ rules prescribed by RBI as applicable at the time of making such allotment, remittance and subject to necessary approvals.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the Stockinvest Scheme has been withdrawn with immediate effect. Hence, payment through Stockinvest would not be accepted in this Issue

Basis of Allotment

Subject to the provisions contained in this Draft Letter of Offer, the Articles of Association of the Company and the approval of the Designated Stock Exchange, the Board will proceed to allot the Equity Shares in the following order of priority:

(a) Full allotment to those Equity Shareholders who have applied for their rights entitlement either in full or in part and also to the renouncee(s) who has/ have applied for Equity Shares renounced in their favour, in full or in part.

(b) If the equity shareholding of any of the Equity Shareholders is less than 4, then the fractional entitlement of such holders shall be ignored and would be given preferential allotment of ONE additional Equity Share each if they apply for additional shares.

If the equity shareholding of any of the Equity Shareholders is not a multiple of 4, then the fractional entitlement of such holders shall be rounded off to the nearest integer.

(c) Allotment to the Equity Shareholders who having applied for all the Equity Shares offered to them as part of the Issue and have also applied for additional Equity Shares. The allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there is an under-subscribed portion after making full allotment in (a) above. The allotment of such Equity Shares will be at the sole discretion of the Board/Committee of Directors in consultation with the Designated Stock Exchange, as a part of the Issue and not preferential allotment.

(d) Allotment to the renouncees who having applied for the Equity Shares renounced in their favour have also applied for additional Equity Shares, provided there is an under-subscribed portion after making full allotment in (a) and (b) above. The allotment of such additional Equity Shares will be made on a proportionate basis at the sole discretion of the Board/ Committee of Directors but in consultation with the Designated Stock Exchange, as a part of the Issue and not as a preferential allotment.

(e) Allotment to any other person as the Board may in its absolute discretion deem fit provided there is surplus available after making full allotment under (a), (b), (c) and (d) above.

After taking into account allotment to be made under (a), (b), (c), (d) & (e)above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed' for the purpose of regulation 3(1)(b)(ii) of the Takeover Code which would be available for allocation under (c), (d) and (e) above. The Promoter and the promoter group intend to subscribe to unsubscribed portion if the Issue does not have subscription to the extent of 90% of the Issue size, after considering the above allotment (a to e), to ensure that the Issue is successful. This acquisition of additional Equity Shares, if allotted to the Promoter shall be in terms of proviso to regulation 3(1)(b)(ii) of the Takeover Code and will be exempt from the applicability of regulation 11 and 12 of Takeover Code. This disclosure is made in terms of the requirement of Regulation 3(1) (b) (ii) of the Takeover Code. Further this acquisition will not result in change of control of management of the Company.

To the equity shareholders who have applied for their full rights entitlement of equity shares, have applied for additional equity shares, provided there is a surplus after making the allotment under (a), (b), (c), (d) & (e) above. The allotment of such additional equity shares shall be made as far as possible on equitable basis with reference to the number of equity shares held on Record Date [•], 2006, within the overall size of Rights Issue at the sole and absolute discretion of the Board of Directors or Committee thereof in consultation with the Designated Stock Exchange.

Allotment to Promoters of any unsubscribed portion, over and above their entitlement shall be done in compliance with Clause 40A of the Listing Agreement and the other applicable laws prevailing at that time.

Underwriting

The present Issue is not underwritten.

Letters of allotment or refund orders

The Company 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, Company 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 30 days of closure of the Rights Issue.

Company 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 Applicant's sole risk within 30 days of closure of the Rights Issue, 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 the issuer.

In accordance with the requirements of the Stock Exchange and SEBI Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialised form within 30 days of closure of the Rights Issue;
- Despatch of refund orders/refund instructions shall be done within 30 days of closure of the Rights Issue; and
- Company shall pay interest at 15% per annum (for any delay beyond the 30 day time period as mentioned above), if allotment is not made, refund orders are not dispatched 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 30 days time prescribed above, provided that the beneficiary particulars relating to such Applicants as given by the Applicants is valid at the time of the upload of the electronic transfer.

The Company 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 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 Applicants.

Payment of Refund

Applicants should note that on the basis of name of the applicants, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Composite Application Form, the Registrar to the Issue will obtain from the Depositories, the applicant's bank account details including nine digit MICR code. **Hence, applicants are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to applicants at the applicants sole risk and neither the Lead Managers nor the Company 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

IV. Direct Credit – For investors having their Bank Account with the Collecting Bankers, the refund amount would be credited directly to their Bank Account with the Collecting Bankers.

V. RTGS – Investors desirous of taking direct credit of refund through RTGS, will have to provide the IFSC code in the Composite Application Form

VI. ECS - Payment of refund would be done through ECS for applicants residing at one the 15 centers, namely **Ahmedabad, Bangalore, Bhuvaneshwar, 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 depositories.

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.1,500/- and through Speed Post/Registered Post for refund orders exceeding Rs.1,500/-.

Letters of Allotment / Share Certificates / Demat Credit

Letter(s) of allotment/ share certificates/ demat credit or letters of regret will be dispatched to the registered address of the first named applicant or respective beneficiary accounts will be credited within 6 (six) weeks, from the date of closure of the subscription list. In case the Company issues letters of allotment, the relative share certificates will be dispatched within three months from the date of allotment. Allottees are requested to preserve such letters of allotment (if any) to be exchanged later for share certificates. Export of letters of allotment (if any)/ share certificates/ demat credit to non-resident allottees will e subject to the approval of RBI.

Option to receive Equity Shares in Dematerialized Form

Applicants to the Equity Shares of the Company issued through this Issue shall be allotted the securities in dematerialised (electronic) form at the option of the applicant. The Company signed agreements dated March 2, 2005 & September 3, 2003 with CDSL and NSDL respectively[5], which enables the Investors to

[5] AZB: Kindly confirm and provide us with the respective dates.

hold and trade in securities in a dematerialised form, instead of holding the securities in the form of physical certificates.

In this Issue, the allottees who have opted for Equity Shares in dematerialised form will receive their Equity Shares in the form of an electronic credit to their beneficiary account with a depository participant. The CAF shall contain space for indicating number of shares applied for in demat and physical form or both. Investor will have to give the relevant particulars for this purpose in the appropriate place in the CAF. Applications, which do not accurately contain this information, will be given the securities in physical form. No separate applications for securities in physical and/or dematerialized form should be made. If such applications are made, the application for physical securities will be treated as multiple applications and is liable to be rejected. In case of partial allotment, allotment will be done in demat option for the shares sought in demat and balance, if any, will be allotted in physical shares.

The Equity Shares of the Company will be listed on the BSE.

Procedure for availing the facility for allotment of Equity Shares in this Issue in the electronic form is as under:

- Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is exhibited in the records of the Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as with the Company). In case of Investors having various folios in the Company with different joint holders, the Investors will have to open separate accounts for such holdings. Those Equity Shareholders who have already opened such Beneficiary Account (s) need not adhere to this step.

- For Equity Shareholders already holding Equity Shares of the Company in dematerialized form as on the Record Date, the beneficial account number shall be printed on the CAF. For those who open accounts later or those who change their accounts and wish to receive their Equity Shares pursuant to this Issue by way of credit to such account, the necessary details of their beneficiary account should be filled in the space provided in the CAF. It may be noted that the allotment of Equity Shares arising out of this Issue may be made in dematerialized form even if the original Equity Shares of the Company are not dematerialized. Nonetheless, it should be ensured that the Depository Account is in the name(s) of the Equity Shareholders and the names are in the same order as in the records of the Company.

Responsibility for correctness of information (including applicant’s age and other details) filled in the CAF vis-à-vis such information with the applicant’s depository participant, would rest with the applicant. Applicants should ensure that the names of the applicants and the order in which they appear in CAF should be the same as registered with the applicant’s depository participant.

If incomplete / incorrect beneficiary account details are given in the CAF the applicant will get Equity Shares in physical form.

The Equity Shares pursuant to this Issue allotted to investors opting for dematerialized form, would be directly credited to the beneficiary account as given in the CAF after verification. Allotment advice, refund order (if any) would be sent directly to the applicant by the Registrar to the Issue but the applicant’s depository participant will provide to him the confirmation of the credit of such Equity Shares to the applicant’s depository account.

Renouncees will also have to provide the necessary details about their beneficiary account for allotment of securities in this Issue. In case these details are incomplete or incorrect, the application is liable to be rejected.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the issue, on the date of closure of the issue (excluding the amounts on conversion of the detachable warrants), the entire subscription shall be refunded to the applicants within 42 days from the date of closure of the Issue. If there is a delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount (i.e. 42 days after closure of the issue), the Company shall pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Companies Act 1956.

In case the permission to deal in and for an official quotation of the Equity Shares is not granted by the Stock Exchanges, the Issuer shall forthwith repay without interest, all monies received from the applicants in pursuance of this Letter of Offer and if such money is not repaid within eight days after the day from which the Issuer is liable to repay it, the Issuer shall pay interest as prescribed under Section 73 (2) / 73 (2A) of the Companies Act 1956.

Allotment Schedule

- The Company agrees that as far as possible allotment of securities offered to the shareholders shall be made within 30 days from the date of the closure of the Issue.

- The Company further agrees that it shall pay interest @ 15% per annum for the delayed period if the allotment has not been made and/or allotment letters / the refund orders have not been despatched to the applicants/ refund instruction within 30 days from the date of the closure of the Issue.

Disposal of applications and application money

No separate receipt will be issued for application money received. However, the collection centres as listed in the CAF, will acknowledge its receipt by stamping and returning the acknowledgement slip at the bottom of each CAF. In the event of shares not being allotted in full, the excess amount paid on application will be refunded to the applicant within 2 working days from the date of finalisation of basis of allotment. .

The Board reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason therefore. In case an application is rejected in full the whole of the application money received will be refunded to the applicant. Where an application is rejected in part, the excess application money, if any will be refunded to the applicant.

General instructions for applicants

(a) Please read the instructions printed on the enclosed CAF carefully.

(b) Application should be made on the printed CAF, provided by the Company except as mentioned under the head Application on Plain Paper and should be completed in all respects. The CAF found incomplete with regard to any of the particulars required to be given therein, and/ or which are not completed in conformity with the terms of this Letter of Offer are liable to be rejected and the money paid, if any, in respect thereof will be refunded without interest and after deduction of bank commission and other charges, if any. The CAF must be filled in English and the names of all the applicants, details of occupation, address, father's / husband's name must be filled in block letters.

(c) The CAF together with cheque / demand draft should be sent to the Bankers to the Issue / Collecting Bank or to the Registrar to the Issue and not to the Company or Lead Managers to the Issue. Applicants residing at places other than cities where the branches of the Bankers to the Issue have been authorised by the Company for collecting applications, will have to make payment by Demand Draft payable at Mumbai of amount net of bank and postal charges, and send their application forms to the Registrar to the Issue by REGISTERED POST. If any portion of the CAF is / are detached or separated, such application is liable to be rejected.

(d) PAN/ GIR Number: Applications for a total value of Rs. 50,000 or more, i.e. where the total number of securities applied for multiplied by the Issue price, is Rs. 50,000 or more the applicant or in the case of application in joint names, each of the applicants, should mention his/ her PAN number allotted under the Income-Tax Act, 1961 and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Applicants who do not have PAN are required to provide a declaration in Form 60 / Form 61 prescribed under the I.T.Act along with the application. **Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected.**

(e) Bank Account Details: It is mandatory for applicants to provide information as to their savings/current account number and the name of the Company with whom such account is held in the CAF to enable the Registrar to the Issue to print the said details in the refund orders, if any, after the names of the payees. Application not containing such details is liable to be rejected. **Shareholders may please note that for shares held in DEMAT mode, the bank account details shall be obtained from the depositories. Shareholders may ensure that the bank account details are updated with the depositories.**

(f) Payment by cash: The payment against the application should not be effected in cash if the amount to be paid is Rs. 20,000 or more. In case payment is effected in contravention of this, the application may be deemed invalid and the application money will be refunded and no interest will be paid thereon. Payment against the application if made in cash, subject to conditions as mentioned above, should be made only to the Bankers to the Issue.

(g) Signatures should be either in English or Hindi or in any other language specified in the Eight Schedule to the Constitution of India. Signatures other than in English or Hindi and thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/ her official seal. The Equity Shareholders must sign the CAF as per the specimen signature recorded with the Company or depositories.

(h) In case of an application under power of attorney or by a body corporate or by a society, a certified true copy of the relevant power of attorney or relevant resolution or authority to the signatory to make the relevant investment under this Issue and to sign the application and a copy of the Memorandum and Articles of Association and / or bye laws of such body corporate or society must be lodged with the Registrar to the Issue giving reference of the serial number of the CAF. In case the above referred documents are already registered with the Company, the same need not be a furnished again. In case these papers are sent to any other entity besides the Registrar to the Issue or are sent after the Issue Closing Date, then the application is liable to be rejected. In no case should these papers be attached to the application submitted to the Bankers to the Issue.

(i) In case of joint holders, all joint holders must sign the relevant part of the CAF in the same order and as per the specimen signature(s) recorded with the Company. Further, in case of joint applicants who are renouncees, the number of applicants should not exceed three. In case of joint applicants, reference, if any, will be made in the first applicant's name and all communication will be addressed to the first applicant.

(j) Application(s) received from Non-Resident / NRIs, or persons of Indian origin residing abroad for allotment of Equity Shares shall, inter alia, be subject to conditions, as may be imposed from time to time by the RBI under FEMA in the matter of refund of application money, allotment of Equity Shares, subsequent issue and allotment of Equity Shares, interest, export of share certificates, etc.

In case a Non-Resident or NRI Equity Shareholder has specific approval from the RBI, in connection with his shareholding, he should enclose a copy of such approval with the CAF.

(k) All communication in connection with application for the Equity Shares, including any change in address of the Equity Shareholders should be addressed to the Registrar to the Issue prior to the date of allotment in this Issue quoting the name of the first / sole applicant Equity Shareholder, folio numbers and CAF number. Please note that any intimation for change of address of Equity Shareholders, after the date of allotment, should be sent to Registrar to the Company; **Amtrac Management Services Limited- 106, Peninsula Centre Dr. S.S. Rao Road, Parel, Mumbai 400 013**, Maharashtra in the case of Equity Shares held in physical form and to the respective depository participant, in case of Equity Shares held in dematerialized form.

(l) Split forms cannot be re-split.

(m) Only the person or persons to whom Equity Shares have been offered and not renouncee(s) shall be entitled to obtain split forms.

(n) Applicants must write their CAF number at the back of the cheque / demand draft.

(o) Only one mode of payment per application should be used. The payment must be either in cash or by cheque / demand draft drawn on any of the banks, including a co-operative bank, which is situated at and is a member or a sub member of the Bankers Clearing House located at the centre indicated on the reverse of the CAF where the application is to be submitted.

(p) A separate cheque / draft must accompany each CAF. Outstation cheques / demand drafts or post-dated cheques and postal / money orders will not be accepted and applications accompanied by such cheques / demand drafts / money orders or postal orders will be rejected. The Registrar will not accept payment against application if made in cash. (For payment against application in cash please refer point (f) above)

(q) No receipt will be issued for application money received. The Bankers to the Issue / Collecting Bank/ Registrar will acknowledge receipt of the same by stamping and returning the acknowledgment slip at the bottom of the CAF.

Grounds For Technical Rejections

Applicants are advised to note that applications are liable to be rejected on technical grounds, including the following:

- Amount paid does not tally with the amount payable for;
- In case of physical shareholders, bank account details (for refund) are not given;
- Age of first applicant not given;
- PAN photocopy/ PAN Communication/ Form 60 / Form 61 declaration not given if Application is for Rs. 50,000 or more;
- In case of Application under power of attorney or by limited companies, corporate, trust, etc., relevant documents are not submitted;
- If the signature of the existing shareholder does not match with the one given on the Application Form and for renouncees if the signature does not match with the records available with their depositories;

- If the Applicant desires to have shares in electronic form, but the Application Form does not have the Applicant's depository account details;

- Application Forms are not submitted by the Applicants within the time prescribed as per the Application Form and the Letter of Offer;

- Applications not duly signed by the sole/joint Applicants;

- Applications by OCBs unless accompanied by specific approval from the RBI permitting the OCBs to invest in the Issue;

- Applications accompanied by Stockinvest;

- In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Applicants (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's identity;

- Applications by US persons;

- Applications by ineligible Non-residents (including on account of restriction or prohibition under applicable local laws) and where last available address in India has not been provided.

- Multiple applications

Disposal of application and application money

No acknowledgment will be issued for the application moneys received by the Company. However, the Bankers to the Issue / Registrar to the Issue receiving the CAF will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each CAF.

The Board reserves its full, unqualified and absolute right to accept or reject any application, in whole or in part, and in either case without assigning any reason thereto.
In case an application is rejected in full, the whole of the application money received will be refunded. Wherever an application is rejected in part, the balance of application money, if any, after adjusting any money due on Equity Shares allotted, will be refunded to the applicant within six weeks from the close of the Issue in accordance with Section 73 of the Companies Act, 1956.

For further instruction, please read the Composite Application Form (CAF) carefully.

Utilisation of Issue Proceeds

The Board of Directors declares that:

(i) The funds received against this Issue will be transferred to a separate bank account other than the bank account referred to sub-section (3) of Section 73 of the Companies Act, 1956.

(ii) Details of all moneys utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such moneys has been utilised.

(iii) Details of all such unutilised moneys out of the Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised moneys have been invested.

The funds received against this Issue will be kept in a separate bank account and the Company will not have any access to such funds unless it satisfies the Designated Stock Exchange with suitable documentary evidence that the minimum subscription of 90% of the Issue has been received by the Company.

Undertakings by the Company

1. The complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily.

2. All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the securities are to be listed will be taken within seven working days of finalization of basis of allotment.

3. The funds required for dispatch of refund orders/ refund instructions/ allotment letters/ certificates by registered post shall be made available to the Registrar to the Issue.

4. The certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within the specified time.

5. No further issue of securities affecting equity capital of the Company shall be made till the securities issued/offered through the Issue are listed or till the application moneys are refunded on account of non-listing, under-subscription etc.

6. The Company accepts full responsibility for the accuracy of information given in this Letter of Offer and confirms that to best of its knowledge and belief, there are no other facts the omission of which makes any statement made in this Letter of Offer misleading and further confirms that it has made all reasonable enquiries to ascertain such facts.

7. All information shall be made available by the Lead Managers and the Issuer to the 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 shows, presentations, in research or sales reports etc.

Important

- Please read this Letter of Offer carefully before taking any action. The instructions contained in the accompanying Composite Application Form (CAF) are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the application is liable to be rejected.

- All enquiries in connection with this Letter of Offer or accompanying CAF and requests for Split Application Forms must be addressed (quoting the Registered Folio Number/ DP and Client ID number, the CAF number and the name of the first Equity Shareholder as mentioned on the CAF and superscribed 'Morarjee Textiles Limited - Rights Issue' on the envelope) to the Registrar to the Issue at the following address:

  Karvy Computershare Private Limited
  Karvy House, 46 Avenue 4
  Street No 1, Banjara Hills
  Hyderabad 500 034

- It is to be specifically noted that this Issue of Equity Shares is subject to the section entitled 'Risk Factors' beginning on page 6 of this Letter of Offer.

The Issue will not be kept open for more than 30 days unless extended, in which case it will be kept open for a maximum of 60 days.

General

Applications should be made only on the prescribed CAFs provided by the Company and should be complete in all respects. Applications which are not complete or which are not accompanied with remittance of the proper amount calculated as aforesaid are liable to be rejected and the money paid in respect thereof will be refunded without interest.

The Company will not allot any Equity Shares in favour of:

- more than three persons as joint holders (including the first holder), in the case of renouncees
- a partnership firm
- a trust or society (unless such trust or society is registered under the Societies Registration Act, 1860 and it is authorised under its Memorandum & Articles of Association and/or its Rules & Bye Laws to hold shares in a company)
- a minor (unless application is made through a guardian)
- any renouncee(s) whom the Board may not approve of

In case the applicants in the above categories are already shareholders of the company, they will be eligible for their entitlement. In case of applications made under a Power of Attorney (POA) or by Limited Companies or Bodies Corporate or Societies, a certified true copy of the relevant POA or the relevant resolution or authority to make the application as the case may be, along with the copy of the Memorandum & Articles of Association and/or Bye laws must be lodged for scrutiny giving the serial number of the CAF with the Registrars to the issue, simultaneously with the submission of the CAF failing which the application is liable to be rejected. In case the POA is already registered with the Company, the same need not be furnished again. However, the serial number under which the POA has been registered with the Company, must be mentioned below the signature(s) of the concerned applicants(s).

The CAF must be filled in English in BLOCK LETTERS.

In case of joint holders, all joint holders must sign the CAF at the appropriate places in the same order as per specimen signatures recorded in the Register of Members of the Company / Depository.

Signatures in languages other than those prescribed in the 8^{th} Schedule of the Constitution of India and thumb impressions must be attested by a Magistrate or a Notary Public or a Special Executive magistrate under his/her official seal.

In case of renouncee(s), the name of the applicant(s), details of occupation, address and father's/husband's name must be filled in Block Letters.

The CAF must be presented to the Collection Centres as mentioned in the CAF in its entirety. If any of the parts A, B, C, D and the acknowledgement of the CAF is/are detached or separated, such applications will be rejected forthwith.

Any dispute or suit or action or proceeding arising out of or in relation to this Letter of Offer or in respect of any matter or thing contained therein and any claim by either party against the other shall be instituted or adjudicated upon or decided solely by the appropriate Court in Mumbai.

All communications in connection with your application for the Equity Shares should be addressed to the Registrars to the Issue.

**MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION
OF
MORARJEE TEXTILES LIMITED**

Share Capital and Variation of Rights

Allotment of Shares

Article 2(4) provides that subject to and in accordance with section 81 of the Act and the Articles, the shares of the company shall be under the control of the Directors who may issue, allot or otherwise dispose off the same or any of them on such terms and conditions and at such times and either at a premium or at par or (subject to the provisions of section 79 of the Act) at a discount as the Board may deem fit and with the sanction of the Company in General Meeting to give to any person or persons the option or right to call for any shares either at premium or at par during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option of right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

Different classes of shares

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of sections 106 and 107 of the Act, and whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

Variation of rights

Article 4 provides that rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

Holding of shares upon trust

Article 6 provides that except as required by Law, no person shall be recognized by the company as holding any share upon any trust, and the company shall not be bound by, or be compelled in any way to recognize (even when having notice) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles or by law otherwise provided) any other rights in respect of share except an absolute right to the entirety thereof in the registered holder.

Underwriting and Brokerage

Article 5 provides that the Company may subject to the provisions of Section 76 and other applicable provisions (if any) of the Act at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe, for any shares or debentures of the Company. The amount or rate of commission in the case of shares cannot exceed 5% of the price at which the shares are issued.

Dematerialisation of Securities

Article 7A provides that the Company shall be entitled to issue dematerialized securities and persons subscribing to securities offered by the Company shall have the option to receive security certificate or to hold the securities with a depository.

Lien

First lien

Article 9 provides that the company shall have a first and paramount lien on every share (not being a fully-paid share), for all moneys (whatever presently payable or not) called, or payable at a fixed time, but not paid in respect of that share and the lien shall extend to all dividends payable on that share. Additionally, 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.

Sale of shares on which company has lien

Article 10 provides that the company may sell in such manner as the board thinks fit, any shares on which the company has a lien

Proceeds of sale

Article 12 provides that the proceeds of the shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

Calls on shares

Board's power

Article 13 provides that the Board may, from time to time, make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times, provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.

When call deemed to be made

A call shall be deemed to have been made at the time when the resolution of the board authorizing the call was passed and may be required to be paid by installments.

Joint liability to pay calls

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

When interest on call or installment payable

Article 16 provides that if a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due, shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at such rate, if any, as the Board may determine and the Board may also waive payment of any such interest wholly or in part.

Payment of calls in advance

Article 18 provides that the Board may receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him. Upon all or any of the moneys so advanced, the Board may (until the same would, but for such advance, become presently payable) pay interest at such rate, if any, as may be agreed upon between the Board and the member paying such sum in advance. Provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

Transfer of Shares

Declining registration

Article 21 provides that the Board may, subject to the provisions of the Act and the applicable clauses of the Listing Agreement of the Stock Exchanges on which the Company's shares maybe listed, decline to register the transfer of shares (whether fully-paid or not) to any person (whether a member or not). But in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer.

Refusal to recognize instrument of transfer

Article 22 provides that the Board may decline to recognize any instrument of transfer unless the instrument of transfer is duly stamped and completed and is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

Suspension of registration

Article 23 states that subject to the provisions of section 154 of the Act and the applicable clauses of the Listing Agreements of the Stock Exchanges on which the Company's shares maybe listed, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine.

Transmission of Shares

Recognition of title to shares

Article 25 provides that on the death of a member, the survivor/s where the member was a joint holder, and his legal representatives where he was a sole holder, shall be the only persons recognized by the company as having any title to his interest in the shares.

Notice for registration

Article 27 provides that if the person who becomes entitled to the a share in consequence of the death or insolvency of a member, shall elect to be registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.

Entitlement to dividends and other advantages

Article 28 provides that a person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company. It is further provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirements of the notice have been complied with.

Forfeiture of shares

Notice for payment of call

Article 29 provides that if a member fails to pay any call or installment of a call, on the day appointed for the payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

Resolution of forfeiture

Article 31 states that if the requirements of any such notice are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

Transfer of forfeited share

Article 34 states that a duly verified declaration in writing that the declarnt is a director, the manager or the secretary of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of. The transferee shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

Non-payment of any sum

Article 35 provides that the provisions of the Articles relating to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Conversion of shares into stock

Transfer of stocks

Article 37 provides that the holders of stock may transfer the same or any part thereof in the same manner as , and subject to the same Articles under which, the shares from which stock arose might before the conversion have been transferred, or as near thereto as circumstances admit, provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

Share Warrants

Issue of share warrants

Article 40 provides that the company may issue share warrants subject to, and in accordance with, the provisions of sections 114 and 115 of the Act; and accordingly the Board may in its discretion, with respect to any share which is fully paid up, on application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the person signing the application, and on receiving the certificate (if any) of the share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.

Rules for issue of new warrant

Article 43 provides that the Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

Alteration of Capital

Increase of share capital

Article 44 provides that the Company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.

Article 45 provides that the company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum, subject, nevertheless, to the provisions of clause (d) of section (1) of section 94 of the Act; cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

Article 46 states that the company may, by special resolution, reduce in any manner and with, and subject to, any incident authorized and consent required, by law its share capital, any capital redemption reserve account or any share premium account.

Issue of Debentures, etc.

Article 47 provides that any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors or otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the company in the General Meeting.

General Meetings

Power of Board

Article 49 states that the Board may, whenever it thinks fit, call an extraordinary general meeting. If at any time there are not within India directors capable of acting who are sufficient in number to form a quorum, any director or any two members of the company may call an extraordinary general meeting, in the same manner as nearly as possible, as that in which such a meeting may be called by the Board.

Proceedings at General Meetings

Quorum necessary for business

Article 50 provides that no business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business and that five members present in person, shall be a quorum.

Chairman

Article 51 provides that the Chairman, if any, of the Board shall preside as chairman at every general meeting of the company.

Article 52 provides that if there is no such chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairman of the meeting, the directors present shall elect one of their number to be chairman of the meeting.

Article 53 provides that if no director is willing to act as chairman or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their number to be chairman of the meeting.

Power to adjourn meeting

Article 54 states that the Chairman may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place. It is further provided that no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the same shall be given as in the case of an original meeting. Save as aforestated, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Poll

Article 56 provides that any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

Votes of Members

Right to vote

Article 60 provides that no member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by hime in respect of shares in the company have been paid.

Objection as to qualification of voter

Article 61 provides that no objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

Instrument appointing proxy

Article 62 states that the instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or a notrially certified copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding meeting at which the person named in the instrument proposes to vote and in default of the instrument of proxy shall not be treated as valid.

Article 64 provides that a vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Board of Directors

Number of Directors

Article 65 provides that the number of directors shall not be less than three (3) and not more than twelve (12).

Other payments to directors

Article 66 provides that in addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all traveling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board of directors or committee thereof or general meetings of the company or in connection with the business of the company.

Qualification shares

Article 67 states that the directors shall not be required to hold any qualification shares in the company.

Preliminary expenses

Article 68 states that the Board may pay all expenses incurred in getting up and registering the company.

Official seal for use abroad

Article 69 provides that the Company may exercise the powers conferred on it by section 50 with regard to having an official seal for use abroad, and such powers shall be vested in the Board.

Foreign Registers

Article 70 enables the company to exercise the powers conferred on it by sections 157 and 158 of the Act with regard to the keeping of foreign registers and the Board may (subject to the provisions of those sections) make and vary such Articles as it may think fit respecting the keeping of any such register.

Negotiable instruments

Article 71 provides that all cheques, promissory notes, drafts, hundis, bills of exchange and other negotiable instruments, and all receipts for moneys paid to the company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by such person and in such manner as the board shall from time to time by resolution determine.

Additional/Alternate Directors

Article 73 provides that the Board shall have power at any time, and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles. Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act. It is further provided that the board may appoint an alternate director to act for a director during his absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. Such an alternate director shall not hold office for a period longer than that permissible to the director in whose place he has been appointed and shall vacate office if and when the said director returns to that state. If the term of office of the original director is determined before he so returns, any provisions in the Act or in these Articles for the automatic appointment of a retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director. It is also provided that subject to the provisions of sections 262 and 264 of the Act, the Board shall have the power at any time and from time to time to appoint any other person to be a director to fill a casual vacancy. Any person so appointed shall hold office only up to the date up to which the Director in whose place he is appointed would have held office if it had not been vacated by him.

Proceedings of Board

Voting at a Board meeting

Article 75 states that save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes and in case of an equality of votes, the chairman of the Board, if any, shall have a second or casting vote.

Continuing directors

Article 76 provides that the continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act 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 of summoninga general meeting of the company, but for no other purpose.

Election of Chairman

Article 77 provides that the Board may elect a Chairman of its meetings and determine the period for which he is to hold office and if no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be Chairman of the meeting.

Committees of Directors

Article 78 provides that the Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit and any committee so formed shall, in the exercise of the powers so delegated, conform to any Articles that may be imposed on it by the Boards.

Procedure of Committees' Meetings

Article 80 provides that a committee may meet and adjourn as it thinks proper. Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the chairman shall have a second or casting vote.

Acts of Committees

Article 81 states that all acts done by any meeting of the Board or of a committee thereof or by any person acting as a director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.

Resolutions of Board and Committees

Article 82 states that save as otherwise expressly provided for in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be as valid and effectual as if it had been passed at a meeting of the Board or committee, duly convened and held.

Manager or Secretary

Article 84 provides that a provision of the Act or these Articles requiring or authorizing a thing to be done by or to a director and the manager or secretary shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, the manager or secretary.

The Seal

Article 85 states that the Board shall provide for the safe custody of the seal and that every instrument to which the Seal is required to be affixed shall, unless the same is affixed and executed by a duly constituted attorney, be affied shall, unless the same is affixed and executed by a duly constituted attorney, be affixed and signed buy two Directors or one Director and the Secretary or some other person appointed by the Board for the purpose.

Dividends and Reserve

Declaration of Dividend

Article 86 states that the company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

Interim Dividend

Article 87 further provides that the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company.

Reserve

Article 88 states that the Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board be applicable for any purpose to which the profits of the company may be properly applied, including provisions for meeting contingencies or for equalizing dividends; and pending such application, may at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may, from time to time, think fit. The Board may also carry forward any profits, which it may think prudent not to divide, without setting them aside as a reserve.

Payment of dividends

Article 89 states that subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend s paid, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares and no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.

Article 90 provides that all dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

Board's power

Article 91 provides that the Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.

Payment by post

Article 92 provides that any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

Receipts from joint holders

Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonuses or other moneys payable in respect of such share.

Notice of Dividend

Article 94 states that notice of any dividend that may have been declared shall be given to the persons entitled to the shares therein, in the manner mentioned in the Act.

No dividend bearing interest against company

Article 95 states that No dividend shall bear interest against the company.

Unpaid/unclaimed dividend
Article 96 states that the Company shall comply with the applicable provisions of section 205A of the Act concerning transfer of unpaid/unclaimed dividend to the Unpaid Dividend Account and the Investors Education & Protection Fund as the case may be.

Accounts

Article 97 states that the Board shall from time to time determine whether and to what extent and at what times and places and under what conditions the accounts and books of the company shall be open to the inspection of members not being directors. No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorized by the Board or by the company in general meeting.

Capitalisation of Profits

Article 98 provides that the company in general meeting may, upon the recommendation of the Board, resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions. The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (3), either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively; paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or partly in the way specified in sub-clause (i) and partly in that specified in sub-clause(ii). It is further provided that a share premium account and capital redemption reserve account may, for the purposes of this regulation, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.

Article 99 then provides that whenever the Board passes a resolution mentioned in Article 98, the Board shall make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid shares, if any, and generally do all acts and things required to give effect thereto. The Board shall have full power to make such provision by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares or debentures becoming distributable in fraction; and also to authorize any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such captialisation, or (as the case may require) for the payment up by the company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares. Any agreement made under such authority shall be effective and binding on all such members.

Winding up

Article 100 provides that in case of winding up of the company, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members in specie or kind the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not. For this purpose, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. He may also, with like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

Indemnity

Article 101 provides that every officer or agent for the time being of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 633 of the Act in which relief is granted to him by the court.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by us or entered into more than two years before the date of this Draft Letter of Offer) which are or may be deemed material have been entered or are to be entered into by us. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at 106 Peninsula Centre, Dr. S.S.Rao Road, Parel, Mumbai 400012, India from **[•]** to **[•]** from the date of the Letter of Offer until the date of closure of the Rights Issue.

A. Material Contracts

1. MOU dated March 13, 2006 between Company & Lead Managers including inter-se

2. MOU dated February 25, 2006 between Company and Registrar to the Issue

B. Documents

1. Certificate of Incorporation of the Company dated July 14, 1995.

2. Memorandum and Articles of the Company.

3. Certificate on change of name to Morarjee Textiles dated January 4, 2005.

4. Shareholders Resolution passed at the Annual General Meeting held on September 5, 2005 appointing Shah & Co., as statutory auditors for the financial year 2005-2006.

5. Copy of the Board Resolution dated January 19, 2006 approving this Issue.

6. Consents of the Directors, Auditors, Lead Managers to the Issue, Legal Counsel to the Issue, Bankers to the Issue and Bankers to the Company, Registrars to the Issue and Registrars to the Company, to include their names in the Draft Letter of Offer to act in their respective capacities.

7. Appointment of Company Secretary as Compliance Officer and consent thereto.

8. Letter dated March 10, 2006 from the Auditors of the Company confirming Tax Benefits as mentioned in this Draft Letter of Offer.

9. The Report of the Auditors, Shah & Co., as set out herein dated January 19, 2006 in relation to the restated financials of the Company for the last five financial years.

10. Annual Reports of the Company for the last five Financial Years.

11. Application made for In-principle listing approval dated **[•]**, to the BSE.

12. In-principle listing approval dated **[•]** from BSE.

1. Letter No. [●] dated [●] issued by SEBI for the Issue.

2. Due Diligence certificate dated March 23, 2006

3. Tripartite agreement with NSDL & CDSL dated September 3, 2003 and March 2, 2005 respectively.

4. Copy of resolution appointing the Executive Vice- Chairman and the Managing Director of the Company

5. Power of attorney of all directors & CFO
6. Lease agreement of the Nagpur property

DECLARATION

No statement made in this Draft Letter of Offer contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions etc. issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

On behalf of Board of Directors of Morarjee Textiles Limited

Mr. Ajay G. Piramal
Mrs. Urvi A. Piramal
Mr. Harshvardhan Piramal
Dr. Giuseppe Callegari
Mr. Takao Yajima
Mr. Ranjan Sanghi
Mr. Shailesh Haribhakti
Mr. Aditya Mangaldas
Mr. Mahesh Gupta
Mr. Shobhan Thakore
Mr. P K Gothi

Mr. Bharat S. Sanghavi – Chief Financial Officer

Place: [•]
Date: [•]

Enclosure: Composite Application Form
(* through their constituted power of attorney)